



**AMBIENTHESIS**

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**ANNUAL MANAGEMENT REPORT  
AS AT 31<sup>st</sup> DECEMBER 2017**

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**AMBIENTHESIS GROUP**

**AMBIENTHESIS S.p.A.**

Via Cassanese, 45  
20090 Segrate (MI)

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

Tax number: 10190370154  
VAT number : 02248000248  
Business register 10190370154  
R.E.A. CCIAA MI 1415152  
[www.ambienthesis.it](http://www.ambienthesis.it)

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## CORPORATE BODIES

### Board of directors

**Giovanni Bozzetti** (\*) <sup>(1) (4)</sup> *Chairman*  
**Damiano Belli** (\*) <sup>(2)</sup> *CEO*  
**Maria Cleofe Bazzano**  
**Giovanni Mangialardi**  
**Franco Castagnola**  
**Susanna Pedretti** <sup>(3)</sup>  
**Paola Margutti** <sup>(3)</sup>

### Control and risks committee

**Susanna Pedretti** *Chairman*  
**Paola Margutti**  
**Giovanni Mangialardi**

### Remuneration committee

**Paola Margutti** *Chairman*  
**Susanna Pedretti**  
**Franco Castagnola**

### Auditory committee

**Michaela Marcarini** *Chairman*  
**Daniele Bernardi** *Standing auditor*  
**Enrico Felli** *Standing auditor*  
**Enrico Calabretta** *Deputy auditor*  
**Paola Pizzelli** *Deputy auditor*

### Manager in charge of drafting the Company financial statements

**Marina Carmeci**

### Auditing company

**PricewaterhouseCoopers S.p.A.**

#### Notes:

(\*): 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

(4): Co-opted by the Board on 24 May 2017; in office until the next Shareholders' Meeting.

## *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.

## *Introduction*

Ambienthesis S.p.A. 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 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 financial statements include the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, the statement of changes in the consolidated shareholders' equity and the consolidated cash flow statement.

The 2017 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.

## Company data

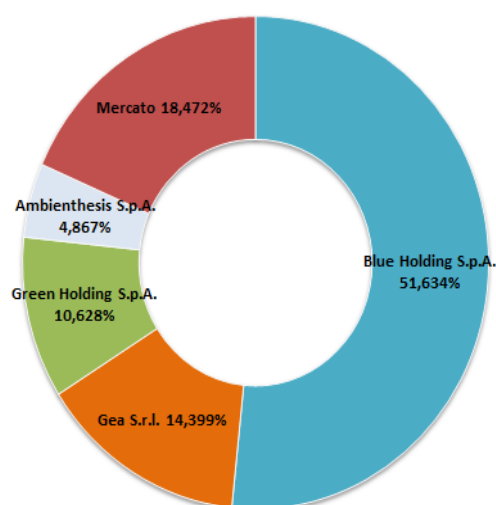
As of 31<sup>st</sup> December 2017, to the share capital of Ambienthesis S.p.A., represented by **92,700,000 shares** in circulation, participated - directly or indirectly, with voting rights exceeding 2% of the share capital, according to the shareholder register, supplemented by the communications 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, with a percentage of 18.472% placed on the market, 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 31<sup>st</sup> December 2017, the reference price of the ATH title featured a listing of 0.40 Euros (about +5,3% compared to the same period of 2016, instead equaling to 0.38 Euro).

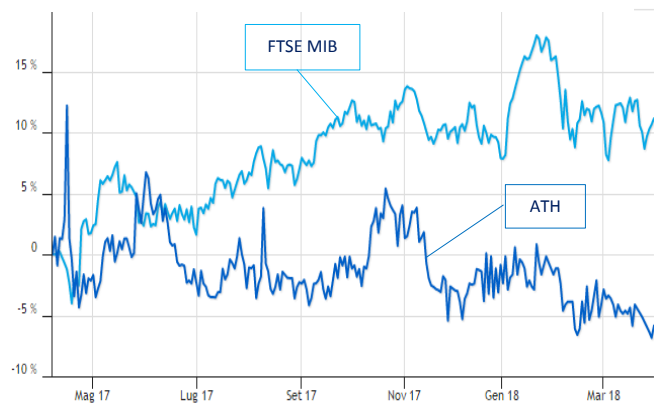
As at 09 April 2018, the ATH stock had instead a price of 0.3810 Euro, with the following performances:

Performance 1 month:	+0.77%
Performance 6 months:	-2.40%
Performance 1 year:	4.63%

ATH graph 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)



Source: Teleborsa

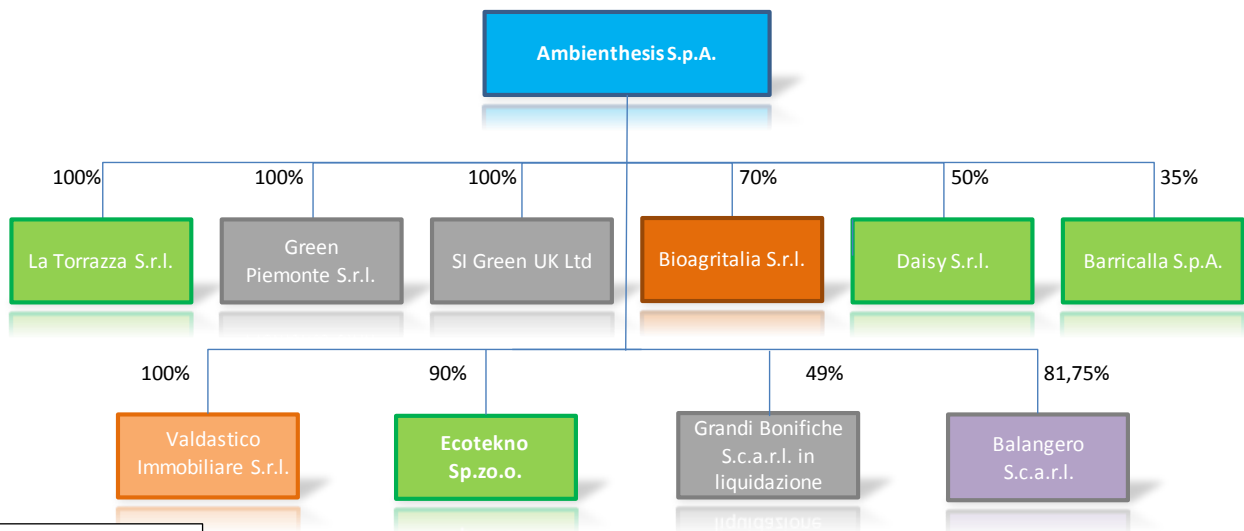
The Parent Company does not hold or has held during the reporting period, shares of the controlling companies.

## 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 31<sup>st</sup> December 2017 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

	Trattamento, recupero e smaltimento di rifiuti industriali; bonifiche e risanamenti ambientali; ingegneria ambientale
	Recupero e smaltimento finale di rifiuti industriali
	Trattamento di fanghi biologici per successivo impiego in agricoltura
	Società operanti nel settore immobiliare
	Attività di bonifica e risanamento ambientale
	Società non operative



As of 31<sup>st</sup> December 2017, the scope of consolidation, as well as Ambienthesis S.p.A., is composed by the following companies:

- <b>Bioagritalia S.r.l.</b>	70%	ITALY
- <b>Green Piemonte S.r.l.</b>	100%	ITALY
- <b>La Torrazza S.r.l.</b>	100%	ITALY
- <b>S.I. Green Uk Ltd</b>	100%	UNITED KINGDOM
- <b>Valdastico Immobiliare S.r.l.</b>	100%	ITALY

In the financial year ended December 31, 2017 the following companies became part of the consolidation scope:

- <b>Balangero S.c.a.r.l.</b>	81.75%	ITALY
- <b>Ekotekno Sp. Z.o.o.</b>	90%	POLAND

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

- <b>Barricalla S.p.A.</b>	35%	ITALY
- <b>Daisy S.r.l.</b>	50%	ITALY
- <b>Grandi Bonifiche S.c.a.r.l. in liquidatione</b>	49%	ITALY

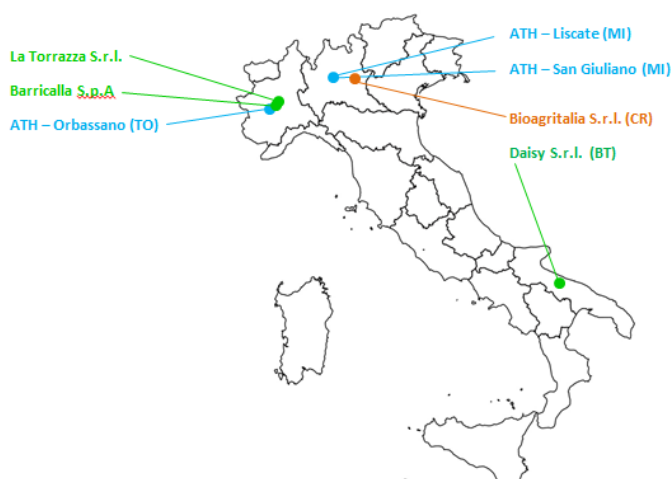
On 6 December 2017 Valdastico Immobiliare S.r.l. has sold the 25% stake it held in the company Siad S.r.l.

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 2017 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 2017. They refer to the year 2015 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 2015 to 132.4 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 11.4 million tons.

In particular, the production of non-hazardous waste, derived from the MUD calculations, amounted to 66.1 million tons.

In addition there are over 3.8 million tons relative to the estimates made for the manufacturing sector and the healthcare sector, 442,000 tons relating to end-of-life tires and more than 53 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 123.3 million tonnes, including around 12,000 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 – 2015**

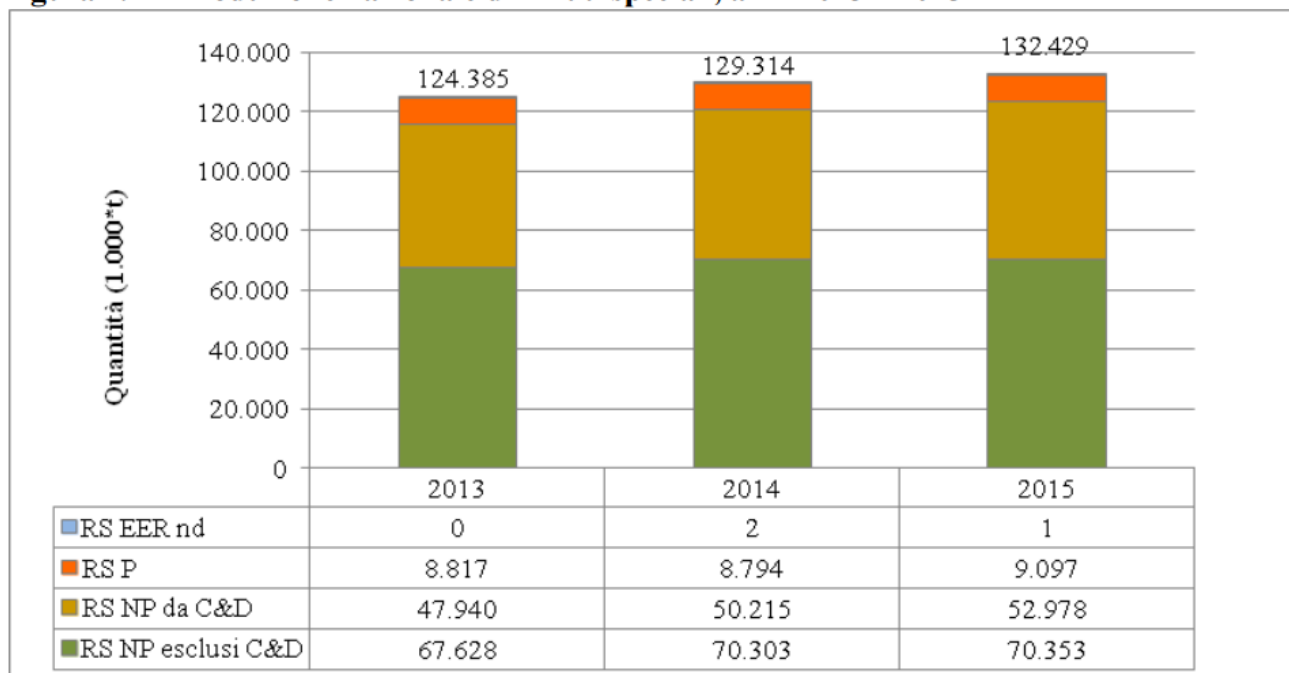
Tipologia	Quantitativo annuale (t/a)		
	2013	2014	2015
Rifiuti speciali non pericolosi esclusi i rifiuti stimati (MUD)	63.768.694 <sup>b</sup>	66.145.766 <sup>a,b</sup>	66.120.949 <sup>b</sup>
Rifiuti speciali non pericolosi esclusi i rifiuti stimati da C&D (stime)	3.820.651	4.152.828	4.220.392
Rifiuti speciali non pericolosi da C&D (stime)	47.939.874	50.214.864	52.978.023
Rifiuti speciali non pericolosi con attività ISTAT non determinata (MUD)	38.366	4.873	11.712
<b>Totale non pericolosi</b>	<b>115.567.585</b>	<b>120.518.331</b>	<b>123.331.076</b>
Rifiuti speciali pericolosi (MUD)	7.643.176	7.696.966 <sup>a</sup>	7.854.452
Rifiuti speciali pericolosi (stime)	-	-	2.117
Veicoli fuori uso (MUD)	1.167.350	1.095.592	1.239.829
Rifiuti speciali pericolosi con attività ISTAT non determinata (MUD)	6.076	1.312	717
<b>Totale pericolosi</b>	<b>8.816.602</b>	<b>8.793.870</b>	<b>9.097.115</b>
Rifiuti speciali con codice EER non determinato (MUD)	403	2.000	691
<b>Totale rifiuti speciali</b>	<b>124.384.590</b>	<b>129.314.201</b>	<b>132.428.882</b>

(a) Dato aggiornato rispetto al Rapporto Rifiuti Speciali – Edizione 2016.

(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 – 2015**



Fonte: ISPRA

The amount of hazardous waste produced, in 2015, amounted, however, to nearly 9.1 million tonnes (of which more than 1.2 million tons, accounting for 13.6% of the overall figure, relating to end-of-life vehicles and just under a thousand tons of hazardous waste with NSI activities not determined).

The data analysis shows that the estimated share represents around 46.4% 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 2014 and 2015 there was a major rise in the total production of special waste, equalling to 2.4%, corresponding to more than 3.1 million tons.

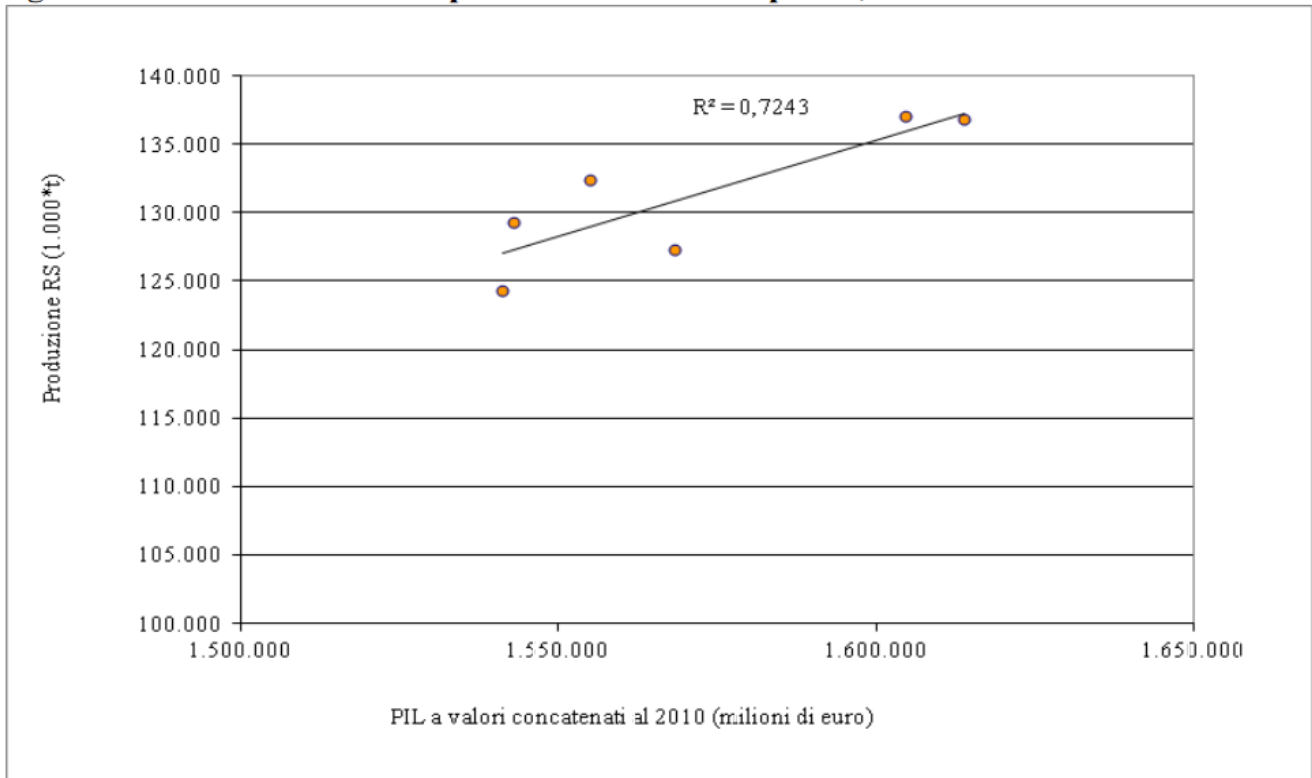
In particular, compared to 2014, the total production of non-hazardous waste shows an increase in quantitative terms of over 2.8 million tons (+ 2.3%), mostly due to special non-hazardous waste from construction and demolition operations. The production data of non-hazardous special waste deriving from the MUD database remains, however, substantially stable.

The production of hazardous special waste increases by 3.4%, corresponding in quantitative terms to just over 300 thousand tons.

The production figure for end-of-life vehicles (+13.2) and other hazardous special waste (+ 2%) contributes to the increase recorded.

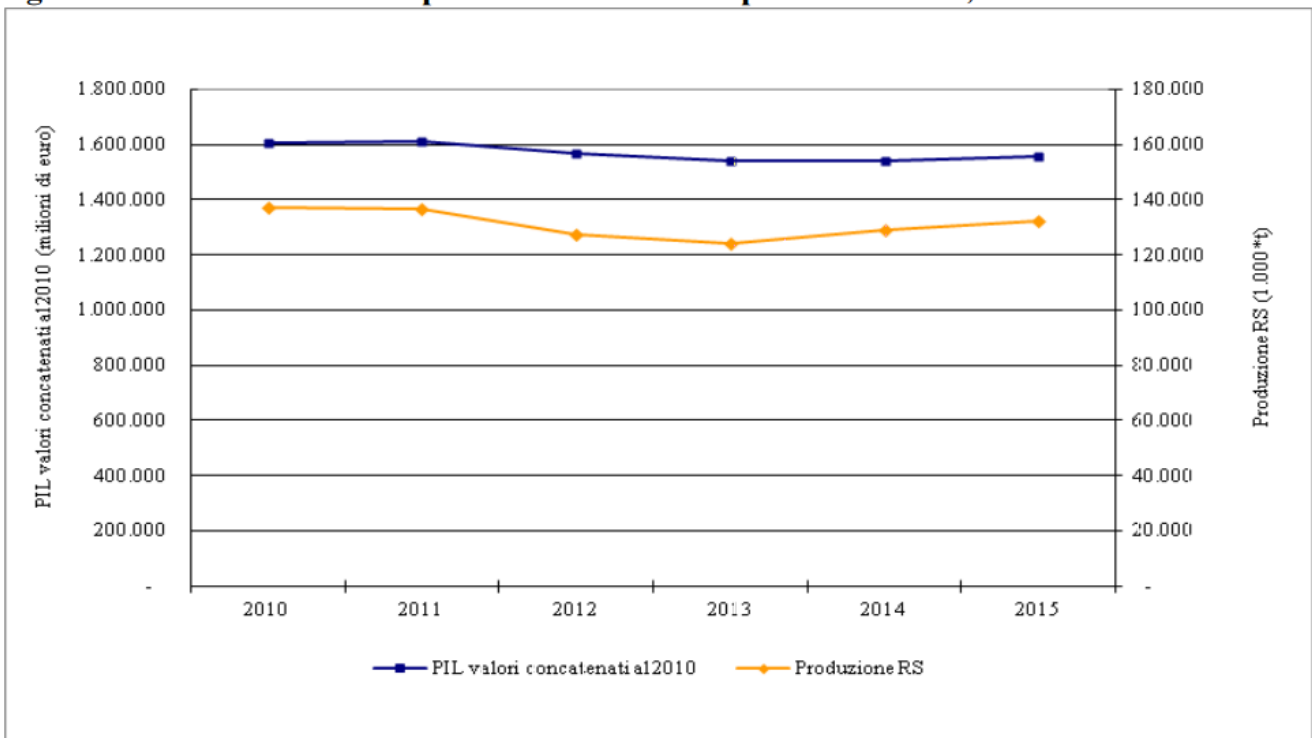
Comparing the progress of the waste production to the gross domestic product (values linked with the reference year 2010) it may be noted, with reference to the 2010- 2015 period, a correlation with a value of  $R^2$  equal to 0.7243 indicative of a linear regression (Figures 2.2 and 2.3).

**Figura 2.2 - Relazione tra PIL e produzione dei rifiuti speciali, anni 2010 – 2015**



Fonti: elaborazioni ISPRA su dati ISTAT

**Figura 2.3 – Andamento della produzione dei rifiuti speciali e del PIL, anni 2010 – 2015**



Fonti: ISPRA, elaborazioni ISPRA su dati ISTAT

## SUMMARY OF ECONOMIC AND FINANCIAL PERFORMANCE OF THE AMBIENTHESIS GROUP AT 31.12.2017

<b>ECONOMIC DATA</b> In thousands of Euros	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
Revenues	59,033	77,401	-23.7%
Operating expenses	-57,479	-75,818	-24.2%
Gross operating margin (Ebitda)	1,554	1,583	-1.8%
Amortisation and depreciation	-4,090	-3,602	13.5%
Net operating margin (Ebit)	-2,536	-2,019	25.6%
Pre-tax income	-2,442	-3,040	-19.7%
<b>Final net result – profit/loss</b>	<b>-2,646</b>	<b>-1,708</b>	<b>54.9%</b>

<b>ECONOMIC DATA Adjusted*</b> In thousands of Euros	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
Revenues	59,783	77,401	-22.8%
Operating expenses	-57,179	-72,104	-20.7%
Gross operating margin (Ebitda)	2,604	5,297	-50.8%

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

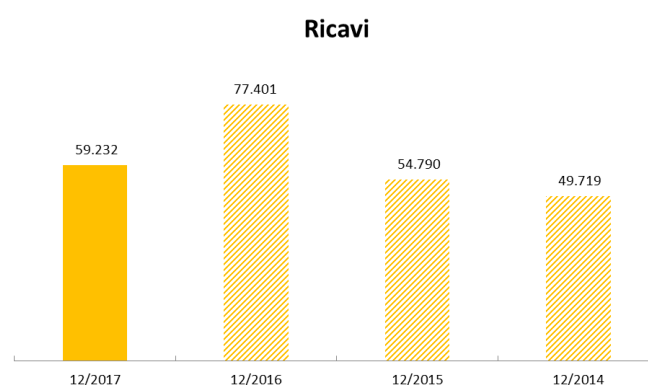
<b>FINANCIAL DATA</b> In thousands of Euros	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
Net circulating capital	-3,523	-1,719	104.9%
Total assets	98,254	109,254	-10.1%
Equity	42,017	45,605	-7.9%

<b>NFP</b> In thousands of Euros	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
Net financial position	-1,359	842	-261.4%

### Management performance

**Net consolidated revenues** generated by Ambienthesis Group in 2017 amounted to **59.033 thousand Euros**, down by 23.7% compared to the previous year, when they amounted to 77,401 thousand Euros.

This decrease in the amount of sales revenues is mainly due to a procrastination of the beginning and development of some new projects in the "Environmental reclamation" business sector and a reduction in brokerage activities in the "Waste disposal, transport and storage" business area; on the other hand, please note the positive performance recorded by the revenues deriving from the "Construction and engineering" business area, thanks to the launch of new plant preparation works.

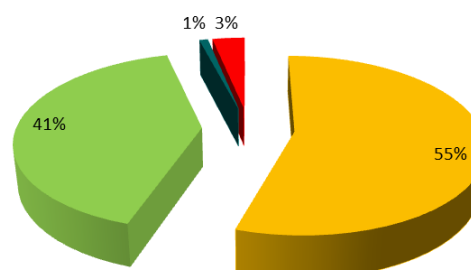


The composition of the Group's revenues for the FY 2017 and for the previous one is highlighted in the table and charts below:

<b>REVENUES</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
-----------------	-------------------	-------------------	--------------------

In thousands of Euros			
Waste disposal, transport and storage	40,064	42,531	-5.8%
Reclamations	14,345	31,701	-54.7%
Buildings and engineering	3,149	646	387.3%
Other revenues	1,475	2,523	-41.5%
<b>TOTAL REVENUES</b>	<b>59,033</b>	<b>77,401</b>	<b>-23.7%</b>

## 2016 FY REVENUES



■ Smaltimento, trasporto e stoccaggio rifiuti   
■ Bonifiche ambientali   
■ Costruzioni 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 2017 amounted to **-57,479 thousand Euros**, down by 24.2% compared to the previous year, amounting, instead, to 75,818 thousand Euros.

Please note that the decrease in operating costs compared to 2016 (-24.2%) however was higher in percentage compared to the growth dynamics observed in net sales revenues in the same period, which in turn were down by -23.7%.

In detail, the "Purchases of raw materials and semi-finished products" decreased by 16.9%, the "Services provision" instead decreased by 25.3%, the "Staff cost", recorded, however, an increase of about 4.4%, and finally, "Other operating costs and provisions" decreased by 41.6% (unchanged compared to the adjusted data).

The consolidated **gross operating margin** was positive for an amount of **1,554 thousand Euros**, essentially in line with that recorded in the previous year (**+1,583 thousand Euros**).

The aforementioned margin, excluding non-recurring items (adjusted), amounted, instead to **+2.604 thousand Euros** against a margin, still positive, of the previous year of +5,297 thousand Euros, mainly due to the contraction in revenues, substantially, as already mentioned, a contraction in the environmental remediation sector.

The **consolidated net final result** was negative in the amount of **-2,646 thousand Euros** (against -1,708 thousand Euros of the FY 2016), after expensing depreciations and write-downs for 4,090 thousand Euros (against 3,602 thousand Euros in FY 2016).

A more in-depth and effective reading, able to give a better measure of the operating performance of the FY 2017, can be carried out using an adjusted reclassification of the consolidated income statement: it is important to highlight, in fact, 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:

Reduction of the contractual value of contracts in progress	-750
Provision for risks and charges for the Bankruptcy of Sadi Poliarchitettura	-300
Write-down adjustment at the lowest price for the Casei Gerola area	-1.380
Non-recurring taxes and fees	-410
<b>TOTAL</b>	<b>-2,840</b>

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 what specified below:

- The reduction in the contractual value, already implemented during the first quarter of 2017, was determined in order to define transactively the remuneration of works already carried out;
- In relation to the property area located in the Municipality of Casei Gerola - Pavia, the adjustment to the lower price was recalculated on the basis of actual realizable expectations;
- The additional non-recurring negative component of income, amounting to 300 thousand Euros, is attributable to the additional financial provision made in relation to the bankruptcy proceedings of the former Sadi Poliarchitettura S.r.l., ended however with the signing of a settlement agreement between Immobiliare Valdastico and the Bankruptcy Sadi Poliarchitettura S.r.l. on 31.07.2017;
- Finally, non-recurring taxes and fees refer to provisions relating to tax disputes.

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, 2017 and the consolidated final net result net of these non-recurring items.

ECONOMIC DATA In thousands of Euros	31.12.2017	31.12.2016	Variation %	Adjusted data*		
				31.12.2017	31.12.2016	Variation %
Revenues	59,088	77,401	-28.7%	59,788	77,401	-22.8%
Operating expenses	-54,479	-75,818	-24.2%	-54,179	-72,104	-20.7%
Gross operating margin (Ebitda)	1,554	1,583	-1.8%	2,604	5,297	-50.8%
Amortisation and depreciation	-4,090	-3,602	18.5%	-2,710	-2,792	-2.9%
Net operating margin (Ebit)	-2,536	-2,019	25.6%	-106	2,505	-104.2%
Pre-tax income	-2,442	-3,040	-19.7%	-12	3,510	-100.3%
<b>Final net result – profit/loss</b>	<b>-2,646</b>	<b>-1,708</b>	<b>54.9%</b>	<b>194</b>	<b>4,842</b>	<b>-96.0%</b>

\*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 more satisfactory level, and this despite a context of still widespread variability in sectoral economic trends.

Furthermore, it should be noted that **the total net financial position (NFP)**, beyond cyclical contingent changes, remained satisfactory, even at 31 December 2017, reaching **-1,359 thousand Euros**, against + 842 thousand Euros registered instead as of 31 December 2016.

For the above, also the degree of leverage<sup>1</sup> - equal to -0.0323 - has not undergone particular changes with respect to the previous reference periods.

<sup>1</sup> Degree of leverage = ratio of net financial position to equity

31.12.2016	NET FINANCIAL POSITION AS AT 31.03.2017	31.12.2017	30/06/2017
5	A. Cash	9	10
3,817	B. Cash equivalents	1,645	443
0	C. Bonds held for negotiation	0	0
<b>3,192</b>	<b>D. Cash (A+B+C)</b>	<b>1,654</b>	<b>452</b>
<b>1,909</b>	<b>E. Current financial receivables</b>	<b>2,702</b>	<b>1,926</b>
1,909	-of which to related parties	2,702	1,926
-3,480	F. Current bank debts	-5,567	-3,429
-397	G. Current portion of non-current debt	0	-402
-72	H. Other current bank debt	-148	-150
0	-of which to related parties	-143	-139
<b>-3,949</b>	<b>I. Current financial debt (F+G+H)</b>	<b>-5,715</b>	<b>-3,979</b>
<b>1,152</b>	<b>J. Net current financial debt (I-E-D)</b>	<b>-1,359</b>	<b>-1,601</b>
-295	K. Non-current bank debt	0	-147
0	L. Issued bonds	0	0
-15	M. Other non-current financial liabilities	0	-3
<b>-310</b>	<b>N. Financial non-current debt (K+L+M)</b>	<b>0</b>	<b>-150</b>
<b>842</b>	<b>O. Net financial debt (J+N)</b>	<b>-1,359</b>	<b>-1,750</b>

Lastly, the **consolidated order book** relating only to the "contract" activities deserves to be represented. At 31 December 2017 it amounted to approximately **56 million Euros**, of which **47 million Euros** in the *environmental remediation* sector and **9 million Euros** in the *plant construction* sector.

## Remarkable events occurred during the financial year 2017

### Acquisition of new orders

In the year 2017 the acquisition of new job orders contracts totalled **19,694 thousand Euros**; this confirms the positive specific trend that had already been highlighted in the FY 2016, which had, at the time, recorded an order entry of 26,736 thousand Euros.

NEW ORDERS <i>In thousands of Euros</i>	31.12.2017	31.12.2016	Variation %
TOTAL	19,694	26,736	-26.3%

Below are the main orders received during the 2017 financial year:

- The works for the reclamation of materials containing asbestos at the branch of Corso Duca degli Abruzzi, entrusted by the Polytechnic of Turin for a total amount of 251 thousand Euro;
- The works for safekeeping the irrigation channels by removing the sediments and managing the hydraulic barrier entrusted by the municipality of Asola (MN), within the scope of the reclamation "ex Flucosit", for a total amount of 607 thousand Euro;
- The service of transport and disposal of hazardous waste arising from the excavation of the Latina Sogin Plant pits "A" and "B" with anthropogenic material awarded by Nucleco S.p.A to the grouping of companies constituted by Ambienthesis S.p.A. and others for a total amount of 1.818 thousand Euros;
- Land reclamation works of the Alcoa plant located in the Municipality of Venice, in Fusina, awarded by Alcoa Transformazioni S.r.l. to a grouping of companies to which Ambienthesis S.p.A. participates as Principal Company; the total contractual amount of the work is approximately 16.9 million Euro, while the share of responsibility for Ambienthesis S.p.A. is about 6.8 million Euros.
- Reclamation works related to the removal of pyrite ash hot-spots at the "ex Pasqualini" site in Legnago (VR) awarded by Edison S.p.A., for a total amount of 1,995 thousand Euros.
- Construction of the new "Lot 5" landfill cell and completion of the solar farm entrusted by Barricalla S.p.A. for a total amount of 6,339 thousand Euros.



- **Signing of a contract between SI Green UK and Edenstone for the continuation of the real estate development activities in the SI Green UK property in Swansea**

With reference to the subsidiary 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 06.01.2016.

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, the 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 bio-gas 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 the "Brexit", the predictable favorable scenarios of the local real estate market have led the developer (Edenstone) to support the reasons for 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 continue the development activities. Subsequently, Edenstone saw the upholding of the appeal presented to the Planning Inspectorate against the opinion of the Planning Committee.

On 11 January 2018 the competent authorities granted the definitive clearance (the so-called "planning permission") to the start of the real estate development activities of the aforementioned area, which will take place through the preliminary closure of the landfill in the same area, and the subsequent construction and sale of 300 residential units, of which a 5% share destined for medium-high level social housing (share reduced from 10% to 5% due to the high related urbanization costs).

On the basis of the contract signed with Edenstone Homes Ltd and on the basis of the forecast plan for the valorisation of the individual real estate units and the areas that the subsidiary will progressively sell to the counterparty for the construction of the housing units, the Directors believe that the investment carried out, including also the financial receivable from the subsidiary company, is fully recoverable.

- **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, did not acknowledge the findings of the Attorney General and 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 company, had already proceeded to set aside a provision for the complete coverage of risks in the 2016 budget.

Against said court decision of the Supreme Court Ambienthesis S.p.A., based on a specific mandate to their lawyers of the law firm Bonelli-Erede of Milan, has proposed, in parallel, an appeal for revision under art.391 bis of the Civil Procedure Code and appeal to the European Court of Human Rights.

On 6 February 2018 the Chamber of Cassation hearing was held in the Court of Cassation, in which the Court examined Ambienthesis' appeal without the presence of the defenders, reserving the right to communicate its decision through the Registry. We are waiting to receive the results of the hearing that should arrive within 3-6 months. The appeal to the European Court of Human Rights passed the first screening of eligibility and took the no. 2355/2017.

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

Last March, the Public Prosecutor's Office of Ivrea requested a restraining order for the subsidiary company Green Piemonte S.r.l. and for Ambienthesis S.p.A itself, regarding the liability of the entities pursuant to art. 45 and following, Legislative Decree 231/01; the above after the fact that on March 31, 2016, the subsidiary Green Piemonte had been subject, on the orders of the Prosecutor of Ivrea, to an instance of seizure of the area of its owns (and the value of which is budgeted for Euro 25 thousand) in the municipality of San Benigno Canavese (TO), in proceedings relating to hypothesis of environmental crimes.

The initiative disconcerts the company because it collides with the ruling of the Piedmont Regional Administrative Court 1115/2015 which has definitively excluded that the company Green Piemonte S.r.l. (controlled by Ambienthesis Spa) shall provide for the reclamation, which is instead duty of the Municipality of San Benigno, also due to the fact that the presence of waste and the damage of the area is ascribed to the previous ownership (then bankrupted) and not instead to Green Piemonte Srl, company that has never carried out any economic activity on the aforementioned area.

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 cannot 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. The Supreme Court, in its ruling of May 9, 2017, filed on the last 5th July, annulled the decision of the Public Prosecutor of 14.10.2016.

Although, as noted, the Company felt that there were the conditions to demonstrate 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, and the subsequent implementation of the related interventions.

With regard to the problems here represented Ambienthesis S.p.A. has already started actions, and will continue to do so in all the appropriate fora, in order to obtain recognition of its good reasons.

- **Acquisition of 90% 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 ., as well as of the credit of nominal amount of Euro 539,892.54, corresponding to 80% of the receivable from REA-funded loans with respect to Ekotekno Sp. Z.o.o.(100%)

The transaction between Ambienthesis and Rea Dalmine, 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.

On June 5, 2017, Ambienthesis S.p.A. has acquired, at the price of 250,000 Euros, from the Polish company Two Trees Giovannini SpJ., an additional share corresponding to 10% of the nominal value of the share capital of the Polish company Ekotekno Sp. z oo, increasing its share to 90% of the share capital.

Please note that Ekotekno Sp. z o.o. ("Ekotekno") is a polish limited liability company, with registered office in Czesochowa (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 with capacity of 60,825 tons / year and divided into three main sections:

With reference to the state of the authorization and implementation of the industrial project promoted by the Polish subsidiary Ekotekno Sp. Z oo, recalled the unexpected lack of recognition of the right to see their plant included in the "Regional Waste Plan for the years 2016- 2022 with extension for the years 2023-2028 ", on 20 July 2017 the subsidiary had lodged an appeal against the resolution taken on by the Regional Council of Lodz at the Regional Administrative Court of Lodz.

This first-instance body, to which the subsidiary had submitted its petition, on 15 December 2017 declared the appeal inadmissible, indicating that no legitimate interest of the applicant would be harmed by the Resolution taken by the Polish Public Administration in accordance with the applicable special laws.

An examination of the reasons for the provision, the latter made available last January 23, revealed that, according to the Regional Administrative Court, Ekotekno Sp. Z o.o. in the specific case, would not have any legit-

imate interest in filing such an appeal, since the failure to include the aforementioned plant in the new Regional Waste Plan would only represent an infringement of a de facto interest and not a legitimate interest. Furthermore, in assuming that decision, the Court considered only a small part of the numerous arguments, de facto and by law, produced by the applicant and in no way it dealt with the further questions and exceptions of merit raised by the same, including those referred to the so-called "acquired rights", constitutionally guaranteed and owned by the subsidiary company, represented here, as already highlighted, by the inclusion of plant property of Ekotekno Sp. z oo in the previous Waste Management Plan with the status of "basin plant". Finally, the Court has not in the least referred its arguments based on the law on waste, omitting all the issues related to it and instead basing its reasons only on the construction law.

In light of the above and taking into account the circumstance for which, with the assistance of the lawyers assisting the subsidiary and of the consultant Prof. Wierzbowski, - maximum national expert in the field of building law - there were well-founded reasons and important legal arguments in support of the necessary inclusion of the aforementioned plant in the new Regional Waste Plan, Ekotekno has therefore already given them a mandate, contrary to the decision taken by the Regional Administrative Court, on February 8, 2018, to present a specific appeal to the Polish Council of State, whose decision is expected at the beginning of the second half of 2018.

Given the above - pending the decision of the State Council (expected in 4/5 months) - Ekotekno has provided - on the basis of a very recent announcement with which the Voivodato Regional Council of Łódź has informed about the possibility of announcing investments and planned activities regarding the waste management plan, aimed in particular at improving urban waste management, in the field of municipal waste separate collection systems and urban waste treatment plants, to be carried out between 2018 and 2024 in the Łódź Voivodato area - to submit a specific project request in coherence with its own industrial development and the latest trends of the reference market.

In particular, the questionnaire for the implementation of the waste management plan for the region of Łódź for the years 2018-2022, also taking into account the years 2025-2030, presented by Ekotekno was substantiated in three projects:

- Waste treatment plant of urban mechanical and biological waste (TMB) with an attached landfill (as already known).
- Plant (other than TMB) for the treatment and recovery of hazardous and non-hazardous special waste.
- Landfill-only plant, authorized for the treatment of urban and industrial waste deriving from the regional and extra-regional basin.

Lastly, it should be noted that, based on the contract signed between Rea Dalmine and Ambientthesis, in the event of the failure of the Ekotekno project, the latter can still exercise the right of withdrawal and be reimbursed all the costs incurred by Rea Dalmine S.p.A.

- **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 m<sup>3</sup> 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

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

On 29 March 2017, the companies Ambientthesis 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 Ambientthesis S.p.A. and COGEIS S.p.A., relating to

the remediation and securing of the asbestos mine in Balangero (TO) for a total value of the project equal to 2,353 thousand euros.

- **La Torrazza S.r.l.: Presented a request for the creation of a new landfill cell.**

On 24 April 2017 the company La Torrazza S.r.l. has submitted to the Metropolitan City of Turin an application for the creation and cultivation of a new landfill cell (Cell 9) defined under the law for hazardous waste, where non-hazardous waste can also be disposed of, for a total volumetry of 512,000 cubic meters and is characterized by an environmental restoration that will allow the landscape to be reconfigured with the existing restoration of the remaining cells. Authorization process is still ongoing.

- **Signed by Ambienthesis S.p.A. contract for the lease and subsequent conditional purchase option of the company Ecorisana S.r.l. in Liquidation.**

On May 16, 2017, Ambienthesis S.p.A. has signed a lease contract with Ecorisana S.r.l. in Liquidation (formerly Gio.Eco Srl), having its head office in Segrate (MI) and active for over 20 years in the business of environmental reclamation with a vocation for those closely related to the real estate sector. Said lease contract (the "Contract"), has a simultaneous formulation of a proposal for irrevocable and conditional purchasing of the same branch (the "Proposal").

Please also note that, following the resolution passed on May 24, 2017 and registered on May 31, 2017, Ecorisana lodged the proposal for a preliminary agreement with the Court of Milan and that on 15 February 2018 the latter issued a decree for the admission of the same agreement proposal.

In this regard, it should be noted in particular that:

- all of the assets, contracts, staff and rights covered by the agreement also include the use of both the "Gio.Eco" trademark, which has an excellent brand perception and of the patent relating to a specific process for the reclamation through biological technologies of land polluted by hydrocarbons and petroleum product, thus allowing the company to be considered, in the industry niche to which it belongs, one of the main players in the market;
- with the signing of the Contract, Ecorisana also granted use to Ambienthesis S.p.A. of its 100% shareholding in the capital of T.S.W. - Treatment and Soil Washing - S.r.l. with headquarters in Nebbiuno (NO) for the duration of the lease contract;
- the contract has a duration of 12 months (renewable), effective from May 17, 2017 and up to May 16, 2018;
- The agreed rent is equal to a total annual amount of € 60,000.00, paid by deferred monthly installments of € 5,000.00 each;
- the Proposal formulated by Ambienthesis S.p.A. (suspensively conditioned by the fact that the decree of homologation by the Tribunal former art. 180 The Bankruptcy Law of the Ecorisana Concordat Estimate is to be filed no later than 9 months from the date of admission of Ecorisana to the competition procedure) involves the purchase of the business branch to be leased at a total price of Euro 700,000.00, in addition to the indemnity for Termination Benefits (and other unused earnings, etc.) accrued up to now by the employees of Ecorisana part of the above-mentioned branch of business, and to the severance indemnities and unused leave accrued and to be accrued during the validity of the Contract.

Please note that the Proposal will remain firm and irrevocable until the end of the sixth month following the date of the Homologation of the Ecorisana Concurrency Estimate and that, if within this period the Proposal is not accepted by the counterparty, it will lose any validity and effectiveness.

The agreement described above allows Ambienthesis S.p.A. to benefit from a competitive leverage that, thanks to the significant operational synergy resulting from the integration between the two entities, will enable the Company to achieve economies of scale in the business unit "Environmental Reclamation and Resanation" and to further implement its commercial action in the private sector of real estate brokers and builders or infrastructures.

- **Appointment of mediation assignment for the sale of the property complex of Casei Gerola (PV)**

Ambienthesis after commissioning a real estate brokerage firm to find a buyer of the Casei Gerola's "former sugar factory" real estate complex, continues to conduct negotiations in an attempt to reach, within the current year, the sale of the real estate complex.

In the consolidated half-year financial statements as of June 30, 2017, the value of the asset was already prudently devalued to align it with the lowest selling price (worst case). The transaction, which is part of the broader disposal plan of non-characteristic assets, will bring the Group an important liquidity to the benefit of the development of core business activities.

- **Pronunciation by the Court of Appeal of Milan on the appeal promoted by Ambienthesis S.p.A. against the judgment n.1927 / 2015 of the Court of Milan in relation with the "ex Sisas reclamation".**

The Court of Appeal of Milan, by judgment No.2281 / 2017 published on May 25, 2017, rejected the appeal filed by Ambienthesis S.p.A. against the Lombardy Region, the Ministry of the Environment for the Protection of the Territory and the Sea, the Presidency of the Council of Ministers and T.R. Estate Due S.r.l. against the judgment n.1927 / 2015 of the Court of Milan, with whom Ambienthesis required to ascertain the contractual or extra-contractual responsibility of the others appealed as well as the already sentenced T.R. Estate Due S.r.l.

..

- **Appointment by co-optation of a new director in Ambienthesis S.p.A. ...**

On May 24, the Board of Directors of Ambienthesis S.p.A. has co-opted, pursuant to the first paragraph of Article 2386 of the Italian Civil Code, Dr. Giovanni Bozzetti as the new Director of the Company following the announced resignation of Director Paolo Rossi.

- **Appointment of Dr. Giovanni Bozzetti as new Chairment of Ambienthesis S.p.A.**

Subsequent to the Shareholders' Meeting of May 26, 2017 which, in addition to confirming as the Company's Director, the Lawyer Giovanni Mangialardi (appointed by cooptation by the Board on 27 July 2016) had appointed the Managing Director Mr. Damiano Belli as Chairman of the Company, on November 13, 2017, the Board appointed Mr. Giovanni Bozzetti as new Chairman, in place of Mr. Damiano Belli who, on the same date, tendered to the Board his resignation as Chairman (while retaining the role of Chief Executive Officer).

- **Company reorganization program of Ambienthesis S.p.A.**

The business reorganization program approved by the Ministry of Labor and Social Policy on April 8, 2016, which is currently in progress, has seen, with regard to the redundancy, the voluntary membership of 8 working units compared to the totality of figures falling within the relative procedural target, originally fixed in 27 units. However, it is necessary to point out that 12 units of the 27 initially identified have been re-used in remediation sites and new contracts acquired in the meantime.

At the same time, there has been a substantial reduction in unused holidays, which 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.

In light of the above, the economic and financial impacts of the redundancy procedure, which ended June 30, 2017, were not significant.

- **Sadi Poliarchitettura S.r.l.**

Please note 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 sums required 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 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 initially fixed on May 16, 2017 and it was postponed pending negotiations on October 10, 2017, with a commitment by both parties to inform the judge about the outcome of negotiations ten days before the hearing. The Judge welcomed the request for referral by Valdastico Immobiliare, anticipating that he had not yet made any decision.

On July 31, 2017, a settlement agreement was signed between the Bankruptcy and Valdastico Immobiliare Srl, in view of the shared interest to resolve any dispute and any contractual relationship between the parties. The agreement defined to settle any dispute between the same parties by means of a payment made by Valdastico on the same date, of the total amount of 800 thousand Euro in favor of the Bankruptcy itself.

In return for this payment, the Bankruptcy stated that it waived any claim raised in the pending case and it was bound to return to Valdastico by 31 January 2018 the property located in Orgiano, owned by Valdastico itself, free of people and in the state of fact in which the same will be on that date.

The delivery of the property took place on January 30, 2018.

For the above, in the current 2017 consolidated financial statements, the amount of 300 thousand euros was further set aside with respect to the 500 thousand euros already set aside in the financial statements as at 31 December 2016.

- **Sale of the shareholding in Siad S.r.l.**

With reference to the subsidiary company Siad S.r.l, it should be noted that, last December it was completed the transfer of the entire share capital to the company Numeria S.G.R. S.p.A., against a total compensation of 1,046 thousand euros, of which the pertinent portion (25%) of Valdastico Immobiliare S.r.l. amounts to 261 thousand euros, resulting in a gain on disposal for 31 thousand euros.

## Events occurred after the end of FY 2017

In addition to what has already been stated in the previous paragraph, the following is to be noted:

- **Acquisition of new waste disposal works (non-commissioned order)**

In March 2018, the service for loading, transporting and disposing of the fume treatment powders of the waste-to-energy plant of Accam SpA was obtained, for a total value of € 3,294 thousand.

## Intra-group relations and related parties

As regards transactions with related parties, it should be noted, as reported herein, in addition to the purchase and sale of the shares of Polish company Ekotekno Sp. Z o.o., also the signing of the contract with the related party company Rea Dalmine SpA having as its object the carrying out, by the latter, of new and advanced plant systems at the multifunctional platform for the treatment and management of special waste owned by Ambienthesis S.p.A. located in the Municipality of Orbassano and consisting of a cogeneration plant and a plant system for the better management of atmospheric emissions (in this regard, please also refer to the press release of 11 December 2017).

Per il dettaglio dei rapporti con parti correlate si rinvia alle relative note esplicative al bilancio consolidato.

Generally speaking, with regard to transactions with related parties, it should be noted that the same are usually 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 2017, the income statement includes 6.459 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 at 31.12.2017	ATH Group at 31.12.2016	Variation
Directors	9	9	-
Employees	68	60	8
Workers	39	38	1
<b>Total</b>	<b>116</b>	<b>107</b>	<b>9</b>

## 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
- minimize environmental risks by taking advantage of the various investment opportunities offered by the market;
- adopt purchase policies aware of the environmental themes

## **Investments**

During the 2017 financial year, the Group made investments for a total of 2,736 thousand euros, of which 2,224 thousand euros referable to the acquisition of the "Ekotekno" shares, and the remainder essentially attributable to the normal cycle of investments in plants, machinery and equipment necessary to carry out the business activity;

## **Research and development activities**

The Group's research activities, during the year 2017, kept focusing mainly on the analysis of operational measures for the optimisation of the management of owned plants, the development of monitoring and environmental control technologies, and energy efficiency, with the start of the executive phase of the project for the construction of an advanced odor abatement system and a trigeneration plant for the multi-purpose waste treatment platform in Turin.

## **Expectable management evolution**

The medium-term business plan approved last March, in continuity with the actions already launched to achieve the three priority objectives set for growth, rationalization and profitability, is based on the following basic assumptions:

- **Scouting activities on foreign markets** for possible business development in the Balkan area and on the Eastern and Middle Eastern market.
- **Holding and strengthening of the positions held at national level** both in the sector of treatment, recovery and disposal of industrial waste, and in that of intermediation, with expected increases of over 10% on average over the three years and possible upgrades linked to the rising dynamics of market prices.
- **Strong push for the acquisition of new contracts in the field of environmental remediation** based on a plan of proposals and offers as broad and detailed as possible, also through framework agreements with operators active in the field of real estate development and urban redevelopment.
- **Further recovery of operational efficiency** through the rationalization of general costs and the progressive optimization of the procurement process of raw materials and services, especially those considered "core".
- **Development of integrated projects**, for a total investment of around 10 million Euros over the three-year period, also through the implementation of plant equipment with a high innovative content, the latter aimed at achieving superior economic and environmental performance.

In particular, as regards the 2018 financial year, revenues are expected to generate positive economic results, thanks also to the recovery of remediation 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 mainly the Group's exposure to potential losses arising from non-compliance of obligations by trading partners.

Given that trade receivables are classified into three macro areas (vs. "Third parties", vs "Public Administration / Subsidiaries of Public Administration" and vs. "Related Party Companies"), the Group believes that it is exposed to the type of risk in examination only for what concerns the area of "Credits towards Third Parties" (representing about 40% of the total credit items).

For what concerns procedures, 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.

Lastly, 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.

More precisely, this risk may derive from the lack or inadequacy of financial resources to meet its obligations in terms and at predetermined deadlines, or from the possibility that the Group shall find itself in the situation of having to fulfill its financial liabilities before their natural deadline (for example, in the event of a sudden cancellation of previously agreed funding 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, 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, 2017, the Group had available credit lines for approximately 12 million Euros, used for a little more than 8.5 million Euros, to which also approximately 2.7 million Euros were added, for the specific line of factoring, currently not in use.

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 or 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, and raw materials, as well as the optimization of the different operating processes.

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 overall efficiency and effectiveness, and in terms 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 two foreign subsidiaries included in the scope of consolidation, namely the English company SI Green UK Ltd and that under Polish law Ekotekno Sp. Z o.o., did not have significant effects in this regard, as they were both 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.

For better information completeness, the certifications held by the individual companies of the Group are summarized below.

The parent company Ambientthesis S.p.A. is in possession of the following certificates:

- 1) Multi-site certificate UNI EN ISO 9001: 2008 - Quality, issued (in its latest version) on 16<sup>th</sup> April 2015, 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) Multi-site Certificate UNI EN ISO 14001: 2004 - Environment, issued (in its latest version) on 24<sup>th</sup> May 2016, 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) EMAS - Environment certificate, issued (in its latest version) on 28 September 2016 and relating to the site of Liscate (MI), concerning the processing and disposal of hazardous and non-hazardous waste;
- 4) BS-OHSAS 18001 multi-site certificate: 2007 - Safety, issued (in its latest version) on 6th July 2016 and including the sites of Orbassano (TO) and Segrate (MI) as well as the activities of "designing and carrying out of environmental remediation";

The subsidiary company Bioagritalia S.r.l. is in possession of the following certificates

- 1) UNI EN ISO 9001: 2015 certificate - Quality, issued (in its latest version) on 2 November 2016 and related to the Corte De 'Fрати (CR) plant, concerning the placing in reserve and spreading on soil for the benefit of the agriculture of non-hazardous special waste (biological sludge);
- 2) UNI EN ISO 14001: 2015 certificate- Environment, issued (in its latest version) on 24 May 2016 and related to the Corte De 'Fрати (CR) plant, concerning - also in this case - the placing in reserve and spreading on soil for the benefit of the agriculture of non-hazardous special waste (biological sludge).

The subsidiary company La Torrazza S.r.l. is in possession of the following certificates:

- 1) certificate UNI EN ISO 9001: 2008 - Quality, issued (in its latest version) on May 16, 2015 and related to the plant of Torrazza Piemonte (TO), concerning the management of landfills for hazardous and non-hazardous special waste , as well as the post-operative management of exhausted cells;
- 2) certificate UNI EN ISO 14001: 2015 - Environment, issued (in its latest version) on 3 February 2017 and also related to the plant of Torrazza Piemonte (TO), concerning - also in this case - the management of landfill for hazardous and non-hazardous special waste, as well as the post-operative management of exhausted cells;
- 3) EMAS - Environment certificate, issued (in its latest version) on 2 August 2017 and also related to the plant in Torrazza Piemonte (TO), concerning waste treatment and disposal operations.

The associated company Daisy S.r.l. is in possession of the following certificate:

- 1) certificate UNI EN ISO 14001: 2015 - Environment, issued (in its latest version) on 7 February 2018 and related to the plant of Barletta (BT), concerning the management of the landfill of special non-hazardous waste equipped with a treatment section.

It should be noted that, by the end of May 2018, for all Group companies in possession of the certifications concerning the "Quality" and the "Environment", the certifications will be upgraded to the new versions of the standards, respectively, UNI EN ISO 9001: 2015 and UNI EN ISO 14001: 2015.

#### 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 Ambienthesis S.p.A ..

With reference, in particular, to the dispute concerning the so-called "Jolly Rosso" credit, as well as to the events concerning both the area of San Benigno Canavese (TO) owned by the subsidiary Green Piemonte Srl, and the authorization and implementation process of the industrial project promoted by the Polish subsidiary Ekotekno Sp. z oo, reference is made to what is distinctly and broadly indicated in the section of this report dedicated to significant events that occurred during the FY 2017.

#### 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, we highlight the start of the executive phase of the construction project, at the multifunctional platform for the treatment and management of special waste located in Orbassano (TO), of innovative plant systems aimed at self-producing the electrical energy needed for the power supply of the production processes of the plant and to improve the related environmental impact in the atmosphere, consisting of a trigeneration plant for the production of electricity, hot water and cold water and a system for the thermal oxidation of atmospheric emissions captured by the treatment lines.

It is emphasized that the aim of the above-mentioned plant implementations (both aligned with the sector's BATs - Best Available Technologies) is 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.

As already mentioned above, the Parent Company holds the certification BS-OHSAS 18001:2007 (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**

<b>Risk Class</b>	<b>Brief Description</b>	<b>Detailed description</b>
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**

<b>Risk Class</b>	<b>Brief Description</b>	<b>Detailed description</b>
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 Ambientthesis 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 medium-term Business Plan approved last March, the latter developed in continuity with the actions previously launched to achieve the three priority objectives of growth, rationalization and profitability, the Group aims, on the one hand, to maintain and strengthen the positions already gained at national level both in the sector of treatment, recovery and disposal of industrial waste, and in that of intermediation, on the other, to continue in the process of acquisition of new contracts in the field of environmental remediation on the basis of a plan of proposals and offers as broad and detailed as possible, also through specific framework agreements with operators active in the real estate development and urban regeneration sectors. Please note in this regard the rental operation, with subsequent conditional purchase option, of the business unit relating to environmental rehabilitation activities of the company Ecorisana S.r.l. in liquidation (formerly Gio.Eco S.r.l.), active for over twenty years in the environmental remediation business with a particular focus on those more closely related to the real estate sector.

This transaction was aimed at further implementing the commercial action of the Parent company Ambientthesis SpA. in the private sector of large real estate asset managers and building or infrastructure builders, as well as achieving significant economies of scale in the "Environmental Reclamation and Remediation" business unit.

As far as the Group's growth on an international scale is concerned, it is worth mentioning the scouting activity on foreign markets currently underway for the possible development of the business in the Balkan area and on the Eastern and Middle Eastern market.

### 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 unfavourable 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 particular, as regards the 2018 financial year, revenues are expected to generate positive economic results, thanks also to the recovery of remediation activities.

#### 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, especially on the eastern and middle-eastern one and in the Balkan area.

#### 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").

In order to manage the risk in question even more effectively, the Parent Company may also use a special Web Reputation service, activated by the controlling company Green Holding SpA. for the entire Green Holding Group.

## 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 unfavourable 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.

It should be noted that the Parent Company is currently finalizing 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 administrative-management software implemented by all the companies of the Group,

#### CR – Environmental regulation

Risk Class	Brief Description	Detailed description
Compliance	Risk of non-compliance to the environmental regulation	Risk associated with non or partial compliance with the environmental regulation

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.

Please also note that, as a further lever to manage risks related to health and safety at work, both the Parent Company and the subsidiaries Bioagritalia S.r.l. and La Torrazza S.r.l. are equipped with an Organizational Model pursuant to Legislative Decree no. 231/2001 based on an accurate risk-assessment related, among others, to offenses attributable to this area.

### 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.

Within the Parent Company's Board of Directors, the body responsible for the prior examination of transactions with related parties is the Control and Risk Committee.

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<sup>th</sup>, 2017.

## *Synthesis of the economic and financial results of Ambienthesis S.p.A. as at 31.12.2017*

The financial statements of AMBIENTHESIS S.p.A. closes, mainly due to non-recurring items, with a loss of 3,750 thousand Euro, after deducting amortisation and write-downs for 2,921 thousand Euro.

<b>ECONOMIC DATA</b> <b>In thousands of Euros</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
Revenues	58,757	77,397	-24.1%
Operating expenses	-58,174	-75,644	-23.1%
Gross operating margin (Ebitda)	593	1,753	-66.2%
Amortisation and depreciation	-2,921	-2,457	18.9%
Net operating margin (Ebit)	-2,328	-704	230.9%
Pre-tax income	-3,623	-7,152	-49.4%
<b>Final net result – profit/loss</b>	<b>-3,750</b>	<b>-5,797</b>	<b>-35.3%</b>

<b>FINANCIAL DATA</b> <b>In thousands of Euros</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>Variation %</b>
Net financial position	2,264	2,643	-14.3%
Total assets	103,908	113,010	-8.1%
Equity	47,725	52,485	-9.1%

In order to obtain a homogeneous comparison between operating results net of negative non-recurring items which, in the year 2016 amounted to 6,686 thousand and the year 2017 were instead equal to 3,040 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" loss of -710 thousand Euros in the FY 2017 (against a profit of 888 thousand Euros in the previous year).

<i>in thousands of Euros</i>	31 december 2017
Reduction of the contractual value of contracts in progress	-750
Write-down adjustment at the lowest price for the Casei Gerola area	-1,80
Write-down of share held in Valdastico Immobiliare S.r.l.	-500
Non-recurring income taxes	-410
<b>TOTAL</b>	<b>-3,040</b>

<b>ECONOMIC DATA</b> <b>In thousands of Euros</b>	<b>Adjusted data*</b>		<b>Variation %</b>
	<b>31.12.2017</b>	<b>31.12.2016</b>	
Revenues	59,517	77,397	-23.1%
Operating expenses	-58,174	-72,932	-20.2%
Gross operating margin (Ebitda)	1,343	4,465	-69.9%
Amortisation and depreciation	-1,541	-1,647	-6.4%
Net operating margin (Ebit)	-198	2,818	n.a.
Pre-tax income	-582	-467	-24.8
<b>Final net result – profit/loss</b>	<b>-710</b>	<b>888</b>	<b>n.a.</b>

## 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 2017 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 25, 2017 (3 pm) on first call and second call on May 28, 2017 (3 pm).

It is anticipated, given the Company's shareholding structure, that the Shareholders' Meeting may validly be held on May 25, 2017.

The Board of Directors also proposes to cover the whole year loss of 3.750.069,08 Euros through the use of the following reserve:

- |                   |                   |
|-------------------|-------------------|
| - Premium Reserve | Euro 3,750,069.08 |
|-------------------|-------------------|

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

- the proposal for approval of the financial statements of << Ambienthesis S.p.A. >> as of December 31, 2017;
- the corporate remuneration policy;
- the appointment of a Director pursuant to art. 2386 of the Italian Civil Code and the appointment of the Chairman of the Board of Directors;
- the assignment of the statutory auditor for the years 2018/26.

Segrate, 10th April 2018

for the Board of Directors

The Chairman

dr. Giovanni Bozzetti