



SERVIZI AMBIENTALI

FINANCIAL STATEMENTS 2017

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CORPORATE BODIES

Board of Directors (1)

Chairman Paolo Regini (2)

Deputy chairman Sandro Lascialfari (3)

Chief Executive Officer Livio Giannotti (4)

Director Francesca Vignolini (5)

Director Lidia Lombardi (6)

Board of Statutory Auditors (7)

Chairman Stefano Pozzoli

Standing auditor Serena Berti

Standing auditor Fabio Giommoni

Alternate auditor Silvia Bocci

Alternate auditor Lorenzo Gerace

Officer responsible for financial reporting

Gustavo Gianì

Independent Auditing Firm

PricewaterhouseCoopers S.p.A. (8)

- (1) Appointed by the Shareholders' Meeting of 24 March 2017 for the 2017-2018-2019 three-year period.
- (2) Appointed Chairman by the Shareholders' Meeting of 24 March 2017.
- (3) Appointed Deputy Chairman by the Shareholders' Meeting of 24 March 2017.
- (4) Appointed Chief Executive Officer at the meeting of the Board of Directors on 27 March 2017.
- (5) Appointed by the Shareholders' Meeting of 24 March 2017.
- (6) Appointed by the Shareholders' Meeting of 31 May 2017.
- (7) Appointed by the Shareholders' Meeting of 24 March 2017 for the 2017-2018-2019 three-year period.
- (8) Appointed by the Shareholders' Meeting of 16 February 2017 for the 2017-2025 nine-year period.

NOTICE OF CALLING OF THE ORDINARY SHAREHOLDERS' MEETING

The shareholders of "ALIA Servizi Ambientali S.p.A." are called to the ordinary shareholders' meeting, which will be held on first call on Friday 29 June 2018, at 10.30 at the registered office of Alia Servizi Ambientali S.p.A. in Florence, Via Baccio da Montelupo no. 52 (multimedia room - entrance Via Bibbiena no.13) and, if necessary, on second call on Saturday 30 June 2018 at 10.00, to discuss and resolve on the following

Agenda:

- 1) Communications of the Chairman and CEO.
- 2) Separate financial statements for the year ended as at 31 December 2017, Report on operations and report of the Board of Statutory Auditors and Report of the Independent Auditing Firm: inherent and consequent resolutions. Presentation of the Consolidated financial statements as at 31.12.2017. Presentation of the consolidated non-financial declaration drafted in accordance with Legislative Decree 254/2016.
- 3) Any other business.

The Chairman of the Board of Directors
Paolo Regini

Alia S.p.A.

Registered office in Florence, Via Baccio da Montelupo no. 52

Share Capital Euro 85,376,852.00 fully paid-in

Tax code 04855090488

Florence Register of Companies no. 04855090488

Florence R.E.A. (Economic and Administrative Index) no. 491894

REPORT ON OPERATIONS

**SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED
AS AT 31 DECEMBER 2017**

Dear Shareholders,

the separate financial statements for the year ended as at 31 December 2017 posted a profit of Euro 3,952,466, after the allocation of current taxes for IRES (corporate income tax) and IRAP (regional business tax) of Euro 1,410,768, and after having considered the negative effect connected with the recognition of deferred tax assets/liabilities in the Income Statement amounting to Euro 897,121.

INTRODUCTION

The year ended as at 31 December 2017 represented the first year of activities of Alia S.p.A. as the entity resulting from the merger of 4 managers [Quadrifoglio S.p.A., Publiambiente S.p.A., ASM S.p.A. and Cis S.r.l.], constituting the RTI (temporary association of companies) that was awarded the twenty-year concession by the Toscana Centro Waste Regulatory Authority (ATO) for the management of the integrated waste cycle. The merger was an essential step, set out in the tender documents, prior to the signing of the Service Contract with the Toscana Centro Waste Regulatory Authority (on 31/08/2017), as well as all subsequent steps targeted at ensuring the full operations of the Single Manager and the launch of the exercise of concession management from 2018.

The concentration operation, completed by means of merger deed drafted by Notary Riccardo Cambi on 24/02/2017 (Index no. 22525/9626), took effect on 13 March 2017 for legal purposes, with accounting and tax effects backdated to 1 January 2017.

As far as the reference contractual framework in 2017, represented by the “in-house providing” management by 49 Municipalities of the Toscana Centro Waste Regulatory Authority, remained unchanged with respect to 2016, the transaction in question had a significant impact on the size and structure of the Group, and makes a comparison with previous years extremely difficult.

It should also be noted that 9 March 2017 saw the completion of the procedure of the issuing of a bond issue listed on the financial markets ((EUROBOND 50 €/Mil listed c/o Irish Stock Exchange of Dublin-Republic of Ireland), targeted at the procurement of adequate financial resources to support significant planned investments as part of future concession management.

The listing will qualify Alia S.p.A. as EIP (Public Interest Entity pursuant to Art. 16 of Legislative Decree no. 39/2010 and subsequent amendments and additions), requiring it, as outlined in more detail in the next paragraph, to comply with all the provisions of the reference regulatory framework for the new subjective legal profile acquired following the issue of the bond.

In relation to the accounting aspect, Alia S.p.A. adopted, as of these Financial Statements, the international accounting standards (IFRS).

NEW LEGAL PROFILE AND CORPORATE OBLIGATIONS

The qualification of Alia S.p.A. as an EIP (Public Interest Entity) subjects it to a new legal structure. The reference regulatory framework for EIPs means Alia, no longer subject to the provisions governing anti-corruption and transparency applicable to bodies governed by public law, is subject to the following regulations:

- TUF - Consolidated Law on Finance - (Legislative Decree no. 58/1998), with limitations regarding the periodic disclosure obligations set forth by art. 83 of the Issuers' Regulation;
- Provisions governing the Officer responsible for financial reporting pursuant to Legislative Decree no. 262/05;
- Provisions regarding non-financial communications pursuant to Legislative Decree no. 254/16;
- Provisions of EU Regulation no. 596/2014 "Market Abuse Regulation (MAR) regarding insider trading;
- Respect for the Transparency Directive (Dir. 2013/50/EU) on the mandatory communications of listed companies.

It is important to specify, in addition to the framework outlined, that (i) pursuant to art. 3 of the Service Contract, the duration of the assignment to the concessionaire is twenty years, which takes effect on 31 August 2017, the date of stipulation of the contract; (ii) the territorial perimeter of the assignment of the service - as defined in art. 9 of the Service Contract - includes the institutional area of the Municipal Administrative Authorities that are not shareholders of Alia S.p.A. (note that, in this regard, at the end of 2017, the Municipalities of Calenzano, Campi Bisenzio and Sesto Fiorentino transferred their shares to Consiag S.p.A.); (iii) the articles of association of Alia S.p.A. do not contain constraints on the presence or maintenance of public interests in share capital; (iv) pursuant to article 19 and 20 of the Service Contract, the consideration of the Manager from 2018, also for the purposes of the determination of the waste tax (so-called TARI), is established in the economic-financial plan attached to the tender bid, fully transferring the operating risk of the concession to the Manager.

Based on these premises, on 25 September 2017, the Company informed ANAC that, due to the circumstances cited above, Alia S.p.A. qualifies as "public service concessionaire", as a result of the market tender,

therefore pursuant to and in accordance with the combined provisions of art. 1, paragraph 2, letter d) and art. 3, paragraph 1, letter q) of Legislative Decree no. 50 of 18 April 2016, and as such, is subject to public obligations solely for the “public works [...] strictly necessary for service management”.

At the meeting on 19 September, the Board of Directors adopted the guidelines for the revision of the Organisation and Management Model pursuant to Legislative Decree 231/01 (hereinafter Organisation and Management Model 231) and of the Integrated Management System (hereinafter IMS) procedures for the selection of suppliers of goods and services, establishing that, at any rate, procedures should be adopted that guarantee adequate levels of efficiency in supplies, in observance of the legality and transparency that a publicly owned company, holder of an assignment under concession of a public service as a result of a market tender, must nonetheless guarantee.

Therefore, the anti-corruption controls already present in Organisation and Management Model 231 were retained, adjusting them into line with the new legal and organisational structure. However, the following provisions of the Service Contract had to be guaranteed in the revision:

- respect for the principle of non-discrimination based on nationality pursuant to art. 30.6 of Legislative Decree 163/2006;
- limit of 30% on sub-contracting by Alia S.p.A. in relation to the services involved in the Concession;
- observance of the regulations governing payment traceability vis-à-vis sub-contractors;
- respect for Ministerial Decree of 11 April 2008 regarding the environmental sustainability of purchases and the purchases of recycled materials.

Consequently, at the meeting on 23 October 2017, the Board of Directors approved the revision to Organisation and Management Model 231 in relation to the new contractual system of Alia S.p.A, making provision, inter alia, for the following:

- contractual activities are, nonetheless, subject to restrictions that limit the discretionary power of operators so that all the procedures set out in Organisation and Management Model 231 and the Integrated Management System correctly control the operation of the company based on the most rigorous respect

for the principle of legality connected to efficiency in the provision of services, that the company must guarantee in implementation of the Service Contract;

- the obligation of preventing crimes against the Public Administration (hereinafter PA) and all acts of corruption including therein private corruption (new predicate offence) as well as the offence of unauthorised sub-contracting in relation to assignments within the Concession chain;
- works contracts relating to works regarding the Concession continue to be managed according to the specific provisions of the Tender Code;
- the revision and enhancement of the Suppliers Register was approved, which is adequately and periodically updated and reintegrated;
- the obligation was set forth that assignments are to take place after market procedures with the selection of suppliers that, nonetheless, meet high quality requirements and standards; requirements of integrity and professionalism that ensure they are able to enter into contracts with the Public Administration; comply with Anti-mafia provisions.

All the relevant procedures were approved and constantly updated in 2017.

At the meeting of the Board of Directors on 23 October 2017, an amendment to the articles of association was proposed and then approved by the shareholders' meeting of 24/01/2018, regarding the redefinition of the corporate purpose, consistent with the new legal system of the Concessionaire, as well as the establishment of the Officer responsible for financial reporting pursuant to Legislative Decree 262/05.

FINANCIAL AND ECONOMIC RESULTS

The economic and financial performance is summarised in the management Income Statement and Balance Sheet tables reported hereunder; the 2016 data refer solely to the IFRS-compliant figures of the merging company former Quadrifoglio S.p.A.:

MANAGEMENT INCOME STATEMENT	(€/1000)	31/12/2016	31/12/2017
Revenues from sales and services		133,928	248,785
Change in inventories of finished products, semi-finished products and work in progress		-	-
Other revenues and income		6,364	6,124
Consumption of raw materials and consumables		(6,417)	(11,853)
Costs for services		(70,574)	(125,812)
Personnel costs		(46,903)	(87,579)
Other operating expenses		(2,172)	(3,996)
Capitalised costs		0	0
EBITDA		14,226	25,669
Amortisation/depreciation, provisions and write-downs		(9,018)	(18,449)
EBIT		5,208	7,220
Write-downs and write-backs of financial assets and liabilities		(148)	(22)
Share of profits (losses) of joint ventures and associated companies		-	667
Financial income		2,515	1,688
Financial charges		(432)	(3,293)
FINANCIAL MANAGEMENT		1,934	(960)
PRE-TAX PROFIT		7,142	6,260
Taxes		(2,238)	(2,308)
NET PROFIT		4,904	3,952

BALANCE SHEET (€/1000)	31/12/2016	31/12/2017
Fixed capital	87,120	178,182
Property, plant and equipment	80,225	162,092
Intangible fixed assets	759	1,576
Equity investments and other financial assets	6,136	14,514
Net working capital	(1,745)	10,950
Provision for risks and charges	(19,612)	(33,943)
Provision for employee severance indemnity	(15,836)	(19,576)
TOTAL NET INVESTED CAPITAL	49,926	135,613
Shareholders' equity	113,281	166,568
Net financial position	(63,355)	(30,955)
TOTAL COVERAGE	49,926	135,613

The deviations between 2017 and 2016 are not comparable in view of the new corporate perimeter determined in 2017 following the completion of the merger referred to in the introduction.

The economic, equity and financial management indicators are reported below. Also in this case, the lack of significance of the comparison with 2016 should be underlined, for the above reasons:

		U/M	2016	2017
Capital solidity ratios		<i>calculation methods</i>		
Capital solidity	Shareholders' equity/(total liabilities - shareholders' equity)	%	0,99	0,63
Self-coverage of fixed assets	Shareholders' equity/fixed assets	"	1,30	0,93
Coverage of fixed assets with permanent capital	(Shareholders' equity+payables expiring after the next financial year)/fixed assets	"	1,86	1,72
Liquidity ratios		<i>calculation methods</i>		
Current ratio	Current assets/(payables - due after the year)	"	2,01	1,97
Total liquidity ratio	(Current assets-inventories/(payables - payables after the year)	"	2,00	1,95

		U/M	2016	2017
Financial ratios		<i>calculation methods</i>		
Cash flow from operations	Profit (or loss) + amortisation/depreciation + provisions	€/000	13,922	22,401
Inventory average duration	(Inventories + 50%B11) * 360 / (B6+B11)	gg	54	54
Average duration of tariff receivables	(Receivables due from customers + receivables due from parent companies) * 360 / A1	"	95	88
Average duration of trade payables	Trade payables * 360 / (B6 + B7 + B8 + B14)	"	158	153
Working capital cycle	inventory average duration + average duration of tariff receivables - average duration of trade payables	"	-10	-10

		U/M	2016	2017
Profitability ratios		<i>calculation methods</i>		
ROE net profit/shareholders' equity	Profit (or loss) / shareholders' equity	%	4,3	2,4
ROI EBIT/invested capital	EBIT / total assets	"	2,3	1,7

Economic productivity ratios	<i>calculation methods</i>			
Per capita ordinary revenues	A1 / average total employees	€/000	130,1	129,0
Per capita value added	value added / average total employees	"	59,4	58,7
Per capita cost of labour	(B9)/ average total employees	"	45,6	45,4
Per capita EBIT	EBIT / average total employees	"	5,1	3,7

		U/M	2016	2017
Economic ratios	<i>calculation methods</i>			
Cost of sales/revenues	(B6+B11) / A1	%	4,8	4,8
Personnel costs/revenues	B9 / A1	"	35,0	35,2
EBIT/revenues	EBIT / A1	"	3,9	2,9
Financial charges/income	C17 / A1	"	0,3	1,3
Net profit/revenues	Profit (or loss) / A1	"	3,7	1,6
Average number of total employees		n.	1,029	1,928

Technical and economic ratios	U/M	2016	2017
% Separated Waste Collection (*)	%	54.00	59.29
Waste disposed per employee (ISC)	t/empl.	4,332	8,233
Extraordinary working hours and holidays	no.	111,391	147,671
Extraordinary hours per employee	"	117	86

DEVELOPMENT ACTIVITIES

The Company did not carry out any development activities in the year.

RELATIONS WITH SUBSIDIARIES, ASSOCIATED COMPANIES, PARENT COMPANIES AND COMPANIES SUBJECT TO CONTROL OF THE LATTER

The table below shows the equity and economic transactions with subsidiaries, associated companies, related parties and parent companies.

Euro*1000	Receivables	Non-current financial assets	Payables	Revenues	Costs
Parent companies:	1,612		2,933	76,608	378
Municipality di Florence	1,612		2,933	76,608	378
Controlled by Parent Companies:	9		-	15	12

Marcafir S.c.p.A.	-	-	-	1	-
S.A.S. S.p.A.	-	-	-	2	9
Firenze Parcheggio S.p.A.	8	-	-	8	-
Casa S.p.A.	-	-	-	1	3
Silfi S.p.A.	1	-	-	3	-
Subsidiaries:	658	800	322	536	4,695
Q. tHermo S.r.l.	4	-	-	7	-
Programma Ambiente S.p.A.	653	600	320	528	4,692
		200			
IRMEL S.r.l.	1	-	2	1	3
TECHSET S.r.l. in liquidation	-	-	-	-	-
Associated companies:	6,433	80	10,009	9,010	18,320
Q.Energia S.r.l.	9	-	38	64	-
Valcofert S.r.l.	-	80	157	-	2,033
SEA Risorse S.p.A.	904	-	-	809	-
REJET S.p.A.	5,520	-	9,814	8,137	16,287
HOLME S.p.A. in liquidation	-	-	-	-	-
Related parties:	1		2,776	12	2,733
Le Soluzioni S.c.r.l.	1	-	2,776	12	2,733

INDICATIONS PURSUANT TO NUMBERS 3 AND 4 OF PARAGRAPH 2 OF ARTICLE 2428 OF

THE ITALIAN CIVIL CODE

With reference to the provisions of art. 2428, 2nd paragraph, numbers 3 and 4 of the Italian Civil Code, it should be specified that the Company, as at 31.12.2017, does not hold own shares, nor shares or holdings in parent companies, either through trust companies or third parties, and did not purchase or dispose of these shares or holdings during the year. The Company is controlled by a local authority, the Municipality of Florence.

INDICATIONS PURSUANT TO NO. 6-BIS OF PARAGRAPH 2 OF ART. 2428 OF THE ITALIAN

CIVIL CODE

With reference to the provisions of art. 2428, 2nd paragraph, no. 6 of the Italian Civil Code, it should be specified that, as at 31 December 2017, the company does not hold financial instruments for the purpose of

hedging interest rate risks.

SIGNIFICANT MANAGEMENT EVENTS IN 2017

The facts, events and decisions of significance for corporate operations are indicated below in chronological order:

- **2 February 2017**: at the meeting before the Council of State, in consideration of the one-year extension of the validity of the Single Authorisation granted by the Tuscany Region, the Company saw fit to waive the request for the suspension of the ruling of the Tuscany Regional Administrative Court which, on 8 November, had ordered the cancellation of the Single Authorisation for the construction of the Case Passerini WTE plant, requesting a hearing to be set as quickly as possible to rule on the merits of the dispute. This hearing was first set for 5 October 2017 then put back until 19 December 2017, also with the amalgamation of the “old” appeal of WWF. On 24 May 2018, the Council of State confirmed the Tuscany Regional Administrative Court’s cancellation of the Single Authorisation. For more in-depth details, please refer to the section “Significant events after the close of the year”.
- **15 February**: by means of deed of Notary Renato D’Ambra, index no. 53.003, the transfer of the car parks business unit from former ASM S.p.A. to Consiag Servizi Comuni S.r.l. was signed, effective from 01/03/2017.
- **22 February**: the hearing relating to the merits of the appeals regarding the procedure of assignment of the TC Waste Regulatory Authority concession was held at the Tuscany Regional Administrative Court. The decisions were taken under advisement by the court until 16 June, the date on which the ruling was published, which confirms the exclusion of the opposing competitor, the inconsistency of all additional reasons presented by it and the full legitimacy of the final award of the procedure of 8 July 2016 in relation to Alia S.p.A..
- **24 February**: by means of deed of Notary Riccardo Cambi (Index no. 22525/9626, registered in Florence on 27.02.2017), the merger by incorporation of ASM SpA, Publiambiente SpA and CIS Srl in Quadrifoglio S.p.A was completed, with the simultaneous change of company name to Alia Servizi

Ambientali S.p.A.. The transaction takes effect on **13 March 2017** for legal purposes, with accounting and tax effects backdated to 01/01/2017;

- **9 March:** unsecured and non-convertible bond issue of Euro 50 million successfully completed, subscribed by institutional investors.

The bonds, with a duration of 7 years, listed on the regulated Dublin Stock Exchange (ISE - Irish Stock Exchange), present a coupon of 2.70%.

- **20 March:** the presentation of Alia takes place at the Istituto degli Innocenti in Piazza Santissima Annunziata in Florence, in the presence of the shareholders and the Minister of the Environment Gian Luca Galletti.

- **22 March 2017:** the acquisition, from Bankruptcy no. 288/2014 of the Court of Florence, is completed, involving an industrial complex located in Florence, via di Castelnuovo no. 20, Ferrare district, with the annexed surrounding areas of land, for a total surface area covering around 32,000 square metres, for an amount of Euro 9.9 million;

- **9 May 2017:** access by the Judicial Police, at the request of the Public Prosecutor of Florence, to the company's offices in via Baccio da Montelupo and the Hubs of San Donnino and Case Passerini, in order to acquire the necessary information, data and elements for the investigations performed by the Judiciary as part of the activities relating to urban waste management. ARPAT's inspections then continued with another 2 on-site inspections conducted on 18 July at the post-operating landfills of Bosco ai Ronchi (Municipality of S.Piero a Sieve) and S.Martino a Maiano (Municipality of Certaldo). The proceedings initiated by the Prosecutor are still ongoing as of today.

- **16 June 2017:** the ruling of the Tuscany Regional Administrative Court on the Area Tender was published, confirming the full legitimacy of the assignment to Alia S.p.A. of the twenty-year concession; activities were launched prior to (checks pursuant to art. 38) and after (executive design and update of Economic and Financial Plan) the signing of the Service Contract and the start of the Concession.

- **31 August 2017:** the Service Contract was signed with the Toscana Centro Waste Regulatory Authority for the twenty-year concession, and the activities envisaged by the transitory period (180 days) were launched, for the start of operation of the concession from 2018.
- **3 October 2017:** the competing group (RTI - temporary association of companies - Cooplat- Sei Toscana) submitted 2 appeals to the Council of State against the final award of the concession confirmed by the Tuscany Regional Administrative Court on 16 June (see below for the final outcome reported in the “SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR”).

Management of Collection and Road Sweeping Services

Introduction

Collection and road sweeping services also launched a process of unification and standardisation of activities on 13 March 2017, which is still ongoing. The area of competence for services management purposes was therefore divided into 4 area regional management departments, which interact with one another in order to create synergies and make the system more efficient:

- Regional Management Department DT1: former Quadrifoglio S.p.A. region - Florence Area
- Regional Management Department DT2: former Publiambiente S.p.A. region - Empoli Area
- Regional Management Department DT3: former ASM S.p.A. and former-CIS s.r.l. region - Prato Area
- Regional Management Department DT4: former Publiambiente S.p.A. region - Pistoia Area

Obviously, the data and the characteristics of the services carried out by each Regional Management Department are impacted by the differences that characterise the individual situations in the area depending on the industrialisation, population density, socio-economic context, etc.

Collection Service

The collection service was subject to an extensive and well-structured redesign. The type of collection adopted depends on the characteristics of the area and the choice is always targeted at increasing separated collection.

The types of collection in the region are:

- door-to-door collection;

- collection via road-side bins;
- collection via underground bins;
- road-side collection with access control and volumetric control.

TREND IN WASTE COLLECTED

Figures in tonnes

	DT 1		var.	DT 2-4		var.	DT 3		var.	TOTAL	
	2016	2017		2016	2017		2016	2017		2016	2017
Undifferentiated waste	197.364	192.899	-2,26%	89.708	81.246	-9,43%	91.434	59.165	-35,29%	378.506	333.310
Separated waste	231.684	231.696	0,01%	127.314	126.982	-0,26%	117.549	126.698	7,78%	476.547	485.376
TOTAL	429.048	424.595	-1,04%	217.022	208.228	-4,05%	208.983	185.863	-11,06%	855.053	818.686
% SW	54,00%	54,57%	0,57%	58,66%	60,98%	2,32%	56,25%	68,17%	11,92%	55,73%	59,29%

REGIONAL MANAGEMENT DEPARTMENT DT-1

In 2017, the production of waste attributable to the area served by Regional Management Department 1 - Florence Area, decreased compared to 2016. In fact, the flows collected recorded a drop of 1.04%, mainly the result of the decrease of 2.26% in undifferentiated waste. The trend of increased separated waste collection with respect to undifferentiated waste collection continued for the second year running. In the reference basin as at 31.12.2017, a total of 424,595 tonnes of waste was collected, with separated waste collection accounting for 54.57%, an increase of just over 0.50% compared to the previous year. The initiatives targeted at increasing separated waste collection were based on five key development lines, through:

- collections with volumetric control of consignments;
- door-to-door collections in the residential areas of the municipalities of the Florence and Chianti suburbs;
- door-to-door collections in industrial areas, with particular attention to the areas in which this collection was already active, with the renewal of notices to domestic and non-industrial users related to the management of assimilated waste;
- proximity collection in the hilly areas of Chianti;
- continuation of the UWC (Underground Waste Collecting) project.

The volumetric control system was extended in 2017; this type of collection was actually activated in the

area of Novoli in the Municipality of Florence in the last quarter.

A total of 123 volumetric control systems (top-opening bins) were installed in as many Up Loader collection points, with 463 new bins installed, eliminating the Side-Loader installations (164 collection points with 429 bins). The project involved around 12,700 domestic and non-industrial users (corresponding to a population of around 25,000 inhabitants), each of which has been assigned the electronic key needed to access the system. The population served with this collection method in the area served by DT 1 now concerns around 160,000 equivalent inhabitants, with 912 top-opening bins installed and an average of 178 inhabitants served per volumetric control device installed.

At the end of the year, the system adopted recorded average percentages of separated waste collection exceeding 75%, with decreases in urban waste collected of close to 10%. In addition to the positioning of the equipment for volumetric control on the bin dedicated to the RUI (undifferentiated urban waste), the initiative also led to the overhaul of road-side collection points, through the reduction in the volumes dedicated to undifferentiated waste collection and an increase in those for Paper, Organic and Multi-material waste: this was also made “lighter” by the introduction of the mono-material collection of glass in special bins.

A new experiment was also launched in the year just ended, whereby the collection of undifferentiated urban waste with access control was supported by the door-to-door collection of organic, Light Multi-Material (glass is collected in the glass recycling bank) and Paper waste. The project, developed jointly with DT2 - Empoli area, concerned the Municipalities of Lastra a Signa, Signa and Scandicci, involving not only all Lastra a Signa domestic and non-industrial users, but roughly 1,800 domestic and non-industrial users in the two DT1 municipalities. The project was developed with the installation of 14 bins equipped with the volumetric control of consignments and the distribution of electronic keys for the transfer of undifferentiated urban waste.

The UWC project continued with the installation of 2 new underground collection points in the Novoli district (Via Stradella and Via de' Tacchinardi), bringing the number of those installed in the Municipality di Florence to 61. On the whole, the introduction of these types of bins led to the removal of 692 road-side

bins (including mobile, stationary and recycling banks).

During the year, the door-to-door services were implemented and got up to full speed in some areas of the Municipality of Florence. In particular, the hilly eastern area was transformed (Piazzale Arcetri and Cascine del Riccio), involving roughly 1,500 domestic and non-industrial users.

REGIONAL MANAGEMENT DEPARTMENT DT-2-4

The area managed by Regional Management Department 2-4 in 2017 recorded total waste production of 208,228, a reduction of 4.05% compared to the previous year, composed of 126,982 tonnes of materials transferred for recycling (decrease of 0.26% compared to 2016) and 81,246 tonnes of Undifferentiated Waste (a drop of 9.43% compared to 2016). A new experiment was also launched in the year just ended, whereby the collection of undifferentiated urban waste with access control was supported by the door-to-door collection of organic, Light Multi-Material (glass is collected in the recycling bank) and Paper waste. The project, developed jointly with Regional Management Department 1, concerned the Municipality of Lastra a Signa and makes provision for the residential collection of the main separated waste and the placement of undifferentiated waste into road-side bins equipped with volumetric control devices.

Consignments of waste registered by the tracking systems and related to the individual domestic and non-industrial users in the payt door-to-door collection models and by top-opening bins recorded in 2017 totalled 6,433,579.

The area Municipalities still concerned by the model of collection with road-side bins are: Barberino del Mugello, Borgo san Lorenzo, Chiesina Uzzanese, Massa e Cozzile, Pistoia, Ponte Buggianese, Scarperia e San Piero, Vaglia and Vicchio. While the area Municipalities concerned by so-called door-to-door collection systems are: Barberino Val d'Elsa, Capraia e Limite, Castel Fiorentino, Cerreto Guidi, Certaldo, Empoli, Fucecchio, Gambassi terme, Lamporecchio, Larciano, Lastra a Signa, Monsummano Terme, Montaione, Montelupo Fiorentino, Montespertoli, Serravalle Pistoiese and Vinci.

REGIONAL MANAGEMENT DEPARTMENT DT-3

Total waste collected fell from 208,983 tonnes in the previous year, to 185,863 tonnes, marking a reduction of 11.06% in percentage terms. The reasons for the decrease in undifferentiated waste in the Province lie

mainly in the separation of textile waste and the subsequent extension of the areas concerned by the door-to-door collection model in the Province, which generated an increase in the quantities of separated waste collection. In fact, separated waste collection rose from 117,549 tonnes in 2016 to 126,698 tonnes in 2017, marking an increase of 9,149 tonnes (+7.8%).

In the Municipalities of the former CIS S.r.l. area, total waste collected went from 33,380 tonnes in the previous year to 33,888 tonnes in 2017, an increase of roughly 508 tonnes.

From January to July 2017, in line with the provisions of the new regulations governing waste management, respectively in the Municipalities of Prato, Carmignano, Vaiano, Poggio a Caiano and Montemurlo, textile manufacturing waste was excluded from waste similar to urban waste. This meant that Alia S.p.A. no longer collected this waste in its urban waste bins and separated waste collection bins, as it became manufacturing waste to all intents and purposes. This allowed DT3 to review the non-domestic door-to-door collection model, reducing both the volumes of equipment for undifferentiated waste, and installing separated waste collection bins. The conversions of the collection model from road-based to door-to-door was concluded definitively on 30 January 2017 with the last “micro zone” of Macrolotto Zero, reaching 100% on the entire territory of the regional management department. The DT3 completed the move to separated waste collection of mono-material glass through the two separated waste collection models, that of road-side recycling bins for glass collection and that of full door-to-door collection with special bins for mono-material glass, with light multi-material collected in bags (plastic and cans) in both cases. In September 2017, as set out in the Waste Regulatory Authority tender specifications and consistently with the entire corporate organisation, the method of consignment of tetrapaks and beverage cartons in general, was changed throughout the entire area of DT3.

Trend in Separated Waste Collection

The percentage of separated waste collection reached a total of 59.29%. It is calculated in application of the standard method of certification of the percentages of separated urban waste collection set forth in D.G.R.T. (Resolution of Regional Council of Tuscany) no. 1272/2016.

Resolution of Regional Council of Tuscany no. 1272/2016 introduces three changes with respect to the previous method:

- the organic portion actually collected was increased by a hypothetical quantity deducted from the number of domestic compost bins in the area, to which a nominal productivity is assigned related to the containment volume. Due to this regulation, the 10,882 compost bins (or self-composting systems) present in the reference territorial area, determined a quantity of 6,529 tonnes (replacing the bonuses of 1-3% of the previous certification method RD DGRT no. 1248/2009);
- inert waste transferred to collection centres is included in the flow of separated waste (replacing the 1% bonus in the case of the activated service of the previous certification method);
- the soil from road sweeping transferred for recovery is included in the flow of separated waste (replacing 6-8% bonus of the previous certification method RD DGRT no. 1248/2009). This calculation methodology, defined by the Tuscany Region, adjusts the previous calculation method in a restrictive manner.

REGIONAL MANAGEMENT DEPARTMENT DT-1

Separated waste collection registered in the reference basin reached 54.57%, an increase compared to the previous year. The percentages of the individual Municipalities in decreasing order are as follows: Tavarnelle V.P. ranked as the first municipality with 77.3% of materials collected separately and transferred for recycling; followed by (74.7%), San Casciano V.P. (75.9%), Fiesole (65.9%) Sesto F.no (63.8%), Greve in Chianti (63.2%), Calenzano (60.9%), Bagno a Ripoli (59.1%), Scandicci (54.3%), Florence (50.9%), Signa (47.7%) and Campi Bisenzio (47.2%). The reduction in undifferentiated waste is attributable to the transformation of street collection services and in industrial and craft areas, as well as to the recent installations of collection systems with volumetric control. By contrast, the collection of the fraction transferred for recovery increased, again the result of the ongoing transformations. It should be noted that

the Municipalities of Calenzano, Signa and Campi Bisenzio were adversely impacted by a significant flow of abandoned waste (predominantly textile manufacturing waste) originating from the Prato area.

REGIONAL MANAGEMENT DEPARTMENT DT-2-4

The separated waste collection registered in the individual areas is as follows: Empoli/Val d'Elsa area 82%, Mugello 39%, Pistoia 42%, Val di Nievole 58%. An average increase of 5% was recorded compared to the previous year.

As regards the quality of separated waste collection in 2017 operations, 437 product control analyses were conducted to evaluate the presence of foreign fractions and the qualitative compliance ratios of the materials collected. The analyses performed confirmed that the materials deriving from separated waste collection have a low level of contamination from foreign fractions and are ranked in the top quality band with a higher economic valuation.

REGIONAL MANAGEMENT DEPARTMENT DT-3

In 2017, for the sixth year in a row, undifferentiated waste collected in the Province of Prato decreased, while separated waste collection rose for the fifth consecutive year.

While the increase in the total production of waste in the areas of the former CIS s.r.l. Municipalities, is explained by the economic recovery which, in this area, registered the full occupancy of non-domestic buildings, with a notable increase in manufacturing and waste in more general terms.

The separated waste collection registered in the individual areas is as follows: Prato Area (ex Province) 70%, with an average increase of 15% compared to the previous year, Agliana 61%, Montale 57% and Quarrata 63.2%. It should be noted that, using the old calculation method, for the latter Municipalities, around 5% more separated waste would have been recorded.

Sweeping Services

Combined sweeping services are structured with street sweepers and operators on the ground, are carried out using road signs duly authorised and are scheduled for basic cleaning of roads and squares identified in accordance with the Municipal Administrations and are made fully operational through municipal orders.

Manual sweeping services are instead carried out by operators responsible for cleaning strategic areas, such

as bars, bus stops, public spaces in front of schools, etc. In addition to replacing bin bags and cleaning of road surfaces and pavements, they are responsible for reporting any particular waste on roads, such as abandoned bulky waste, incorrect disposal and other non-conformities with the service.

All Regional Management Departments continued to implement sweeping and basic cleaning services, increasing the frequency and/or roads and squares where the service is provided.

In order to ensure a better urban appearance, the frequency with which bags in public waste bins are replaced was increased.

For Regional Management Department DT1, sweeping services were adjusted to the road network, based on the work site set-up of the different roads for construction of the tram lines, also through the use of IT design systems, such as SIT (Geographic Information System). In addition, the company continued to pledge extraordinary commitment for “Major Events” relating to extra cleaning in the squares and historical centre of Florence.

In Regional Management Department DT2-4, sweeping and basic cleaning services were also planned and implemented in the Municipalities previously not served by Alia S.p.A., such as Montecatini Terme, Pescia, Pieve a Nievole, Uzzano, Marliana, San Marcello, Piteglio, Abetone, Cutigliano and Sambuca P.se acquired under the Waste Regulatory Authority concession.

In Regional Management Department DT3, the quality of the sweeping service was improved through the increase in service frequency in the roads already served, plus the implementation of the service in new urban areas and newly built roads. Bush and shrub removal and cleaning of green areas also intensified.

Significant management elements

REGIONAL MANAGEMENT DEPARTMENT DT-1

The extensive and well-structured redesign of collection services in area DT1 continued in 2017, with projects targeted at separated waste collection, including which the expansion of the “collection system with volumetric control of waste consignments” and “Project UWC (Underground Waste Collecting)”, which continued with the installation of 2 new underground collection points in Novoli, bringing the number of those installed in the Municipality di Florence to 61. This new type of collection led to the elimination of

692 road-side bins. The planning services in 2017 went hand in hand with the modifications to the city road network, for both ordinary situations, for temporary sites or both daily and extraordinary events connected, in this case, to the work site set-up of the majority of District 5 of Florence for the installation of the new tramlines. Through the constant exchange of information with the Municipal Administration, collection and sweeping services were adjusted into line with the road network: the implementation of transformations was made possible by using management systems, which enabled the planning and organisation of said services according to an approach based on homogeneity and efficiency, also through the use of long-established planning systems such as the Geographic Information System.

REGIONAL MANAGEMENT DEPARTMENT DT-2-4

In 2017, the significant management element was undoubtedly the new design of services. The DT 2-4 design and planning staff not only carried out the normal system maintenance activities, but developed the following themes, also in anticipation of the activities set forth in the Waste Regulatory Authority Concession:

- design of collection in the Municipality of Lastra a Signa and surrounding areas (part of Scandicci and Signa);
- survey, cataloguing, design of the door-to-door collection service envisaged for the Mugello area (Barberino di Mugello, Borgo San Lorenzo, Scarperia e San Piero, Vaglia, Vicchio);
- survey, cataloguing, design of the collection and sweeping service in the Municipality of Buggiano;
- survey, cataloguing, design of the collection and sweeping services in the new Municipalities of Montecatini Terme, Pescia, Pieve a Nievole, Uzzano, Marliana, San Marcello Piteglio, Abetone Cutigliano e Sambuca P.se acquired under the Waste Regulatory Authority concession;
- analysis for the identification of the suitable design tools.

REGIONAL MANAGEMENT DEPARTMENT DT-3

In 2017, after the signing of the service contract with the Toscana Centro Waste Regulatory Authority, Regional Management Department 3 “Prato Area” expanded its borders and, from 1 October 2017, welcomed the former Cis srl employees to its premises in Via Paronese, taking on the resources and any other equipment needed for the provision of environmental hygiene services. This operation was the first

step in the practical optimisation of the organisation of post-merger services.

Organisational and communication activities continued, targeted at fine-tuning the service, with the objective of increasing the quantity of separated waste collections and improving the appearance. The new Municipal Regulations for urban waste management proved to be especially useful tools in this regard, which make it mandatory for condominiums to be equipped with bins, and the Manager's entitlement not to collect waste if it has not been clearly separated. DT3, for these purposes, set up an internal department dedicated to new contacts and the resolution of critical situations, in relation to the waste collection, also with personnel who can speak Chinese. In fact, the language barrier is the first major problem in establishing contact with these communities.

Alia S.p.A.'s technicians, in carrying out their duties, took pains to also report to the Municipalities and local policemen, all those situations worthy of attention or due to deterioration which stemmed from incorrect waste management, or whenever serious anomalies came to light regarding the consignment of said waste. For the verification of the management of waste from non-domestic activities and the collection of the municipal waste tax, Alia S.p.A. actively participated in the control system that the Region, Prefecture and the Municipalities decided to adopt in the area. ALIA S.p.A. carried out a number of activities in the control system. Aside from 1,100 direct contacts for optimisation of the service, it is worthy to note the more than 2,100 user checks performed based on its own initiative or as part of the "Prato Città Sicura" (Prato Safe City) and "Patto Lavoro Sicuro" (Safe Work Agreement) projects, or in collaboration with the Municipal and Provincial Police, which led to the imposition of more than 500 administrative sanctions.

Waste treatment plants: transfer for recycling, recovery and disposal

Management of Alia's plants, starting with the quantities of waste consigned, is determined above all by the organisation and methods of provision of collection services in the Municipalities served. The rationalisation - with the subsequent modifications or installations of collection networks - is actually among the parameters and specifications that guide the plant engineering activities of Alia and therefore determines its overall organisation.

Treatment of the waste collected is ensured in full respect of the legislative constraints, and with particular attention to aspects of environmental improvement and cost reduction.

As regards undifferentiated urban waste (CER 20 03 01), the main plants are the mechanical treatment plants of Case Passerini (Sesto Fiorentino) and via Paronese (Prato). Company planning is therefore based on these plants, targeted at the production of CSS (solid recovered fuels). The other consignment solutions are:

- direct consignment to the Montale incineration plants;
- consignment to the off-specification compost production plant in DANO (Pistoia)
- consignment to the transfer station of the San Donnino Hub (Florence), from where waste is directed to the mechanical-biological plants of Peccioli (PI) and Terranuova Bracciolini (AR).

The Casa Sartori landfill, in addition to receiving almost all waste produced by the activities of the composting plant, was used, as indicated in Alia's provisional financial statements, to transfer waste from the Faltona composting plant, outgoing waste from the DANO plant in Pistoia, as well as for some flows from the hubs of via Paronese and Case Passerini and undifferentiated waste (CER 20 03 01), concluding the trial authorised by the District.

Lastly, active management of the Case Passerini landfill was maintained, transferring solely flows of mixed construction and demolition waste to it - produced from constructions and/or maintenance of Alia infrastructures - and sludge produced by its purification plants.

At the end of 2017, the residual placement capacity of the two landfill plants is considered minimal.

Lastly, also for this year, we drafted the sworn appraisals for the estimation of the allocation expenses for post-operating management (for which specific information is provided in the Explanatory Notes to the Financial Statements).

Direct industrial costs for the disposal of undifferentiated waste came to EUR 35.6 million, of which EUR 4.2 million in the form of various indemnities: EUR 2.4 million for Special Regional Tax (Ecotax) and EUR 1.8 million for the environmental inconvenience indemnity relating both to the Programme Agreement of 2009 with the Municipalities of Sesto Fiorentino and Campi Bisenzio, and the agreements with the Municipality of Montespertoli (for the Casa Sartori Hub) and with the Municipality of Borgo San Lorenzo (for the Faltona plant).

The correct treatment of separated waste collected was also guaranteed through the plants, such as:

- organic fraction;
- green, garden waste and trimmings;
- paper and cardboard;
- bulky waste;
- multi-material (*both lightweight and heavy*) from door-to-door collections or collection points with underground bins;
- RAEE (waste electrical and electronic equipment);
- various types of hazardous urban waste;
- tyres.

These flows saw:

- the treatment, at selection and composting plants, of more than 195,000 tonnes of organic and green waste for the production of mixed composted amendments and green composted amendments, with the need, however, to assign the waste exceeding internal plant capacities to external plants outside the region, in view of the quantities collected;
- the selection, like the Comieco platform, of paper and cardboard of more than 12,000 tonnes at the San Donnino hub;
- the storage - predominantly at the Paronese and San Donnino hubs - and the subsequent transfer for recovery/disposal of other waste from separated collection (so-called bulky waste, waste electrical and electronic equipment, wood, iron, tyres, etc.) totalling around 88,000 tonnes;
- the storage, at said hubs, and the subsequent transfer for recovery/storage of around 700 tonnes of hazardous urban waste.

The undifferentiated waste treated at the Biological-Mechanical Treatment plant of Case Passerini totalled around 117,500 tonnes, from which the following were produced: Solid recovered fuels and dry combustible fraction, stabilised organic fraction, screened waste and ferromagnetic waste, to be sent for recovery as a matter of priority, plus miscellaneous waste.

The undifferentiated waste treated at the Mechanical Treatment plant of Paronese totalled around 77,100 tonnes, from which the following were produced: dry combustible fraction, screened waste and ferromagnetic waste, to be sent for recovery as a matter of priority, plus miscellaneous waste.

By contrast, the San Donnino Hub treated, primarily through transfer station activities, around 76,000 tonnes of undifferentiated waste, and outflows were sent to mechanical-biological treatment plants at the landfill site (Peccioli and Casa Rota) and Montale incineration plant.

In addition, roughly 7,400 tonnes of waste were removed, mostly for recovery at the mechanical-biological treatment plant of Case Passerini and, for the remainder, for disposal at the Peccioli landfill.

All plant activities were supported by the normal services supplied by internal support structures to plant management.

The Chemical Laboratory directly carried out more than 5,100 analytical assessments, and liaised with external laboratories, both for verification assessments - to also ensure the impartiality and objectivity of the results - and for those types of analysis which are not possible to carry out using the current equipment.

Lastly, the monitoring and management of inactive sites continued.

Through the investee company Q.Energia, the new plant for the production of electricity from biogas at the Certaldo landfill injected around 4,000,000 kWh of green energy into the network.

The Casa Sartori site produced around 4,300,000 kWh from the biogas energy production plant and 158,000 kWh from the photovoltaic plant.

By contrast, the Case Passerini site produced around 204,000 kWh from the biogas energy production plant and 288,000 kWh from the photovoltaic plant. In March, the plant for the production of electricity and thermal energy from biogas was definitively halted owing to a shortage, from a qualitative and quantitative perspective, of the fuel extracted from the landfill body.

The plant for the production of energy from biogas at the Corliano (Cerreto Guidi) landfill produced around 127,000 kWh (in May 2017 production was also definitively halted).

The photovoltaic plants in Via Paronese in Prato and Vaiano respectively produced roughly 42,000 and 158,000 kWh.

All technological plants, related services and any other infrastructure were operated with the customary maximum focus on their environmental impact, also in terms of risk prevention, ensuring their consistency with the provisions of the various authorisations, executing their *Monitoring and Control Plans*, whose reports were always communicated to the responsible authorities, without ever overlooking any additional in-depth analysis, as well as the provisions of the authorisation.

The proceedings for the renewal of the Integrated Environmental Authorisation for the plant in the Case Passerini landfill (application for review of 21 June 2013 and response to the rejection of 20 March 2015) and the Plant Hub of San Donnino (application for review of 31 March 2014) have still not been concluded. Basically: we are operating under an extension of the old authorisations.

Information, communication and relations with domestic and non-industrial users

With the incorporation of Alia, all communication activities were geared towards the consolidation of the company image and processes, looking forward to the next twenty years.

Presentation event

The presentation of Alia was held on 20/03/2017 at Istituto degli Innocenti.

The speakers were the Minister of the Environment Gian Luca Galletti, the Mayors of Florence, Empoli, Pistoia, Prato and the President of Confservizi Cispel Toscana. The mayors and the council members of the Municipalities in which Alia operates, representatives of authorities and institutions and economic, entrepreneurial and trade union organisations also attended the event. The purpose of the event was to present Alia to the public, which is the fifth Italian player in the management of environmental hygiene services.

Institutional communication campaign

An extensive communication campaign was run in April 2017 in the areas served by Alia, through billboards (static and dynamic) advertising events, the acquisition of spaces in the major newspapers circulated in Tuscany and on company websites and the airing of a radio advertisement.

Unified/standard information material

With a view to unification of the processes, some standard cross-company information instruments were implemented in 2017. In particular, the Guide to Separated Waste, the Waste Dictionary, the “Appendimi” and the Brochure on Collection Centres were created. In addition, leaflets and brochures were created with information on collection, the service hours, launch of new collection centres, the installation of new underground collection points. These information tools were produced, when necessary, also in the most common foreign languages for tourists.

Website

When Alia was formed, the new company website www.aliaspa.it went live. Owing to the complexity of its development and the need to keep the websites of the four companies that make up Alia active, due to legislative obligations, in 2017 the website was dedicated primarily to the implementation of the institutional parts and those relating to the organisation of the services in the individual Municipalities, with a view to offering homogeneous information to all users.

Press Office

Alia’s Press Office oversaw the production of 46 press releases and 8 price sensitive communications, circulated and stored through the Computershare platform. Six press conferences were organised, and it collaborated in organising another 4 press conferences called by partners. The Press Office also participated in creating the information sections of the company web portal. The company’s Twitter account was launched on 8 January 2018. To this end, with the support of the competent company departments, the privacy policy document was drafted (for internal and external users), the publishing plan was defined and the graphical image of the new social channel was developed.

Call Centre

The numbers of the companies that formed Alia remained active in 2017, although work was carried out throughout the entire year to activate a single number at the start of 2018. An increase in calls was recorded in the middle part of 2017 (April/July), following the creation of Alia, going well past the standard number received by the companies making up Alia. There were approximately 678,000 calls, with average wait times of 106 seconds.

Environmental Education

Four different environmental education projects were implemented in 2017. In total, more than 15,000 children were involved in the areas of Scandicci, Bagno a Ripoli, Campi Bisenzio, Florence, Sesto Fiorentino, Prato and in the Empoli-Valdelsa area e Valdinievole.

Participation in events

In 2017, Alia took part in events and initiatives dedicated to the themes of environmental sustainability and good practices.

Management of correspondence, requests and reporting: Alianetwork

In the first few months, correspondence management was fragmented as it continued to be handled by the management systems of the companies forming Alia. The single management system Alianetwork was then set up, equipped with the appropriate procedure for the registration and management of all requests. More than 200 “users” are authorised to work on the program, which is destined to increase considerably in the first few months of 2018. A total of 7,908 incoming messages were received in 2017.

Services Charter

Alia has a Services Charter which can be consulted and downloaded from the company website, which outlines all the services provided, the rights of citizens-users and the standards the company must uphold in relations with the latter. All contact channels which can be used to engage in dialogue with the Manager are also reported in the footnotes. The services charter adopted in 2017 is that of former Quadrifoglio, as merging company. Communication activities regarding the change of services

Three main service communication campaigns were run in 2017, which changed the methods of waste separation and collection considerably.

The first campaign concerned Novoli, district 5 of Florence. Around 11,000 users were involved, to illustrate separated waste collection and to deliver the information material and the key for accessing the rubbish bin for mixed waste. The University hub, located in the district, was the recipient of a special disclosure and more than 50 internal bins, for the different types of refuse produced.

The second campaign concerned the Prato area. The project was implemented in 2017, whose objective was to change the location for the collection of polylaminates, which must be consigned together with packaging instead of with paper and cardboard. In total, around 250,000 inhabitants were involved, for roughly 120,000 domestic and non-industrial users.

The third campaign concerned the historical centre of Prato, and was run between April and July 2017 in order to separate the collection of glass from packaging, thus initiating mono-material collection, as carried out throughout the rest of the municipal area. Roughly 3,000 domestic and non-industrial users were involved, plus public enterprises present in the area.

Logistics, Equipment and Procurement

2017 was a year of transition which saw the pooling of the resources, know-how and organisational set-ups of the 4 companies that formed Alia S.p.A.. In particular, the Technical Resources, Procurement and Logistics Department concentrated on the technical-administrative management of the vehicle fleet, property assets, material logistics and equipment for the whole company. November also the start of procurement management according to the new private guidelines of the Organisation and Management Model 231. The department is regionally structured into four business units for management of the fleet and the logistics offices of the four regional management departments and the non-specialist part of waste treatment plants. At the end of 2017, thanks to the Board of Directors' approval of the new procurement process and subsequent adjustment of Organisation and Management Model 231, the Technical Resources, Procurement and Logistics Department launched the activation of said process, gradually moving from public to private contracts, which was then fully deployed in 2018.

The fleet of around 1,200 vehicles and operators' machines, split between the logistics offices and treatment plants, was maintained efficient and safe thanks to scheduled and ordinary maintenance of the internal workshops and authorised external workshops distributed throughout the area.

As regards investments in vehicles and equipment, we continued with upgrades with a view to bringing the fleet of vehicles into line with the requirements of the Area Plan and the Service Contract, in particular:

- 14 old Side-Loader compactors were replaced with new EURO 6 models and the fleet of Up-Loader compactors was augmented by 4 new EURO 6 models;
- we commenced an almost full replacement of the fleet of light tanker trucks (Porters) for light door-to-door collection and sweeping with new EURO 6 Porters (54 in 2017 and as many in 2018), half of which equipped with bin loader;
- we finally concluded the overhaul of a sizeable part of the fleet of 2-4 metres squared hydrostatic sweepers, already started at the end of 2015;
- 6 new trucks with detachable hook (multi-lift) entered service at the end of 2017 for Large-Scale Retail Trade services and other business customers and for internal transshipments, of which 4 methane gas (CNG), which represent the start of the process of use of methane gas of the fleet of heavy vehicles, in order to lower emissions and cut the cost of fuel.

In the meantime, some vehicles were rented on a medium-term basis to remedy the deficiencies arising from a slowdown in investments, especially at some of the companies merged in Alia, who were waiting for the definitive assignment of the Concession in previous years.

Unfortunately, indeed for this reason, the policy to cut the average age of the fleet and gradually reduce the environmental impact has been delayed slightly. However, the Plan of investments envisaged for the next three-year period will bring the average age to around 5 years, striking an excellent balance between investments and the guarantee of a good level of reliability.

The Project Financing tender was awarded in 2017 for the CNG refilling service (methane gas for haulage), but owing to the possibility of being able to sign a private contract from November, we postponed the signing to 2018. Nonetheless, simultaneously, a preventive feasibility analysis was conducted regarding a first distributor of CNG at the San Donnino Hub in Florence, to be constructed between 2018 and 2019; the process at the other Hub of Case Passerini in Sesto F.no proved to be more difficult, given that there are various easements and restrictions in the area identified, so as an alternative, the possibility of building one in the Paronese Hub in the Municipality of Prato was evaluated.

Unfortunately, also in 2017, the underground bin project in the Historical Centre of Florence continued to suffer from the slowdowns already recorded in the previous two years and, in fact, “only” 2 new collection points were installed in 2017. To compensate for this, at the end of 2017, roughly 20 new projects were presented and are awaiting approval, in respect of which 2018 can expect to see the kick-starting and rapid completion of the UWC project.

Provision was made for the maintenance of company offices and the non-plant part of treatment plants, of which there are now many (68 at the end of 2017), through ordinary and extraordinary maintenance. Specifically:

- in the summer of 2017, extraordinary maintenance commenced at the Castelluccio (Empoli) site, which involved the construction of an office building/changing facilities, replacing the one sold to Acque S.p.A.;
- at the Paronese (Prato) site, new TARI (waste tax) offices were opened, replacing the premises leased from CONSIAG and the changing facilities were expanded to accommodate the former CIS S.r.l. personnel, after the decision was taken to close the Montale site (leased) in order to optimise management costs and improve the performance of the fleet of former CIS S.r.l. vehicles.

In relation to Collection Centres (33 planned in the first 3 years by the Waste Regulatory Authority), the Vaiano Collection Centre underwent extraordinary renovation, to make it more user-friendly, in particular for disabled people or those for whom access is difficult, and to increase the waste receipt capacity, as a result of the full activation of the door-to-door service.

As regards Collection Centres to be built in the future, various contacts were established with the interested Municipalities, but the authorisation process for these has yet to be defined with the Waste Regulatory Authority.

Prevention and Workers’ Safety, Integrated Quality, Safety and Environment System

On the back of the incorporation of Alia S.p.A., the Quality-Environment-Safety service, now the Safety-Environment-Quality Department, has been committed to producing the necessary documents and carrying out the operating activities which make it possible to standardise waste management and environmental hygiene services under a single strategic framework, and with management methods able to take advantage of the

marks of excellence possessed by each of the companies involved in the merger to ensure they are shared assets.

The first step is represented by the obtainment of the certification of the Integrated Management System according to ISO 9001, ISO 14001 and OHSAS 18001 standards for the new legal entity.

The Technical Resources, Procurement and Logistics Department worked to build Alia S.p.A.'s Integrated Management System, integrating the operating processes of the four merged companies, in order to not only rationalise but also improve the environmental, safety and quality standards.

As regards workplace health and safety, a single risk assessment document was prepared, therefore by identifying the unique prevention and protection methods in all the regional areas; the fundamental processes for effective and efficient management of the company safety system were immediately incorporated in a single operating method.

As regards the environment, a unique method of registration of significant environmental aspects was created, and a new Alia S.p.A. procedure was released. Therefore, this method was applied to the main plants and sites of each company merged in Alia.

As regards procedures in general, all mandatory system procedures were issued in order to allow correct and rigorous implementation of the Integrated Management System. Operating procedures and instructions considered important for the correct and uniform management of the most significant processes were also issued, like the procedures that define the methods of performing internal audits, keeping regulatory updates under control and compliance with the legal and authorisation provisions, the methods of performance of monitoring and the creation of adequate process indicators. In particular, the creation of a monitoring network and, especially, of adequate process indicators, represents the fundamental starting point for ensuring Alia S.p.A. has an efficient dashboard for controlling and evaluating its services.

A "new manual" was issued which describes the activities and processes of Alia S.p.A.. The "manual" is an integrated Quality, Environment and Safety Manual which indicates the general and operating procedures which guarantee the correct implementation of the Integrated Management System.

In 2017, the Department conducted 47 internal audits, reaching 75% of the planned objective for the year indicated. As a result of the internal audits and the on-site inspections performed and the statistics of each individual Department, around 400 minor non-conformities and observations came to light that the Departments concerned immediately took responsibility for, according to the reference procedure, to resolve and improve the criticalities identified.

One of the main commitments of the Technical Resources, Procurement and Logistics Department in 2018 will be to support Alia's management system with the transition from the current editions of ISO 9001 and 14001 to the new 2015 editions as well as consolidating the system.

TARI Billing, Collection, Economic-Financial Plans

In 2017, the preparation of the payment notices for the collection of the TARI (waste tax) of the Municipalities managed until the merger (13 March 2017) from the individual companies was guaranteed, i.e. former Quadrifoglio S.p.A., ASM S.p.A., Publiambiente S.p.A. and CIS S.r.l.: Sesto Fiorentino, Capraia e Limite, Castelfiorentino, Cerreto Guidi, Certaldo, Empoli, Fucecchio, Gambassi Terme, Montaione, Montelupo Fiorentino, Montespertoli, Vinci, Lamporecchio, Larciano, Lastra a signa, Monsummano Terme, Pistoia, Serravalle Pistoiese, Bagno a Ripoli, Calenzano, Campi Bisenzio, Fiesole, Florence, Greve in Chianti, Impruneta, San Casciano Val di Pesa, Scandicci, Signa, Tavarnelle Val di Pesa, Carmignano, Montemurlo, Poggio a Caiano, Prato, Vaiano, Agliana, Montale, Quarrata. Following the date of the merger, the activities were managed and coordinated by Alia Spa. This activity was also performed for the Municipality of Figline-Incisa, managed by the company AER S.p.A.. The issuing of adjustments, formal notices and roles for TIA (environmental hygiene tariff) users of previous years continued.

Based on the provisions of paragraph 691 of art. 1, of the 2014 Stability Law, the Municipalities listed again assigned Alia S.p.A. with the management of the assessment and collection of back office and front office TARI payment notices, as well as of the freephone number and TARI and TARI Digital portals. All the Municipalities previously managed by former Quadrifoglio S.p.A. also confirmed the collection via postal and bank current accounts in the name of Alia S.p.A for 2017 too. In this case, a total of 69,583 payments were managed via current account direct debit (SEPA).

Following the formation of Alia, the structure was defined, by organising activities with a view to unifying the management processes and optimising procedures, suppliers and IT systems. A project was launched for the unification of the front and back office systems, plus the transfer of all postal and bank authorisations.

The data reported concern the entire basin of Municipalities served.

As regards credit collection, a total of 84,255 formal payment notices were sent, of which 2,768 sent via certified e-mail.

Assessment notices were issued in 2017 and the following were issued:

- a total of 49,784 assessment notices for non-payment;
- a total of 12,616 assessment notices for non-notification;
- a total of 5,708 presumptive assessment notices.

As regards the non-collection of residual TIA (environmental hygiene tariff), there has been a progressive and chronic slowdown in collection times.

The structure, in collaboration with the Finance and Control Department, ensured the Municipal Administrations with the necessary information for the drafting of the Financial Plans and the Reference Tariffs, required for their resolutions.

The dispute with users remained very localised, and for the TARES/TARI part was managed in agreement with the municipal administrations.

As regards front office activities, in 2017 the structure performed 425,020 registrations in the users database, including the filing of the Florence land registry data received. Replies to 15,735 letters/emails/certified emails were drawn up. In the last quarter of 2017, the request for land registry data in the Municipality di Florence was completed and 42,331 communications were sent to domestic and non-industrial users in the Municipality di Florence. Finally, the logging and acquisition of the land registry information received was launched.

The search for total tax evaders continued, both domestic and non-domestic, through the large-scale cross-referencing of databases. Information requests were sent to 18,938 potential tax evaders, of which 1,240 via certified e-mail, with a significant saving in postal costs. To date, these activities have resulted in a total

recovered amount of around 437,425 square metres for “domestic and non-industrial users” and 411,641 square metres for “non-domestic users”. In collaboration with the Municipal offices, the company proceeded with the definition and verification of the operating methodologies to be used to identify the parameters needed for assessment, in the event in which the users contacted do not settle their positions.

In relation to the digital TARI channel, which allows users to check their TARI position on-line and make any changes to their utilities relationship, as of today’s date, 19,456 users have signed up to the TARI Digital portal and 1,146 users have subscribed to the on-line notification service.

Lastly, the service provided by the consortium investee Le Soluzioni continued, for managing, through their call centres, overflow calls with respect to internal calls and also the public help desk. A total of 112,471 calls were handled in 2017.

Personnel, recruitment policies, training

Workforce

The average headcount during the year was **1,928**, as detailed below:

Executives	15 (*)
Middle managers	27
Administrative staff	168
Technical staff	253
Blue collar workers	1,254
Agency staff	211
<i>of which blue collar workers</i>	165
<i>of which administrative staff</i>	28
<i>of which technical staff</i>	18
Total	1,928

(*) of which 2 retirements and 1 early retirement as at 31.12.17

A total of 70 employees ended their employment during the year. In the same period, 32 workers were hired on open-ended contracts.

The use of agency staff was necessary, not only to meet structural requirements, but also to replace staff absent due to holidays as per the annual plan, long-term absences, as well as to cover requirements during the tourism high season.

Training

During 2017, 29,695 training hours were provided, which concerned 1,701 employees, broken down in the table below:

Training Hours		
of which Safety	n.	15.466
of which MOG	n.	320
of which operating training	n.	1.100
of which ongoing training	n.	12.810
Total	n.	29.695

Workers trained by course type		
Safety	n.	1.185
MOG	n.	157
Operating training	n.	328
Ongoing training	n.	871

Workers trained by gender and qualify.		
	n.	
Workers trained		1.701
of which men		1288
di cui women		413
of which executives		13
of which middle managers		25
of which white collar workers		360
of which blue collar workers		1303

Recruitment and Selection

In observance of the company's hiring policy, a number of internal and external selection processes were carried out, targeted at meeting the requirements that gradually arose in the operations, staff and support areas, in order to optimise Alia's new organisational structure.

Industrial Relations

As regards Industrial Relations, the following activities were carried out in 2017:

- an agreement was reached for the signing of a framework agreement with the Regional Secretaries of CGIL, CISL UIL for the creation of the Employee Committee and for the procedures to be carried out regarding the outsourcing of collection and sweeping services.
- signing of agreements aimed at harmonising and rationalising the following contractual entitlements:
 - stand-by allowance;
 - working hours;
 - Sunday work;
 - method of use of holidays, former public holidays, reduced working hours, paid leaves;
 - methods of reclaiming extraordinary working hours;
 - snow allowances;
 - landfill and hardship area allowances;
 - drivers-collectors allowances;
 - compensatory time for night-time services;
- signing of agreement for the application of performance-related pay for 2017
- signing of an agreement for the hiring of operator, drivers and clerical staff, with the classification of newly hired operators in level 1, which they remain in for 6 years and 6 months.
- signing of an agreement for the transfer of the employees of former Cis S.r.l.

IT Systems and Infrastructures

The Information & Communication Solutions (ICS) Structure implemented the necessary preliminary activities to support and guarantee the formation of Alia and the latter's activities in the first year of business.

In the first few months of the year, the application and IT infrastructures were set up to ensure Alia, as of 13 March, with a single:

- e-mail system on a new domain aliaspa.it and certified e-mail on the domain pec.aliaspa.it,

- ERP system in the statutory-tax domain, which allows interfacing with all the management programs of the companies involved in the merger,
- salary management,
- environment management, which allows interfacing with all the management programs at the plants of the companies involved in the merger,
- protocol and company document management,
- website.

On 13 March, projects were implemented which led, at the end of 2017, to the successful implementation of:

- a single ERP (SAP) system in Management Control, Logistics, Procurement, Accounting, Purchasing Cycle and Sales and Distribution Cycle, Workshop Management and Plant Management,
- a single environment management system (Anthea),
- a single attendance system,
- the standardisation of printing systems,
- the standardisation of the management of IT infrastructure,
- the standardisation of the management of fixed and mobile telephone systems,
- a single call centre system.

In 2017, projects were also launched that are continuing in 2018, and whose objective is the adoption of a new procurement system, an adequate treasury system, making the system of geographic connectivity unique, adopting a single hardware and software system for the management of human and vehicle access to the company offices, migrating all Alia workstations to a single domain, ensuring compliance of the workstations with the security standards defined by former Quadrifoglio, migrating the data centres inherited from the companies involved in the merger into a single infrastructure, integrating the geographic IT system today present in the various Regional Management Departments, creating a single fixed telephone system, phasing out the telephone exchanges and the systems present at the former companies, creating a single Organisation and Management Model for data processing, security, generation of profiles for access to applications and to the centralised IT system, also with a view to compliance with the GDPR - EU General Data Protection

Regulation, as well as, lastly, creating a Help Desk service, a single contact point designed with Alia's new requirements in mind and supported by the adoption of new Trouble Ticketing, Incident & Problem Management and Access Management systems.

The project "Implementazione infrastruttura *Virtual Desktop* Interface (VDI) e virtualizzazione Postazioni di Lavoro (PdL)" (Implementation of Virtual Desktop Interface infrastructure and virtualisation of workstations) continued in 2017, targeted at enhancing workstation security, flexibility of use for users and the maintenance and assistance service level.

As regards central infrastructures, essential updates were applied to the system and to the Backup & Recovery processes, aligning the entire system with the state of the art and inserting in the backup cycles the infrastructures also present in the four companies that formed Alia.

Also worthy of note, in terms of the implementation of systems for Alia S.p.A., was the adoption of new systems and the review of processes as part of the Communication structure for the tracking of reports and complaints.

In relation to the regulations in 2017:

- Privacy and IT security procedures were verified and implemented, with a subsequent improvement and optimisation of processes which help guarantee not only the correct compliance with the regulations, but also an increase in the levels of logical and physical security of company data and information: this also helped ensure the safety of all aspects linked to alleged cyber-crime pursuant to 231, which were identified by the legislator and inserted in the appropriate section of the Organisation and Management Model. In 2017, Information & Communication Solutions (ICS) regularly supported the Supervisory Body, continuously producing what was required;
- activities connected with "PUBBLICAZIONE DATI LEGGE 190" (publication of Law 190 data) were successfully completed;

In 2017, the "Single Contact Point - Company Help Desk" service, which represents the reference service for all Alia's IT users, also consolidated the 'Reporting of Technical and Building Faults' service. Lastly, it should be noted that, in 2017, the Help Desk service suffered, in terms of maintaining the service levels of previous

years, as a result of the increased number of support calls from users and requests for the shifting/creation of workstations. In 2017, the number of workstations almost trebled, in relation to the non-increase in staff dedicated to said service.

Control Systems, Transparency, Code of Ethics

The year 2017 saw, in a highly dynamic situation, the continuous updating of the procedures set out in the Organisation and Management Model and respect for the Code of Ethics, adopted in application of Legislative Decree no. 231/2001 and subsequent amendments and additions. These were further fine-tuned and are subject to constant improvement.

The Supervisory Body was provided with all the information required and members were sent any communication deemed necessary for knowledge of company events.

The company updated Organisation and Management Model 231, not only with reference to the new contractual activities, but also for the insertion of a new special section which outlines the risk activities in relation to the crimes of market abuse and insider register (Board of Directors meeting of 3 July 2017).

The now long-established company practice of the quarterly audit on the flows sent to the Supervisory Body continued which, from the 2nd quarter, was extended to all new company Departments envisaged in Alia S.p.A.'s Organisational Chart. Information flows were also updated in order to draw attention to all activities and decisions that may fall under "sensitive areas" as set out in the Organisation and Management Model. In 2017, the Supervisory Body conducted 11 audits, whose summary result is included in the "Annual Report" sent to the Board of Directors and the Board of Statutory Auditors. The Supervisory Body did not report any significant criticalities during the year or in the Annual Report.

As regards the provisions governing anti-corruption and transparency, the company, as already mentioned, maintained adequate anti-corruption controls in the appropriate section of the Model. As regards transparency, information compatible with the new market situation of the Company and the information requested by the Transparency Directive was maintained on the site.

The company top management punctually corresponded to all information, audit and hearing requests of the granting authority Toscana Centro Waste Regulatory Authority, the Shareholding Municipalities, any other

competent entity or authorities regarding monitoring and security in the area. All inspection and control activities of the responsible authorities were carried out on the basis of maximum collaboration, in full observance of the company procedures adopted. The necessary attention was always focused on conduct, attitudes, feelings, listening, based on the application of the company Code of Ethics and Organisation and Management Model 231.

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

Art. 123-bis of the Consolidated Law on Finance (Legislative Decree no. 48 of 2008) establishes that companies that issue securities admitted to trading on regulated markets must indicate, in a special section of the report on operations, called the “Report on corporate governance and ownership structures”, the detailed information indicated in paragraphs 1 and 2. Paragraph 5 of the article mentioned sets forth that “companies that do not issue shares admitted to trading on regulated markets or on multilateral trading systems, may omit the publication of the information referred to in paragraphs 1 and 2, except for the information required by paragraph 2, letter b)”.

Therefore, the information indicated in paragraph 2, letter b) of art. 123-bis of the Consolidated Law on Finance is provided below, regarding existing risk management and internal control systems in relation to the financial disclosure process, with reference to the Management, Organisation and Control Model pursuant to Legislative Decree 231/2001 (Organisation and Management Model 231) and the application of Legislative Decree 262/05.

Organisation and Management Model 231 represents a part of the risk management and internal control system in relation to financial disclosure at Alia, as a consequence of the nature of the model itself. Art. 6, paragraph 2, of Legislative Decree 231/2001 actually requires the Model to “identify the activities in whose domain offences may be committed”.

Alia analysed the possible offences and identified the processes or company areas in whose domain there is a risk of the offences indicated in the Decree being committed, including the offences of false corporate communications (articles 2621 and 2621-bis of the Italian Civil Code) and false corporate communications of listed companies (art. 2622 of the Italian Civil Code).

For each of these processes/areas, the individual sensitive activities were therefore identified and the principles of control and conduct qualified, which all those operating therein must adhere to.

The second part of the risk management and internal control system in relation to financial disclosure is at the construction phase, in order to comply with the obligations of Legislative Decree 262/05, which lays out the provisions regarding the Officer responsible for financial reporting.

In view of the regulatory obligation described, at the meeting of the Board of Directors on 23 October 2017, an amendment to the Articles of Association was approved regarding the establishment of the Officer responsible for financial reporting. The Extraordinary Shareholders' Meeting of 24 January 2018 approved the new articles of association and, on 16 February 2018, appointed Mr. Gustavo Giani as the Officer responsible for financial reporting. The Officer responsible for drafting the corporate accounting documents, supported by an external advisor, is implementing an internal control system which certifies the truthfulness and accuracy of the financial information (representation of the financial position and economic result for the year) produced by the Company.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

11 April 2018: ALBE S.r.l. was incorporated, a project company comprising Alia S.p.A. (50%) and Belvedere S.p.A.(50%), for the design, construction and management of an anaerobic digestion plant, with the production of biomethane for the treatment of the organic and green fractions c/o the plant site of Legoli in the Municipality of Peccioli;

30 April 2018: the Ruling of the Council of State on the Area Tender was published, which rejects the appeal submitted by the competing group against the definitive award of the concession confirmed by the Tuscany Regional Administrative Court on 16 June 2017. The Council of State definitively confirmed the award of the Tender.

2 May 2018: the Shareholders' meeting on 2 May 2018, assigned a mandate to the Board of Directors to purchase the "ex Cava Fornace" (Municipality of Montignoso -MS), on which site there is the landfill managed by the indirect subsidiary Programma Ambiente Apuane S.p.A., with the commitment by Alia S.p.A., through adequate agreements, to make it available for running the plant.

On the basis of the actual leasing contract, as stated by the Arbitration Award, the asset should have been returned to the owner within 24th August 2018. The commitment by the parent company to purchase the asset represents a subsequent event that will therefore allow Programma Ambiente Apuane S.p.A. to continue its activity.

24 May 2018: by means of Ruling 3109, 5th section of the Council of State, a definitive judgment was issued regarding the main appeals and cross-appeals against the Ruling of the Tuscany Regional Administrative Court which had cancelled the management deed of the Metropolitan City of Florence no. 4688 of 23/11/2015, which constituted the Integrated Environmental Authorisation pursuant to Legislative Decree no. 152 of 2006 and the Single Authorisation pursuant to Legislative Decree no. 387 of 2003, issued to Q.Thermo for the construction and management of the Case Passerini WTE plant.

The Council of State definitively confirmed the cancellation of the management deed mentioned above. From the countless reasons for cancellation put forward by WWF, Environmental Associations, the Municipality of Sesto Fiorentino and the Municipality of Campi Bisenzio, the Council of State finally upheld only that relating to the non-provision in the authorisation of the prior realisation of the so-called “*Boschi della Piana*” project as mitigation works with respect to management of the WTE plant for the commissioning of the plant itself. Completion of these works is not, however, the responsibility of Q.tHermo, but the regional authorities.

The ruling confirms that the authorisation, and the project forming the basis of said authorisation drafted by Q.tHermo, does not present profiles of illegitimacy from a health, environmental, technological and location perspective. Since the flaw in the authorisation is not due to responsibilities attributable to Q.tHermo, based on the conformative effect of the administrative judgment, the latter will ask the Waste Regulatory Authority to confirm the need for the WTE plant and then the Tuscany Region for the issuing of a new authorisation free of the flaws that led to the cancellation of the Council of State which, it is reiterated, only concern the non-provision of mitigation works.

The negative outcome of these initiatives and, therefore, the non-construction of the plant will entitle Q.tHermo to receive payment of costs incurred according to the provisions of the agreement signed with Toscana Centro Waste Regulatory Authority, from Q.tHermo and from Quadrifoglio (now Alia).

BUSINESS OUTLOOK

The year 2018, the first of the management under concession, will be a crucial one for your Company, and at the same time, full of criticalities and rich in new opportunities. As early as the start of the “transitory period”, all the complexities relating to the move from “in house providing” to management under a concession system started to come to light.

We refer in particular to the update/interpretation of the reference contractual framework and its operating application, the updating of the executive projects of collection and sweeping and the plant management model, the rebalancing trends of the Economic and Financial Plan, as well as, lastly, the preparation of the individual Economic and Financial Plans on a Municipal basis.

The most critical aspect underlying all activities involved in the start of the concession relates to the considerable time span (around 4 years) from the moment of presentation of the offer (2014) and the start of the Service Contract (2018), with a large part of the basic assumptions and operating conditions greatly modified in the meantime (see, in particular, the project options of the Municipalities and the available plant chain).

Aside from the criticalities attributable to the start of the concession arrangement, it is well-known that the waste sector on a national sector reflects significant complexity and delayed adjustment to market conditions of the reference regulatory framework that, often combined with an inconsistent and contradictory interpretation of said framework by the bodies and institutions responsible for environmental checks, entails an area of risk which operators find it difficult to mitigate. The latter hope that, thanks to the recent regulatory intervention (Law no. 205 of 27/12/2017) which attributes the former AEGSI (now renamed ARERA - “Autorità per la Regolazione Energia Reti e Ambiente” (Italian Regulatory Authority for Energy, Networks and the Environment), also for adjustment powers regarding the environment, an effective process has been launched targeted at guaranteeing, also to the waste sector, a unitary and organic adjustment system.

Another structural criticality which concerns, in this case, the local area in which Alia S.p.A. operates, stems from the lack of adequate plants for the treatment and disposal of waste. This risk has now been made worse by the recent negative outcome of the administrative dispute regarding the Single Authorisation of the WTE

plant of the Florence area, which represented the key project for ensuring certain capacity and the costs of treatment of the residual undifferentiated fraction (undifferentiated urban waste) in the TC Waste Regulatory Authority. Consequently, scenarios of significant uncertainty have arisen regarding the capacity of TC Waste Regulatory Authority to ensure “closure of the cycle” and, on the whole, its treatment self-sufficiency, exposing it to the risk of having to continuously update and renegotiate the inter Waste Regulatory Authority consignment agreements and increase flows to plants outside the region.

The growth in the level of separated waste collection is, into the bargain, giving rise to another criticality, regarding the capacity for the treatment of the organic fraction (FORSU - organic fraction of solid urban waste), in relation to which we are seeing a growth trend in the tariffs for access to organic fraction treatment plants throughout the entire country on the part of those industrial entities that hold the capacity for treating this fraction of waste.

As a result of the scenarios described above, on 28 February 2018, the Single Manager Alia S.p.A. formally notified Toscana Centro Waste Regulatory Authority of the start of a rebalancing procedure, pursuant to art 22 of the Service Contract, which quantifies for 2018, the higher treatment and disposal expenses with respect to the tender offer, for an amount of around EUR 14.2 million.

This risk is incorporated, moreover, in a context of new opportunities in which Alia S.p.A., by virtue of its subjective profile of company listed on the regulated financial markets and single manager of the Waste Regulatory Authority Concession, is seeing, on the one hand, the increased possibility of accessing new forms of corporate finance and, on the other, the chance to establish partnerships with other companies targeted at creating the plant infrastructures to rectify the above deficits.

Lastly, note should be taken of the risk represented by the possibility that the Municipalities forming part of the concession perimeter may opt to abandon the withdrawal system today based on the specifically targeted levy (TARI) to the benefit of quantity-based tariff systems, which would involve the reallocation of the risk of non-collection for the manager and the subsequent request for the rebalancing of fees.

In this scenario, Alia S.p.A. may nonetheless implement mitigation initiatives relating generally to its background and the new size and corporate identity; more specifically, we refer to its deeply rooted regional

origins based on consolidated institutional relations with all the main local players, its many years of experience (know-how) in the management of environmental services, as well as its new corporate dimensions which has made it possible to reach a critical threshold able to generally enhance its performance capacity.

The corporate integration will actually enable the selection of the best practices and the achievement of notable management efficiencies, as well as the possibility for development outside the current perimeter of activities, both with reference to the public concessions market, and unregulated activities. Lastly, new potential may be developed in relation to the gradual and constant increase in the sensitivity of the domestic and non-industrial users served to the issue of separated waste collection and, in general terms, the correct methods of disposing of waste, as well as the recoveries in efficiency in the process of acquiring goods and services deriving from its new subjective profile of public interest entity and concessionaire.

RISK MANAGEMENT

Introduction

The company, for each of the following types of risk, defined specific policies with the primary objective of clarifying the strategic guidelines, the organisational/management principles, the macro-processes and the necessary techniques for actively managing these (where applicable):

- 1) Financial risks (*liquidity, exchange rate, interest rate*);
- 2) Credit risk;
- 3) Equity risks;
- 4) Operating risks.

Details of the active management methods of the Company are reported below, for the different risk types.

1. FINANCIAL RISKS:

a) Liquidity risk

Liquidity risk is the risk of the financial resources available to the company being insufficient to cover financial and commercial commitments in accordance with the agreed terms and deadlines.

The procurement of financial resources is managed by the Finance Department, for the purpose of optimising the use of available resources. In particular, the centralised management of cash flows allows available funds to be allocated according to need. The Department responsible carefully and periodically monitors compliance

with the financial constraints (so-called covenants) related to the bond issued in 2017 and the other medium and long-term loans.

The current and future financial position, and the availability of adequate bank credit facilities are constantly monitored; no criticalities emerged regarding the coverage of the short-term financial commitments.

Through its relations with the leading Italian banks, Alia searches for the types of financing most suited to its needs and the best market conditions.

Liquidity risk for Alia SpA is greatly mitigated through constant monitoring by the Finance and Control Department.

b) Exchange rate risk

Alia S.p.A. is not exposed to exchange rate risk in relation to domestic company operations.

c) Interest rate risk

The interest rate risk to which the company is exposed originates primarily from the financial payables due to banks. In light of the current trend in interest rates, the Company's risk management policy does not make provision for the use of interest rate derivatives.

2. CREDIT RISK

Alia S.p.A.'s credit risk is tied essentially to the amount of trade receivables due from companies and private customers that use waste disposal services, based on private contracts, to outstanding former TIA (environmental hygiene tariff) management items accrued directly from domestic and other non-industrial customers, as well as, lastly, the receivable due from the Municipalities in relation to the urban waste management service following the transfer to taxation from 2012/13.

Alia S.p.A., in carrying out its activities, is exposed to the risk of the receivables not being honoured at maturity, with a subsequent increase in the ageing of the receivables, or insolvency in the case of receivables subject to bankruptcy proceedings or, nonetheless, uncollectable.

The credit management policy and the credit standing valuation instruments, as well monitoring and collection activities, are differentiated in relation to the different types of credit risk indicated above.

The payment terms generally applied to customers are based on the applicable legislation or regulations or in line with market standards; if payments are not received, interest on arrears is applied to the extent indicated in the contracts.

Allocations to the bad debt provision accurately reflect the actual credit risks.

3. EQUITY RISK

Equity risk is essentially connected with the recoverability of the value of the investments made in the investee companies: this risk is insignificant given that the company does not hold equity instruments subject to a high degree of variability and available for sale. All equity investments held in subsidiaries and associated companies relate to companies not listed on the stock exchange and represent long-lasting investments that are instrumental in company activities; impairment testing is monitored on the basis of the plans and growth prospects of the companies and based on the available information: they are managed as part of the Group strategy in order to increase the value of and support the investments made.

Any impairment is reflected in the financial statements.

4. OPERATING RISKS

Falling into this category are all risks that, in addition to those already outlined in the previous paragraphs, may impact the achievement of the objectives relating to the effectiveness and efficiency of company operations, performance levels, profitability and the protection of resources from any losses.

The risk management process requires, for each operating area, the activities performed to be analysed and the main risk factors related to the achievement of the objectives to be identified. Following the identification of the risks, they are evaluated from a quali-quantitative perspective (in terms of intensity and likelihood of occurrence), thus allowing the identification and selection of the most relevant ones and, subsequently, the definition of risk mitigation plans.

For the Board of Directors

**The Chairman
Paolo Regini**

STATEMENT OF FINANCIAL POSITION	Notes	31/12/2017	31/12/2016
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	1	162,091,677	80,224,957
Intangible fixed assets	2	1,576,474	758,941
Goodwill			
Equity investments	3	13,519,660	6,101,587
Non-current financial assets	4	994,144	34,350
Deferred tax assets	5	8,464,697	7,103,000
Derivatives			0
Other non-current assets			2,315,672
Total non-current assets		186,646,652	96,538,506
<i>Current assets</i>			
Inventories	6	1,793,709	956,885
Trade receivables	7	60,982,077	35,180,183
Current financial assets			
Equity investments			
Current tax assets	8	3,547,395	2,398,047
Other current assets	9	24,824,400	8,809,826
Derivatives			
Cash and cash equivalents	10	151,430,747	83,558,213
Non-current assets held for disposal (IFRS 5)			
Total current assets		242,578,328	130,903,154
TOTAL ASSETS		429,224,980	227,441,661
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	11	85,376,852	61,089,246
Reserves	12	69,342,682	39,392,159
Reserve for first-time adoption of IAS		7,896,006	7,896,006
Profit (loss) for the year		3,952,466	4,903,933
Shareholders' equity		166,568,005	113,281,345
Total shareholders' equity		166,568,005	113,281,345
<i>Non-current liabilities</i>			
Provisions for risks and charges	13	33,942,684	19,612,050
Employee severance indemnity and other benefits	14	19,575,796	15,835,960
Non-current financial liabilities	15	78,614,236	9,681,470
Deferred tax liabilities	17	706,841	0

Derivatives			
Other non-current liabilities	16	6,523,476	4,039,565
Total non-current liabilities		139,363,032	49,169,045
Current liabilities			
Current financial liabilities	18	41,861,701	10,521,793
Trade payables	19	60,126,149	34,761,235
Current tax liabilities			
Other current liabilities	20	21,306,092	19,708,243
Derivatives			
Non-current liabilities held for disposal (IFRS 5)			
Total current liabilities		123,293,942	64,991,271
TOTAL LIABILITIES		262,656,975	114,160,316
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		429,224,980	227,441,661

	<i>Notes</i>	31/12/2017	31/12/2016
INCOME STATEMENT			
Revenues	21	248,785,171	133,928,128
Change in inventories of finished, semi-finished products and work in progress			
Other operating income	21	6,123,781	6,364,159
Consumption of raw materials and consumables	22	11,852,517	6,416,999
Costs for services	22	125,812,436	70,573,848
Personnel costs	22	87,578,893	46,903,070
Other operating expenses	22	3,995,902	2,172,307
Capitalised costs			
EBITDA		25,669,204	14,226,063
Amortisation/depreciation, provisions and write-downs	23	18,448,894	9,018,143
Operating profit (EBIT)		7,220,310	5,207,920
Write-downs and write-backs of financial assets and financial liabilities		22,113	
Share of profits (losses) of joint ventures and associated companies	24	666,971	-148,361
Financial income	24	1,687,851	2,514,584
Financial charges	24	3,292,664	432,155
Financial management		-959,955	1,934,069
Pre-tax profit		6,260,355	7,141,989
Taxes	25	2,307,889	2,238,056
Net profit for the year		3,952,466	4,903,933
STATEMENT OF COMPREHENSIVE INCOME			
Net profit/(loss) for the year		3,952,466	4,903,933
Components which can be reclassified to the income statement			
Change in the fair value of derivatives for the period			
Tax effect relating to other reclassifiable components of the Statement of Comprehensive Income			
Components which cannot be reclassified to the income statement			
Actuarial gains (losses) on employee benefit provisions		62,009	-221,680
Tax effect relating to other reclassifiable components of the Statement of Comprehensive Income		-14,882	53,203
Total comprehensive profit/(loss) for the year		3,999,593	4,735,456

CASH FLOW STATEMENT	NOTES	31/12/2017	31/12/2016
CASH AND CASH EQUIVALENTS AT START OF YEAR	10	83,558,213	59,875,425
Profit (loss) for the year (A)		3,952,466	4,903,933
Depreciation of property, plant and equipment	23	16,630,692	7,558,319
Amortization of intangible fixed assets	23	972,480	1,142,763
Provision for bad debts	23	523,186	313,150
Provision for risk provisions	23	8,943,751	3,911
Adjustment of participations in the PN method	24	(666,971)	148,361
Economic effect of prepaid / deferred taxes	25	843,591	1,903,669
Provision for current taxes	25	1,464,298	334,387
(Capital gains) / Losses from disposals	22	(93,835)	104,853
(Income) / Financial charges	24	1,604,813	(2,082,429)
Provision for severance pay	14	3,467,520	2,083,541
Non-monetary adjustments (B)		33,689,525	11,510,525
Cash flow from Current Management (C) = (A) + (B)		37,641,991	16,414,458
(Increase,) / Decrease, in inventories	6	(196,733)	(18,293)
(Increase) / Decrease, Trade receivables	7	25,992,681	46,945,060
(Increase) / Decrease, Current tax assets	8	6,302,721	2,592,854
Increase / (Decrease) Liabilities for current taxes		(2,648,012)	(2,399,019)
(Increase) / Decrease, Other current assets	9	(10,715,107)	(6,134,301)
Increase/ (Decrease) Trade payables	19	(14,861,729)	5,816,835
Increase / (Decrease) Other current liabilities	20	(11,380,882)	(25,248,000)
Other variations		23,190	(70,717)
Net Working Capital Variation (D)		(7,483,871)	21,484,418
Increase / (Decrease) Other non-current assets		2,315,672	-
(Increase) / Decrease, Other non-current liabilities	16	2,483,910	(575,358)
Interest received / (paid)	24	(30,000)	(251,803)
Change in prepaid / deferred taxes	25	2,194,609	(53,204)
Use of risk funds / TFR fund	13 + 14	(7,126,904)	(1,877,112)
Other operating variations (E)		(162,713)	(2,757,477)
Operating cash flows (G) = (C) + (D) + (E)		29,995,407	35,141,400

(Acquisitions) / Disposals, Tangible fixed assets	1	(22,820,019)	(6,071,395)
(Acquisitions) / Disposal, Intangible fixed assets	2	1,605,041	(961,638)
(Acquisition) / Disposals, Financial fixed assets	3 + 4	4,183,054	(1,005,302)
Cash flows for investment activities (H)		(17,031,924)	(8,038,335)
Cash flows available (I) = (G) + (H)		12,963,483	27,103,065
Financial activity - Means of third parties			
Change Non-current financial liabilities	15	13,323,221	(3,956,416)
Change Current financial liabilities	18	31,339,908	536,139
Financial activity - Own means			
Variation of liquidity for BC transactions		10,245,922	-
Cash flows from financial activities (J)		54,909,051	(3,420,277)
Net cash and cash equivalents (L) = (I) + (J)	10	67,872,534	23,682,788
FINISH NET FINANCIAL CASH AND CASH	10	151,430,747	83,558,213

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

Alia S.p.A. is the company involved in the management of environmental services such as the collection, treatment and disposal of urban waste in Central Tuscany.

On 13 March 2017, the legal-administrative procedure relating to the merger between ASM of Prato, CIS of Montale, Publiambiente of Empoli and Quadrifoglio of Florence was completed (which will change name to ALIA SPA). The new entity operates with the name Alia Servizi Ambientali SpA in the Provinces of Florence, Prato and Pistoia, replacing the old brand names.

The four companies that merged were not linked by any shareholding connections.

The merger forms part of a bigger operational combination process to establish a single company, that can provide environmental services for the entire Territorial Authority (“ATO”) for Central Tuscany (“**Toscana Centro Waste Regulatory Authority**”), also due to the decision, made in November 2012 by the applicable authority, to select a single entity through a “*Limited procedure to assign the integrated urban waste management service (Tender Identification Code 4726694F44)*” (hereinafter “Tender”). This process began in February 2013 by Quadrifoglio, Publiambiente, ASM and CIS, with preparation of a memorandum of agreement, signed on 26 February 2013 by the main shareholders of said companies (hereinafter “**Memorandum of Agreement**”) and continued by signing an agreement aimed at establishing a **Temporary Association of Companies** (“RTI”) to take part in the Tender.

Quadrifoglio, Publiambiente, ASM and CIS, following the definitive award of the tender, subject to Waste Regulatory Authority Decision no. 67 made on 8 July 2016 at the end of the Tender, after having formally established the Temporary Association of Companies on 28 July 2016, agreed once again, also in accordance with the provisions of the special Tender law, to implement the above-mentioned combination by a Merger, with the primary aim of establishing a new company that can become a single entity in charge of managing the waste services, and holding the main capital and plant assets to carry out said services, thereby increasing management and operating efficiency.

Said merger, carried out by means of a merger agreement drawn up by Notary Riccardo Cambi on 24/02/2017 (Index no. 22525/9626), took legal effect on 13 March 2017, with accounting and tax effects backdated to 1 January 2017.

Due to agreement of the servicing contract on 31 August 2017 with Toscana Centro Waste Regulatory Authority, Alia SpA is the service concessionaire for the integrated management of municipal and similar waste, in accordance with article 26, paragraph 6 of Tuscany regional law no. 61/07 for the applicable zone in the entire area.

As far as the reference contractual framework in 2017, represented by the “in-house providing” management by 49 Municipalities of the Toscana Centro Waste Regulatory Authority, remained unchanged with respect to 2016, the transaction in question had a significant impact on the size and structure of the Group, and makes a

comparison with previous years extremely difficult.

On 9 March 2017, the acquirer Quadrifoglio SpA finalised the procedure to issue a € 50,000,000 bond listed with the Irish Stock Exchange of Dublin. It has a seven-year duration and guarantees a fixed return of 2.7%. The loan will be repaid with fixed amounts starting from 2021.

Issue of the bond classifies Alia SpA as an EIP (Public Interest Entity - as defined by former article 16 of Legislative Decree 39/2010) and also requires the international IFRS standards to be adopted to prepare the 2017 financial statements (on the other hand, the financial statements of Quadrifoglio S.p.A. as at 31/12/2016 approved on 31/05/2017, were prepared in accordance with Italian accounting standards).

The effects of the change to the international accounting standards are described in detail in paragraph 7.

SEPARATE ANNUAL FINANCIAL REPORT

The separated financial statement at 31 December 2017 was drawn up in accordance with *International Financial Reporting Standards* (hereinafter IFRS) issued by the *International Accounting Standard Board (IASB)* and Approved by the European Union. IFRS is also understood as all revised international accounting standards (IAS) and all interpretations of the *International Financial Reporting Interpretations Committee (IFRIC)*, previously called *Standing Interpretations Committee (SIC)*.

The financial statement at 31 December 2017 of Alia S.p.A. is presented in euro units.

This financial statement at 31 December 2017 was approved by the Board of Directors on 28 May 2018 which authorized its publication and is subject to legal review by PricewaterhouseCoopers S.p.A. on the basis of the assignment conferred for nine years 2017-20250 with Resolution of the Assembly of 16 February 2017.

FINANCIAL STATEMENTS

The Separated Financial Statement is composed by:

- Statement of financial position
- Statement of changes in net equity
- Income Statement
- Statement of Comprehensive Income
- Cash Flow Statement

With reference to the capital and financial situation, a form of presentation was adopted that divides the assets and liabilities between current and non-current, in accordance with paragraph 60 *et seq.* of “IAS 1”.

The “Income statement” is in scalar form, with the individual items ordered in terms of nature, which was considered to be the most representative form compared to presentation by expenditure allocation. The form chosen is in line with international practices

The “Statement of Comprehensive Income” shows the integrated economic result of the proceeds and charges which, by express provision of IFRSs, are accounted directly for equity.

The Cash flow statement was prepared by using the indirect method as permitted by “IAS 7”.

The Statement of changes in net equity was drawn up in accordance with the provisions of “IAS 1”.

2) ACCOUNTING STANDARDS AND DRAFTING CRITERIA

The annual financial report as at 31 December 2017 was drawn up on the basis of the historic cost principle, with the exception of the items, illustrated below, that have to be or can be measured at fair value in accordance with the IFRS.

The accounting standards and measurement criteria and estimates used to draw up the annual report are those provided for by international accounting standards. This is the first year that the company has adopted the international accounting standards; please refer to the paragraph on the first adoption of said standards. International accounting standards have been adopted during the comparative period, taking advantage of exemptions and applying the exceptions provided for by IFRS 1.

Property, plant and equipment

Property and investments assets are recorded under "Property, plant and equipment".

Property, plant and equipment are recorded at the price of purchase or the cost of production, including the directly attributable additional costs needed to make the assets available for use. As permitted by IFRS 1, when changing to the international accounting standards, the Company made an initial measurement of the fair value of certain owned lands and buildings, and using said amount as a new cost subject to depreciation.

No revaluations can be made, even if in application of specific laws.

Property, plant and equipment are depreciated throughout their useful life on a straight line basis. When the tangible assets comprise more than one component that have different useful lives, each component will be depreciated separately. The depreciation amount is represented by the carrying amount reduced by the presumable net value of sale at the end of its useful life, if significant and can be reasonably determined. Land is not subject to depreciation (apart from landfills, as explained in more detail below), even if purchased along with a building.

The depreciation criteria used have been summarized in the paragraph called "Tangible assets" to which we refer.

Costs for improvements to the property, plant and equipment, made on an incremental basis, are accounted for as capital assets if they comply with the requirements under IAS 16.

The costs incurred for ordinary maintenance are fully charged to the Income statement for the year in which they are incurred.

The presumed realisable value at the end of the useful life is not depreciated. The useful life of each asset is re-examined on an annual basis, and any changes, if necessary, are made in order to correctly record the value of the asset itself.

Landfills are depreciated on the basis of the percentage of replenishment calculated as the ratio between the volume occupied at the end of the period, and the total volume authorised.

If there are specific indicators that would indicate the existence of impairment, the property, plant and equipment is subject to impairment tests.

At the time of sale, or if there are no future financial benefits expected from the use of an asset, it will be eliminated from the financial statements and any loss or profit (calculated as the difference between the value of sale and the balance sheet carrying value) is recognised on the Income Statement in the year of the above-mentioned elimination.

Intangible assets

Intangible assets that are purchased or produced internally are recognised as assets in accordance with IAS 38 - Intangible assets, when it is probable that the use of the asset will generate future economic benefits and when the cost of the asset can be reliably determined.

Intangible assets are assets that do not have identifiable physical substance, are controlled by the company and can produce future economic benefits, and goodwill, when purchased for valuable consideration.

Their identification is defined with reference to the option of distinguishing the intangible assets purchased from goodwill; this requirement is generally satisfied when: (i) the intangible asset can be traced to a legal or

contractual right, or (ii) the asset can be separated, or sold, transferred, rented or independently exchanged, or as an integral part of other fixed assets.

A company's control involves the power to use the future economic benefits deriving from the fixed assets, and the option of limiting access to others.

Intangible assets are recorded on the financial statements at the cost of purchase or production, including the incidental charges, calculated in accordance with the provisions of IAS 38 - Intangible assets. Intangible assets produced internally are not capitalised, and are recognised in the Income Statement of the year in which their costs were incurred.

Intangible fixed assets with defined useful lives are recorded net of the relative accumulated amortisation or any impairment, determined the same way as indicated above for the property, plant and equipment. Changes in the expected useful life or the ways that the future economic benefits related to the intangible assets are obtained by the entity are recognised by changing the period or amortisation method, and processed as changes to the accounting estimates. The amortisation rates of the intangible fixed assets with defined useful lives are recognised on the Income Statement under the cost category in accordance with the function of the intangible fixed assets.

Where there are specific indicators of impairment, the intangible fixed assets are subject to the impairment test; any write-downs may be subsequently reversed if the reasons that led to their write-down no longer apply.

The profits or losses resulting from sale of an intangible asset are calculated as the difference between the price of disposal and the carrying amount, and are recognised in the Income Statement at the time of sale.

Any goodwill and other intangible assets, where present, with undefined useful lives, are not subject to amortisation; the recoverability of their carrying amounts are checked at least annually, and in any case when events occur that could indicate impairment.

Leasing

Definition of a contractual agreement as a lease (or that contain a lease) is based on the substance of the agreement, and requires assessment of whether the fulfilment of the agreement depends on the use of one or more specific assets or if the agreement transfers the right of use of said asset. The decision on whether an agreement contains a lease is made at the beginning of the agreement.

The Company measures the lease contracts only when it acts as the lessee.

A lease contract is classified as a financial lease or an operational lease at the beginning of the lease period. A lease contract that substantially transfers all the risks and benefits resulting from ownership of the assets leased to the Company is classified as a financial lease.

Financial leases are capitalised on the date the lease starts, at the fair value of the assets leased, or, if less, the current value of the lease payments. The lease payments are allocated between capital and interest so that there is a constant interest rate on the remaining portion of the debt. The financial charges are allocated to the profit/(loss) statement for the year.

Leased goods are amortised on the basis of the useful life of the asset. However, if there is not the reasonable certainty that the company will obtain ownership of the asset at the end of the contract, the asset is amortised over the shorter of the time periods between the estimated useful life of the asset and the duration of the lease contract.

An operating lease is a lease that cannot be classified as a financial lease. Operating leases are recognised as costs in the profit/(loss) statement for the year, on a straight line basis for the duration of the contract.

The company assessed its lease contracts, and classified them all as operating leases.

Business combinations

Business combinations can be accounted for by applying the acquisition method provided for under IFRS 3 revised, whereby the acquiring party acquires the shareholders' equity and recognises the assets and liabilities of the acquired company. Quadrifoglio has been identified as a buyer company since the relative dimensions

are considerably higher than the other companies involved in the operation. On 1 January 2017 is the date of acquisition by Quadrifoglio.

The cost of the transaction is represented by the fair value, at the acquisition date, of the assets transferred, the liabilities taken on, and the capital instruments issued in exchange for control of the acquired company. The incidental charges of the business combinations are generally recognised in the income statement when they are incurred.

Any positive difference between the cost of the operation and the fair value at the date of obtaining control of the assets and liabilities acquired is attributed to goodwill (subject to impairment testing). If the process to allocate the acquisition price results in a negative differential, it will be immediately recorded in the income statement at the date of acquisition. Any payments subject to conditions resulting from the business combination contract are measured at the fair value on the date of acquisition and considered in the amount of the payment transferred due to the combination in order to determine any goodwill.

Description of the operation

As noted above (at the paragraph “GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR”) the merger between the companies Quadrifoglio SpA, Cis Srl, Publiambiente SpA and ASM SpA was completed in 2017. This operation consisted in a merger by incorporation of Cis Srl, Publiambiente SpA and ASM SpA in Quadrifoglio SpA, which subsequently changed its social name to Alia Servizi Ambientali S.p.A..

The companies involved in the business combination were not linked by shareholding relations, and therefore the shareholders of ASM, CIS and Publiambiente received Alia SpA (previously Quadrifoglio) shares as a share swap of the shares that they held in the merged companies. The share swap ratio was calculated by the directors of the companies involved in the merger on the basis of an expert report drawn up by independent external professionals, and the shareholder agreements signed between the parties provide that the holdings in the share capital of the merged companies will be reviewed in accordance with the fair value calculated on the basis of expert appraisals of the buildings contributed by each company and on the basis of the non-recurring gains and losses generated with reference to other asset items such as receivables, loans, provisions, etc.

Said merger, carried out on 24 February 2017, which took legal effect on 13 March 2017, with accounting and tax effects backdated to 1 January 2017, is a business combination in accordance with the provisions of IFRS 3. To that end, the acquiring company is Alia SpA (previously Quadrifoglio SpA), the date of acquisition is 1 January 2017 and the price of the transaction comprises the value of the new shares issued by the acquiring party to benefit the shareholders of the merged companies. In accordance with the shareholder agreement and briefly referred to above, the price provides for an adjustment to be settled with Alia SpA shares in accordance with certain timeframes.

In view of the above, at the date of acquisition, the current value of the assets and liabilities acquired was calculated and in accordance with the mechanism provided for by the agreements, any differences found with respect to the carrying amounts went to form an initial estimate of the price adjustment, with an offsetting item therefore put in a shareholders' equity reserve set up for the purpose. No residual goodwill or badwill was therefore generated by the transaction.

The description of the merger and relative reasons is set out in the report on operation in the applicable chapter. The following are, for each company acquired following the merger, the accounting values of the net assets and liabilities with the indication of the adjustments identified with a view to reaching the relevant current values, the fair value of the "paid" fee at the date of acquisition and price adjustment identified and accounted for as described above.

<u>Publiambiente</u>	CARRYING AMOUNT ACQUIRED	FAIR VALUE ADJUSTMENT	FAIR VALUE
ASSETS			
FIXED ASSETS			
Intangible fixed assets	1,536,902	- 555,865	981,037
Property, plant and equipment	31,392,176	9,887,591	41,279,767
Financial fixed assets	5,900,580	2,028,134	7,928,714
CURRENT ASSETS			
Inventories	25,607		25,607
Receivables	34,759,792	858,998	35,618,790
Short term investments	0		
Cash and cash equivalents	5,227,808		5,227,808
TOTAL ASSETS	78,842,865	12,218,858	91,061,722
LIABILITIES			
PROVISIONS FOR RISKS AND CHARGES	- 2,066,417	- 2,718,126	- 4,784,542
EMPLOYEE SEVERANCE INDEMNITY	- 1,736,792	- 172,810	- 1,909,602
PAYABLES	- 58,437,679		- 58,437,679
TOTAL LIABILITIES	- 62,240,888	-2,890,936	- 65,131,823
NET ASSETS ACQUIRED	16,601,977	9,327,922	25,929,899
Initial fee			16,601,977
Deferred fee			9,327,922
Total fee			25,929,899
Goodwill/Badwill			0
<u>ASM</u>	CARRYING AMOUNT ACQUIRED	FAIR VALUE ADJUSTMENT	FAIR VALUE
ASSETS			
FIXED ASSETS			
Intangible fixed assets	2,546,740	- 204,504	2,342,236
Property, plant and equipment	33,259,763	- 1,261,031	31,998,732
Financial fixed assets	7,033,867	- 3,194,774	3,839,093
CURRENT ASSETS			
Inventories	605,955		605,955

Receivables	25,893,782	1,413,610	27,307,392
Short term investments	0		
Cash and cash equivalents	4,145,120		4,145,120
TOTAL ASSETS	73,485,227	-3,246,699	70,238,528
LIABILITIES			
PROVISIONS FOR RISKS AND CHARGES	- 4,206,815,00	- 72,665	- 4,279,480
EMPLOYEE SEVERANCE INDEMNITY	- 2,672,788,00	- 239,791	- 2,912,579
PAYABLES	- 43,218,657,00	1,070,679	- 42,147,978
TOTAL LIABILITIES	- 50,098,260,00	758,223	- 49,340,037
NET ASSETS ACQUIRED	23,386,967	-2,488,476	20,898,491
Initial fee			23,386,967
Deferred fee			-2,488,476
Total fee			20,898,491
Goodwill/Badwill			0
CIS	CARRYING AMOUNT ACQUIRED	FAIR VALUE ADJUSTMENT	FAIR VALUE
ASSETS			
FIXED ASSETS			
Intangible fixed assets	167,815	- 96,034	71,781
Property, plant and equipment	2,469,969	- 71,075	2,398,894
Financial fixed assets	92,720	33,424	126,144
CURRENT ASSETS			
Inventories	8,529		8,529
Receivables	8,159,467	729,438	8,888,905
Short term investments	-		-
Cash and cash equivalents	872,994		872,994
TOTAL ASSETS	11,771,494	595,753	12,367,247
LIABILITIES			
PROVISIONS FOR RISKS AND CHARGES	- 250,000		- 250,000
EMPLOYEE SEVERANCE INDEMNITY	- 451,164	- 40,868	- 492,032
PAYABLES	- 9,806,595	25,773	- 9,780,822

TOTAL LIABILITIES	-	10,507,759	-15,095	-	10,522,854
NET ASSETS ACQUIRED		1,263,735	580,658		1,844,393
Initial fee					1,263,735
Deferred fee					580,658
Total fee					1,844,393
Goodwill/Badwill					0

With respect to the changes in fair value mentioned above, note the following:

- The adjustments to the fixed assets mainly refer to readjusting the assets to the corresponding fair value after expert appraisals, in addition to cancelling certain intangible fixed assets, that do not fulfil the recognition criteria on the basis of international accounting standards;
- The adjustments made to the financial fixed assets refer to readjusting the equity investments acquired by Alia during the business combination to the fair value. ASM's equity investment in Programma Ambiente spa was recognised when the merger was made at a value of zero in accordance with the expert appraisal.
- The receivables were recognised at fair value, taking account of collection trends in 2017.
- The risk provisions were adjusted for the part relating to the post mortem provisions of the landfills on the basis of expert appraisals discounted back in accordance with IAS 37. Provisions for risks and charges in the ASM and Publiambiente companies were written off since the recognition criteria were not present in accordance with IAS 37.
- The employee severance indemnity provisions were adjusted in accordance with actuarial expert reports.
- The ASM payables were reduced in accordance with adjustments of positions that were recorded properly.

Environmental securities: emission quotas, Green Certificates and White Certificates

The green certificates are measured at the average price of sale for December. The white certificates are measured at market price.

Equity investments in subsidiaries and associated companies

The subsidiaries are those companies on which the parent company "is exposed, or is entitled to variable results of their involvement in the entity and are able to influence these results through their own power on the entity itself," as well as Defined by IFRS 10. General - ment It is assumed the existence of control when it directly holds more than half of the voting rights exercised in the ordinary shareholders ' meeting, considering also the siddetti votes, i.e. the voting rights derived from convertible instruments .

Subsidiaries are exposed between non-current assets and are valued at cost as permitted by IAS 27.

Associated companies are those where the parent company exercises significant influence in the determination of strategic choices, even though it does not have control, also considering the potential votes, i.e. the right to vote given by convertible instruments; significant influence is assumed when the company directly holds over 20% of the votes that can be exercised in ordinary shareholders' meetings.

Equity investments in associated companies are measured using the equity method.

Inventories

Inventories of stock mainly include spare materials and are valued at the lowest between the weighted average cost and the market value at the date of the accounting closing. The average weighted cost is calculated by reference period with respect to each warehouse code. The average weighted cost includes the applicable incidental charges. The value of obsolete stock and slow-moving stock is written down in accordance with the possibility of use or realisation by appropriating an applicable material obsolescence provision

Cash and cash equivalents

The cash and cash equivalents include cash, current bank accounts and deposit accounts repayable on demand, and other short-term, highly liquid financial investments that can be promptly converted to cash, and that are subject to a non-significant risk of changing in value.

Financial instruments

The assets include the non-qualifying equity investments, trade receivables and financial receivables, cash and cash equivalents.

The liabilities include financial payables, trade payables, other payables and financial liabilities and derivative instruments. The financial assets and liabilities are recognised on the accounts once the contractual rights and obligations provided by the instrument arise.

The financial assets and liabilities are accounted for in accordance with IAS 39 “Financial instruments: recognition and measurement”.

Financial assets and liabilities are initially recognised at the enhanced fair value, in the case of assets and liabilities that are different from those measured at fair value on the Income Statement, of the incidental charges (acquisition/issue costs).

The Company has the following categories of financial instruments:

Loans and receivables

Trade receivables and financial receivables are classified in this category.

They are valued at amortised cost, any transaction costs incurred at the acquisition/sale stage are used to directly adjust the nominal value of the receivable, while the financial income/charges are recalculated on the basis of the effective interest rate method.

Measurements are regularly carried out on these receivables to check for the existence of any objective evidence that they may have suffered impairment. More especially, the solvency of the creditors is monitored, and the credit risk characteristics that could indicate the payment capacity of the individual debtors. Any impairment is recognised as a cost in the Income Statement for the period; in subsequent years, they are reversed if the conditions that caused the impairment no longer apply.

Financial liabilities

They are initially measured at their fair value, equal to the price received on the date, then adding, in the case of debts and loans, the directly attributable transaction costs. Subsequently, the non-derivative financial liabilities are measured with the amortised cost criteria, using the effective interest rate method.

The financial liabilities of the Company include trade payables and other payables and loans.

The financial liabilities that fall in the range of application of IAS 39 are classified as debts and loans, or as derivatives designated as hedging instruments in accordance with the cases. The Company determines the classification of its financial liabilities upon initial recognition.

Profits and losses are accounted for in the income statement when the liabilities are paid off, in addition to through the depreciation/amortisation process.

The amortised cost is calculated by recognising each discount or premium on the acquisition and fees or costs that are an integral part of the effective interest rate. Repayment at the effective interest rate is included under interest expense in the income statement.

A financial liability is derecognised when the obligation underlying the liability is discharged, cancelled or expired.

If an existing financial liability is replaced by another with the same lender under substantially different terms, or if there has been a substantial modification of the terms of an existing liability, this exchange or modification will be accounted for as derecognition of the original financial liability and recognition of a new financial liability, with any differences between the carrying amounts recognised in the income statement.

Employee benefits

Employee severance indemnity is calculated by applying actuarial type methods; the amount of rights that accrue in the year by the employees is allocated to the Income Statement under labour costs, while the notional financial charge that the company would incur if it were to request a loan from the market for an amount equal to the employee severance indemnity is allocated under net financial income (charges). The actuarial profit and losses that reflect the effects from the changes to the actuarial assumptions used are recorded in the Income Statement, taking account of the remaining average working life of the employees. Following Financial Law 296 of 27 December 2006, for IAS 19 purposes, only the liabilities relating to the matured employee severance indemnity that remained in the company were measured, since the amounts maturing are paid to a separate entity (Complementary pension or INPS Funds). As a result of said payments, in the future, the company will no longer have obligations related to the employee's work.

Profits and losses resulting from the actuarial calculation are allocated to the OCI section of the statement of comprehensive income.

Provisions for risks and charges

The provisions for risks and charges relate to previously determined costs and charges, of certain or probable existence, but that have become indeterminate in terms of amount or date of occurrence by year end. The provisions are recognised when there is a current obligation (legal or implicit) that results from a past event, where the disbursement of resources to meet the obligation is probable, and a reliable estimate can be made of the amount of the obligation.

The provisions are recorded at the amount representing the best estimate of the amount that the company would pay to pay off the obligation or transfer it to third parties at the date of year end. If the effect of discounting back the value of the money is significant, the provisions are calculated by discounting back the expected future cash flows at a pre-tax discount rate that reflects the current market measurement of the cost of money in relation to time. If it is discounted back, the increase in the provision due to the passage of time is recognised as a financial charge.

If the liability relates to property, plant and equipment, the initial provision is recognised as an offsetting item to the fixed assets they refer to; the charge is recognised in the Income Statement by depreciating the fixed asset to which the charge refers.

Grants

Grants from public entities are recognised at fair value, when there is the reasonable certainty that they will be received, and that the terms provided for obtaining them have been complied with.

Grants received for specific assets where the value is registered under fixed assets are recognised as liabilities and credited to the Income Statement in relation to the depreciation period of the assets to which they refer.

Grants for current expenses (granted to provide immediate financial aid to the company, or to settle expenses and losses incurred in a previous year) are fully recognised on the Income Statement at the time the recognition criteria have been met.

Revenues and costs

Revenues from sales and services are recognised to the extent that their fair value can be reliably determined and it is probable that the relative economic benefits will be enjoyed, with the transfer of the relevant risks and advantages that characterise the ownership or provision of the service.

Revenues are recognised net of returns, discounts, bonuses and premiums, and directly related taxes. The costs are related to goods or services sold or used during the year, or from the systematic division, or when their future utility cannot be identified, and are recognised and directly accounted for in the Income Statement.

Financial income and charges

They are recognised as financial income following the assessment of the applicable interest income. Financial charges are recognised on the Income Statement on an accrual basis and are recognised for the amount of effective interest.

Income taxes

Current taxes

Current income taxes for the year are calculated on the basis of the estimate of taxable income and in accordance with prevailing laws or substantially approved at year end, taking account of the applicable exemptions and any tax credits due.

Prepaid and deferred taxes

Prepaid and deferred taxes are calculated on the temporary differences between the amount attributed to assets and liabilities in the financial statements and the corresponding amounts recognised for tax purposes. The rates applied are the estimates that will be in effect at the time the temporary differences are carried forward. Prepaid taxes are only recognised to the extent it is reasonably certain that they will be recovered against future taxable income. The carrying amount of the prepaid tax receivables is reduced to the extent it is no longer probable that the relative tax benefit will be used. When measuring prepaid taxes, the company planning period is taken into account.

When the returns are recognised in OCI, the current taxes, deferred tax assets and deferred tax liabilities are also recorded in Other Comprehensive Income. The deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities.

Taxes can be offset when they are applied by the same revenue authorities, there is a legal right to offset, and payment of the net balance is expected.

Use of estimates

Drawing up the financial statements and explanatory notes required the use of estimates and assumptions both to calculate certain assets and liabilities and to measure the potential assets and liabilities. The actual returns after the fact may not coincide with these estimates.

Estimates were used in measuring the tariff adjustments, the provisions for risks and charges, the bad debt provisions, the useful lives of the assets, the benefits to employees, and taxes. The estimates and assumptions are reviewed on a regular basis and the effects of each change are immediately recognised on the Income statement.

The main assumptions used by management when measuring the above-mentioned accounting estimates are illustrated below. The weaknesses inherent in those estimates are determined by the use of assumptions and/or professional opinions relating to the areas that are uncertain by their very nature. Changes to the conditions on which the assumptions and opinions are based could have a significant impact on the subsequent returns.

Revenue recognition

Revenues from sales and services are recognised on an accrual basis, and therefore include the higher estimate of the adjustments calculated in payment and satisfaction of the “in house providing management”. For the *in house providing* management, up to 31/12/2017, the payment invoiced to each Municipality was approved by the municipality in accordance with Presidential Decree 158/1999. Starting from 01/01/2018, the payment is

the one calculated by the area concession that the Authority divides among the individual Municipalities each year.

Provisions for risks and charges

It is not always easy to identify whether there is a current obligation (legal or implicit) or not. The directors assess these situations on a case by case basis, along with estimates of the amount of economic resources required to fulfil the obligation. The provisions are estimated in accordance with a complex process that requires subjective opinions from Company management. When the directors decide that there is only a possibility that a liability may arise, the risks are indicated in the applicable information section on commitments and risks, without making any allocations.

Liabilities for landfills

The liability provision for landfills represents what was allocated to meet the costs that will have to be borne to manage the closure and post-closure periods of the landfills currently in use. Future outlays, estimated through a specific expert appraisal for each landfill, updated annually, were discounted back in accordance with the provisions of IAS 37.

Bad debt provision

The loan risk fund reflects the estimates of the losses related to the company's loan portfolio. Provisions were made in relation to the expected losses on loans, estimated on the basis of past experience with reference to loans with similar riskiness.

Depreciation/Amortisation

The depreciation/amortisation of fixed assets is a relevant cost for the company. The fixed assets are depreciated/amortised on a straight line basis for the length of their estimated lives. The useful economic life of the fixed assets of the company is determined by the directors, with the assistance of technical experts, at the time the fixed asset is acquired. The company makes periodic measurements of the technological changes and industry changes, the charges for dismantling/closing, and the recovery value to update the residual useful life. This periodic update could mean that the depreciation/amortisation period changes, and therefore also the depreciation/amortisation charge for future years.

Employee benefits

The calculations of expenses and associated liabilities are based on actuarial assumptions. The effects from any changes to those actuarial hypotheses are recognised in a specific item under OCI section.

Current taxes and future refunds of prepaid taxes

Uncertainties relating the application procedures of certain tax laws means that the company has to make interpretations, when allocating current taxes for the financial statements; these assumptions may not turn out to be right following official clarifications by the financial authorities.

Deferred tax assets are accounted for on the basis of tax income expectations for future years. The assessment of expected income to account for deferred taxes depends on factors that could change over time and have effects on the measurement of the deferred tax assets.

Changes in the international accounting standards

Accounting standards, amendments and interpretation applied from 1 January 2017

Starting from 1 January 2017, the following accounting standards and changes to the accounting standards issued by the IASB and incorporated by the European Union must be applied:

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses (Regulation 1989/2017). Document issued by the IASB on 19 January 2016. The amendments apply starting from tax years that begin on 1 January 2017, and clarify how to account for a deferred tax asset relating to a financial liability measured at fair value. Early application is permitted.

Amendments to IAS 7 - Disclosure. Document issued by the IASB on 29 January 2016 (Regulation 1990/2017). The amendments, applicable starting from the years that begin on 1 January 2017, require entities to provide information on changes to their financial liabilities to allow users to assess the reasons underlying changes in the entity's debt more thoroughly.

On 8 December 2016, the IASB published a document called 'Improvements to the International Financial Reporting Standard: 2014-2016 Cycle' (Regulation 182/2018). These improvements include amendments to three existing international accounting standards: **IFRS 12** - Disclosure of Interests in Other Entities (applicable from 1 January 2017), **IFRS 1** - First adoption (applicable from 1 January 2018) and **IAS 28** - Investments in associates and joint ventures (applicable from 1 January 2018). The amendments clarify, correct or remove redundant information or formulations in the text of the relative standards.

With reference to the application of said amendments, there were no relevant effects on the financial statements of the Company.

Accounting standards, amendments and interpretations approved by the European Union but not yet applicable and not adopted in advance by the Company

Starting from 1 January 2018, or in some cases from 1 January 2019, the following accounting standards and amendments to the accounting standards must be applied since the EU endorsement process has been completed:

IFRS 9 - Financial instruments (Regulation 2067/2016). The final version of the standard was published by the IASB on 24 July 2014 at the end of a multiannual process aimed at replacing the current IAS 39. The new standard must be applied to financial statements starting on 1 January 2018 or later.

This standard introduces new criteria for the classification and measurement of financial assets and liabilities. More specifically, for the financial assets, the new standard uses a unique approach based on how the financial instruments are managed and the characteristics of the contractual cash flows of the financial assets in order to determine the measurement criteria, replacing the various rules provided under IAS 39. On the other hand, with respect to financial liabilities, the main change regards how changes in fair value of financial liabilities designated as financial liabilities measured at fair value are accounted for in the income statement, where the changes are attributable to changes in the creditworthiness of the issuers of the liabilities. Under the new standard, these changes must be recognised under the statement of comprehensive income and no longer in the income statement. Another significant change regards how to recognise measurement differences if the payment estimates or collection estimates are reviewed or paid in relation to the financial assets or financial liabilities measured at amortised cost. The new approach provides that the amendment is still recognised as income or a charge in the profit (loss) for the year.

The new standard requires the estimate of the losses on loans to be carried out on the basis of the model of expected losses (and not on the model of incurred losses used by IAS 39) using information that can support this position, available without charges or unreasonable effort, and that include historic, current and prospective information. The standard provides that said measurement criteria applies to all financial instruments, i.e. the financial assets measured at amortised cost, those measured at fair value through other components in the statement of comprehensive income and receivables from rental contracts or trade receivables.

IFRS 16 - Leases (Regulation 1986/2017). Standard published by the IASB on 13 January 2016, to replace IAS 17 - Leasing, and the interpretations IFRIC 4 - Determine whether an agreement contained a lease, SIC 15 - Operating leases - Incentives and SIC 27 - Evaluating the substance of transactions in the legal form of a lease. The new standard provides a new definition of leases and introduces criteria based on the right of use of an asset to distinguish the lease contracts from the service contracts, identifying the following as discriminants: identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits from use of the asset and the right to manage the use of the asset underlying the contract.

The standard establishes a single model to recognise and measure the leasing contracts for lessees which provides for registration of the asset being leased, including operating leases, under assets, with an offsetting financial debt item, also providing the option not to recognise contracts that involve low-value assets and leases with a contract duration equal to or lower than 12 months as leases. On the other hand, the standard does not include significant amendments for the lessors.

The standard will apply from 1 January 2019, but early application is permitted, only for Companies that have already applied IFRS 15 - Revenues from contracts with customers.

The Company is assessing the impact of application of IFRS 16 on its economic-financial figures.

Amendments to IFRS 2 - Share-based payments (Regulation 289/2018). On 20 June 2016, the IASB published the document Classification and Measurement of Share-based Payment Transactions. The amendments provide certain clarifications on accounting for the effects of vesting conditions where there are cash-settled share-based payments, the classification of share-based payments with net settlement characteristics, and accounting for the changes to the terms and conditions of a share-based payment that amends the classification from cash-settled to equity-settled. The amendments apply starting from 1 January 2018, but early application is permitted. This standard should not generate significant impacts on the financial statements of Alia S.p.A..

Amendments to IAS 40 - Investment property (Regulation 400/2018). Document issued by the IASB on 8 December 2016. The amendments apply starting from 1 January 2018, and clarify the requirements relating to the transfers of property investments to or from investment property. As things stand, this standard does not apply to Alia S.p.A..

Amendments to IFRS 9 - Financial instruments (Regulation 498/2018). Document issued by the IASB on 12 October 2017, applicable from 1 January 2019 with early application permitted. The amendments allow companies to measure specific prepaid financial assets with what is known as negative compensation to the amortised cost or the fair value with changes in the other components of the statement of comprehensive income if a specific condition is met, instead of at the fair value on the income statement. Currently, the directors are assessing the possible effects of the introduction of these amendments to the financial statements of Alia S.p.A..

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Regulation 1988/2017). The document, published by IASB on 12 September 2016, contains a series of amendments that aim to clarify the issues relating to the temporary volatility of the results recorded in the financial statements deriving from application of the new standard IFRS 9 before the IASB replaces the current IFRS 4 which is still being prepared. The amendments apply starting from 1 January 2018, but early application is permitted.

No effects are expected on the consolidated financial statements of the Company related to introduction of the amendments.

IFRS 15 (and subsequent clarifications issued on 12 April 2016) - Revenues from contracts with customers. This standard was issued in May 2014 and introduces a new model in five stages that will apply to the revenues from contracts with customers. IFRS 15 provides for recognition of revenues for an amount that reflects the payment that the entity believes it has a right to in exchange for the transfer of goods or services to the customer. The standard provides a more structured approach for the recognition and measurement of revenue, replacing all the current requirements in the other IFRS with respect to recognition of revenue. IFRS 15 will apply to fiscal

years starting from 1 January 2018 or afterwards, with full or modified retrospective application. Early application is permitted.

The Company is assessing the impact of application of IFRS 15 on its economic-financial figures.

Accounting standards, amendments and interpretations not yet approved by the European Union

The applicable bodies of the European Union are currently transposing the following standards, updates and amendments to the IFRS standards (already approved by the IASB), and the following interpretations (already approved by the IFRS IC):

IFRIC 22 - Foreign currency transactions and advance consideration. The interpretation, published by the IASB on 8 December 2016 and applicable from 1 January 2018 establishes what exchange rate to use in foreign currency transactions that provide for consideration paid or cashed in advance.

IFRIC 23 - Uncertainty over income tax treatments. The interpretation, published by the IASB on 7 June 2017 and applicable since 1 January 2019 aims to clarify the requirements on the recognition and measurement provided under IAS 12 if there is regulatory uncertainty regarding the income tax treatments.

On 12 December 2017, the IASB published a document called 'Improvements to the International Financial Reporting Standard: 2015-2017 Cycle'. These improvements include amendments to four existing international accounting standards:

- **IFRS 3** - Business combinations. The amendment provides that a new assessment of an equity investment previously held in a joint operation has to be carried out if control of it is then obtained;

- **IFRS 11** - Joint arrangements. It is clarified that the value of an equity investment previously held in a joint operation does not have to be reviewed if joint control of the activity is obtained;

- **IAS 12** - Income taxes. The amendment clarifies that an entity will have to account for the taxes related to the payment of dividends in the same way as for the dividends;

- **IAS 23** - Borrowing costs. Any loan originally taken out to create a specific asset is required to be considered as part of the general indebtedness when the specific asset is available for its intended use or sale. The amendments, applicable from 1 January 2019 with early application permitted, clarify, correct or remove redundant or conflicting information or formulations in the text of the relative standards.

Amendments to **IAS 28** - Investments in associates and joint ventures. Document issued by the IASB on 12 October 2017, applicable from 1 January 2019 with early application permitted.

The amendments clarify that companies have to account for long-term interests in associates or joint ventures where the equity method does not apply, using the provisions of IFRS 9.

Amendments to **IAS 19** - Plan amendments, curtailment or settlement. Document issued by the IASB on 7 February 2018 and applicable from 1 January 2019. The amendments specify how the charges have to be calculated when there are amendments to a pension plan with defined benefits.

The EU approval process has been suspended for the following amendments to the standards and interpretations:

Amendments to **IFRS 10 and IAS 28** - Sales or Contribution of Assets between an Investor and its Associate or Joint Venture Document published by the IASB on 11 September 2014 in order to settle a conflict between the two above-mentioned standards in relation to the sale of an asset or a subsidiary to an associate or joint venture, applicable from 1 January 2016. The amendments introduced provide that if there is a sale or transfer

of assets either from a subsidiary to an associate or to a joint venture, the measurement of the profit or loss to recognise in the financial statements of the seller/transferor is to be put in relation to the classification of the assets or the subsidiary sold/transferred as a business, as defined in standard IFRS 3. If the sale/transfer is a business, the entity must recognise the profit or loss of the entire amount previously held; otherwise, the entity will have to recognise the portion of profit or loss relating to the portion still held by the entity which has to be eliminated.

3) EXPLANATORY NOTES TO THE ASSETS

NON-CURRENT ASSETS

1) Property, plant and equipment

The depreciation criteria used is on a straight line basis (apart from the amount of the landfills recognised on the basis of the ratio between the amount of waste unloaded and the amount of waste that can still be unloaded). The depreciation rates of the property, plant and equipment are shown below, depreciated on a straight line basis:

DESCRIPTION	DEPRECIATION RATES
Civil and Industrial buildings	3%
Light constructions	10%
Plants and machinery	10%
Specific plants and machinery	10%
Selection and composting plant	10%
Photovoltaic plant	9%
Miscellaneous and minor workshop equipment	25%
Miscellaneous door-to-door collection equipment	20%
Miscellaneous and minor other equipment	25%
Vehicles	20%
Automobiles	25%
Bins	10%
Containers	10%
Ordinary office equipment	12%
Electromechanical office equipment	20%
Recycling banks	10%
Fully depreciable assets	100%

The property, plant and equipment totals can be found in the following table:

<i>DESCRIPTION</i>	LAND AND BUILDINGS	PLANTS AND MACHINERY	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	FIXED ASSETS UNDER CONSTRUCTION	PROPERTY, PLANT AND EQUIPMENT
AMOUNTS AT 31.12.2016						
Gross amount	65,006,621	47,123,574	2,218,380	61,922,356	2,549,389	178,820,320
Accumulated depreciation	-13,358,455	-41,680,593	-1,921,170	-48,739,367		-105,699,585
Net amount at 31.12.2016	51,648,166	5,442,981	297,210	13,182,989	2,549,389	73,120,736
Adjustments due to first time adoption	6,433,224	164,343	-	506,655	-	7,104,221
IAS NET BALANCE AT 31.12.2016	58,081,390	5,607,324	297,210	13,689,644	2,549,389	80,224,957
NET CHANGES 2017						
Publiambiente Merger Balance at 01.01.17	13,060,456	13,555,689	3,400,315		1,375,716	31,392,176
Transfer From Fixed Assets Under Construction	1,000,099	1,055		324,694	-1,325,848	-
Business Combination Publiambiente	9,887,590				-23,858	9,863,732
ASM Merger Balance At 01.01.17	23,178,928	8,717,539	329,577	272,191	761,528	33,259,763
Transfer From Fixed Assets Under Construction						-
Business Combination ASM	-278,928	-11,835		-18,452	-761,528	-1,070,743
CIS Merger Balance At 01.01.17	23,906	1,341,954		1,104,109		2,469,969
Transfer Entry from Fixed Assets Under Construction						-
Business Combination CIS	-71,075					-71,075,00
Changes from Acquisitions	1,610,999	673,978	191,387	9,171,105	13,241,125	24,888,594
Transfer from Fixed Assets Under Construction	319,920			2,118,000		2,437,920
Depreciation 2017	-3,578,473	-3,894,829	-713,073	-8,444,316		-16,630,691
Decreases and Transfers from Reclassification	5,713,902	-12,864,514	-2,535,613	7,444,231	-2,430,931	-4,672,926
Gross amount	142,785,548	121,696,848	5,581,105	120,112,787	13,385,593	403,561,882

Accumulated depreciation	-33,836,834	-108,570,487	-4,611,303	-94,451,581		-241,470,205
IAS NET BALANCE AT 31.12.2017	108,948,714	13,126,361	969,802	25,661,206	13,385,593	162,091,677

There are no mortgages or liens in favour of financial institutions on the fixed assets described above, apart from the composting plant situated in Faltona in the Municipality of Borgo San Lorenzo, where there is a first degree mortgage in favour of Mps Capital Services Spa, backing a loan granted by the Bank for € 8,850,000 to fund the entire investment.

As shown in the above table, the increments are linked to the business aggregation operation described in premise as well as to other investments made during the period.

The main investments made in 2017 were to finalise the acquisition from bankruptcy no. 288/2014 of the Court of Florence, of the industrial complex located in Florence, via di Castelnuovo no. 20, Ferrale district, with the annexed surrounding areas of land, for a total surface area of about 32,000 m², for approx. € 10.3 million. This industrial complex is not currently ready for use and therefore has been registered in the current fixed assets.

Other purchases were for plants and machinery for about € 674,000 for extraordinary maintenance of composting plants and landfills. The purchases of industrial and commercial equipment amounted to about € 1.9 million. The methane and traditional traction compactor vehicles, the porter trucks, hooklift skips and other vehicles increased by about € 6.2 million. Bins were also purchased for € 344,000 and recycling banks for € 1.4 million. Miscellaneous equipment (kitchen caddies) for about € 749,000, office equipment for about € 285,000.

2) Intangible fixed assets

The company does not have any goodwill or intangible assets with indefinite useful lives.

The amortisation criteria used is on a straight line basis, the amortisation rate for the permits and licenses in use is 33%, while it is 20% for the other fixed assets. The fixed assets mainly include the operating systems of the Company.

DESCRIPTION	START UP AND EXPANSION COSTS,	PERMITS, TRADEMARKS AND SIMILAR RIGHTS	OTHER	FIXED ASSETS UNDER CONSTRUCTION	INTANGIBLE FIXED ASSETS
VALORI AL 31.12.2016					
Gross amount		1,714,399	6,754,559	780,467	9,249,425
Accumulated amortisation		-1,593,512	-5,633,938		-7,227,450
Net amount at 31.12.2016		120,887	1,120,622	780,467	2,021,975
Adjustments due to first time adoption		-	-670,998	-592,036	-1,263,034
IAS NET BALANCE AT 31.12.2016		120,887	449,624	188,431	758,941
CHANGES IN THE YEAR 2017					
Publiambiente Merger	31,880	519,156	485,739	500,127	1,536,902

Balance at 01.01.17					
Transfer From Fixed Assets Under Construction	161,812			-161,812	-
Business Combination Publiambiente	-193,692			-338,315	-532,007
ASM Merger Balance At 01.01.17	404,441	123,688	2,018,611		2,546,740
Transfer From Fixed Assets Under Construction					-
Business Combination ASM	-404,441		-124,173		-528,614
CIS Merger Balance At 01.01.17	69,260	30,410	41,371	26,774	167,815
Transfer Entry from Fixed Assets Under Construction					-
Business Combination CIS	-69,260			-26,774	-96,034
Changes from Acquisitions	167,424	284,210	9,770	840,085	1,301,489
Transfer from Fixed Assets Under Construction		78,652			78,652
Depreciation 2017		-563,976	-408,504		-972,480
Decreases and Transfers from Reclassification	-167,424	22,090	-2,402,646	-136,951	-2,684,930
Gross amount		8,048,899	9,391,984	891,565	18,332,448
Accumulated depreciation		-7,433,782	-9,322,192		-16,755,974
IAS NET BALANCE AT 31.12.2017		615,117	69,792	891,565	1,576,474

During the year, software licences for about € 284,000 were purchased.

None of the fixed assets have guarantee commitments attached, there are no contractual commitments to purchase new fixed assets and no companies have the right to compensation from third parties for impairment and sales.

3) Equity investments Investments in subsidiaries

The carrying amounts and economic and financial information on the subsidiaries is set out in the tables below:

	Q.THERMO SRL	IRMEL SRL	TECHSET SRL in liquidation	PROGRAMMA AMBIENTE S.p.A.
Share %	60%	51%	79%	100%
Cost	2,556,000	113,849	1	0
Shareholders' equity of the company	3,608,694	263,398	-192,245	380,860
Share of equity of capacity	2,165,216	134,333	-144,184	380,860

Difference	390,784	-20,484	-144,183	-380,860
Increase for purchases	0	0	0	0
Business combination increases		113,849	1	0

Q. Thermo is the company set up to build and manage a WTE plant in the Municipality of Sesto Fiorentino, however, the procedure was brought to a halt following the ruling by the Council of State described in detail in the section “guarantees and commitments”.

Programma Ambiente S.p.A. has an 80% shareholding in Programma Ambiente Apuane S.p.A., a company that manages a landfill for non-hazardous inert waste and manufactured asbestos cement products. Programma Ambiente operates in the area of special waste collection, and was acquired as a business combination with a value of zero.

Investments in associated companies

The carrying amounts and economic and financial information on the associated companies is set out in the tables below:

GENERAL					
Company name	REJET SPA	Q.ENERGIA SRL	VALCOFERT SRL	SEA RISORSE SPA	
Headquarters		CERTALDO - VIA PIANGRANDE	CERTALDO - LOC. CANTONE S.S. 429	VIAREGGIO - VIA PALADINI	
Registered office	PONTERA - VIALE AMERICA	FORLI - VIA A. MASETTI	EMPOLI - VIA GARIGLIANO	VIAREGGIO - VIA DEI COMPARINI	
Percentage investment held by the company	55.52%	50%	42.50%	24%	
Percentage voting rights held by the company	46.98%	50%	42.50%	24%	
ALIA CARRYING AMOUNTS					TOTAL
Alia Carrying amounts at 31/12/2016	2,245,364	401,085	6,400		2,652,849
Acquisitions / Changes	6,456,368	-266,791	96,411	718,716	7,004,704
Changes for shareholders' equity measurement	384,509	79,701	747	202,014	666,971
Alia carrying amounts at 31/12/2017	9,086,241	213,995	103,558	920,730	10,324,524

Equity investments, as described above, are measured with the equity method.

The main equity investments in related companies are:

- Revet S.p.A. (a company specialising in the collection and selection of waste collection and recycling of heterogeneous plastics) has been qualified as a related company, since, in the light of the shareholders' agreements, Alia S.p.A. can Exert only a considerable and not dominant influence.
- Sea Resources SpA (company that deals with the collections differentiated in two municipalities of Versilia).

The non-qualifying equity investments amount to € 525.286, which includes the equity investment in Valdisieve soc. cons. a.r.l. of € 350,000.

4) Non-current financial assets

The non-current financial assets are described below:

Description	Balance at 31/12/2017
Security deposits	114,144
Receivables from subsidiaries	800,000
Receivables from associated companies	80,000
Total	994,144

The balance on 31 December 2017 was € 944 thousand, it mainly receives the credits towards Programma Ambiente S.p.A. for €600 Thousand and towards Irmel S.r.l. for € 200 thousand and refers to interest-bearing loans having delayed maturities..

The balance at 31 December 2016, equal to Euro 34,350, was exclusively for deposits.

5) Deferred tax assets

Description	31/12/2017	31/12/2016	Difference
Deferred tax assets (IRES)	8,464,697	7,103,000	1,361,697
Provision for deferred taxes (IRAP)	706,841	0	706,841

Deferred tax assets are generated by the temporary differences between the profits in the financial statements and the taxable income, mainly in relation to the bad debt provision, the provisions for risks and charges, the higher statutory amortisation/depreciation than the one used for tax purposes and the employee benefit provisions.

Details of the temporary deductible and taxable differences are shown below:

DEFERRED TAX ASSET (net of countervailable deferred tax assets)

BALANCE SHEET ITEMS	ADVANCE TAXES 31/12/2016	CHANGES BUSINESS COMBINATION	BALANCE 1/1/2017 POST AGGREGATION	TEMPORARY DIFFERENCES 31/12/2017	IRES DEFERRED TAXED ACTIVITIES 31/12/2017	IRAP DEFERRED TAX LIABILITIES 31/12/2017
Fixed assets	- 1,500,185	- 4,834,986	- 6,335,171	- 19,986,275	- 4,796,706	- 1,023,297
Allowance for doubtful accounts	9,586,463	3,375,466	12,961,929	44,483,092	10,675,942	

Productivity	283,668	-	283,668	2,507,693	601,847	
Causes risks	200,346	384,684	585,030	1,386,508	332,762	70,989
Levy	1,053	-	1,053			
Employee severance indemnity	243,770	93,950	337,720	1,238,244	297,179	
Risk fund receipts	-	-	-	5,820,000	1,396,800	297,984
Loss of previous years	-	1,248,652	1,248,652	910,531	218,527	
Waste dump. Vaian	-	381,422	381,422	1,340,335	321,681	68,625
Waste dump Vigiano	-	915,201	915,201	3,142,840	754,282	160,913
Waste dump Case Passerni	- 1,632,127	-	- 1,632,127	- 5,508,886	- 1,322,133	- 282,055
Capital gains by installments	23,224	-	23,224	64,511	15,483	
Payables to Helios	56,764	-	56,764			
Investments	-	- 12,412	- 12,412			
	7,103,000	1,566,860	8,654,978	TOTAL	8,464,697	706,841

Deferred tax assets and liabilities are compensated where there is a legally exercisable right to offset current tax assets with corresponding current tax liabilities.

CURRENT ASSETS

6) Inventories

The statement with changes in inventories is shown below:

Values 31/12/2016	956,885
Variations during period	836,824
Values 31/12/2017	1,793,709

The inventories, amounting to € 1,794 thousand (957 thousand at 31/12/2016), mainly comprise spare parts and equipment for maintenance and to run the operating plants.

The increase in the exercise is due to the business aggregation operation described in the first part of the comment note.

7) Trade receivables

The breakdown on the trade receivables and other current assets is shown below:

Description	31/12/2017	31/12/2016	Difference
Customers	105,988,355	75,436,929	30,551,426
Provision for write-downs	- 45,006,278	- 40,256,746	4,749,532
TOTALE	60,982,077	35,180,183	25,801,894

The balance of trade receivables mainly includes the receivables for invoices issued to municipalities, to third-party customers and to related companies. These receivables are mainly related to invoices issued to municipalities for environmental hygiene services not collected at December 31, 2017 and receivables to users for TIA bills.

The significant fluctuation from the previous year is related almost exclusively to the merger operation before described.

For further details about match-related matches, please refer to the paragraph "Relationships with related parties".

Below is the movement of the bad debt provisions:

Description	31/12/2016	Contribution from merger	Increase	Decrease	31/12/2017
Provision for write down	40,256,746	15,327,352	523,186	11,101,006	45,006,278

8) Current tax assets

The breakdown of the current tax assets is set out below:

PARENT COMPANY TAX ASSETS	Balance at 31/12/2017	Balance at 31/12/2016
IRES tax advances	2,951,778	2,017,786
IRAP tax advances	343,532	380,571
Inland revenue Withholdings account	252,085	0
TOTAL	3,547,395	2,398,047

The balance at 31 December 2017, equal to Euro 3,547 thousand, is mainly made up of IRES and IRAP advanced payments for surplus amounts compared to the debt calculated at the end of the year.

9) Other current asset

Here below the detail of other current asset:

Description	31.12.2017	31.12.2016
Revenue c/VAT	12,316,905	3,943,947
Revenue c/VAT refund	4,422,720	

		1,500,000
Tax Administration Receivables refund notice 2009	331,146	
Credit for Ires refund	72,270	
Credit for Irap refund	2,315,672	
Credits to other	4,696,901	3,191,218
Accrued income	29,477	24,986
Prepaid expenses	639,309	149,674
	24,824,400	8,809,826

The balance at 31/12/2017 of € 24,824 thousand is related to the VAT credit for €12,316 thousand, to the VAT credit required for refund, for €4,423 thousand and other credits for €4,697 thousand of which €1,038 thousand to ATO Toscana Centro (Authority of the Concession) for grants to receive, €205 towards the Province of Florence, € 794 thousand towards Regione Toscana, €231 thousand for white and green certificates and €267 thousand for advances to suppliers.

10) Cash and cash equivalents

As at 31/12/2017, the balances of the cash and cash equivalent items are shown in the statement below:

Description	Balance at 31/12/2017	Balance at 31/12/2016
Bank and postal accounts	145,601,546	68,683,034
Postal accounts	5,811,983	14,866,655
Cash and equivalents on hand	17,218	8,525
TOTALS	151,430,747	83,558,213

The balance represents the liquid assets and the existence of cash and cash equivalent at the closing date of the period.

4) EXPLANATORY NOTES TO THE LIABILITIES

11) Share capital

The share capital of the Alia S.p.A. is composed by 85,376,852 ordinary share and no own shares are held.

12) Reserves

The details of the reserves are reported in the following prospectus:

Description	Balance 31/12/2016	Increases in the year	Decreases for the year	balance 31/12/2017	Usability (A) - distributability (B) - use for losses (C)
Legal reserve	1,371,466	227,435		1,598,901	C
Paid-in capital in excess of par		16,965,073		16,965,073	A,B,C
Extraordinary reserve	25,936,772	4,321,269		30,258,041	A,B,C
Business Combination ASM reserve			-2,488,476	-2,488,476	
Business Combination Publiambiente reserve		9,327,922		9,327,922	A,B,C
Riserva Business Combination Ex Cis S.r.l.		580,659		580,659	A,B,C
Oci Actuarial loss reserve	-168,477	47,126		-121,351	
Retained earnings		355,229		355,229	A,B,C
Other reserves	12,252,398	614,286		12,866,684	A,B,C
Total	39,392,159	32,438,999	-2,488,476	69,342,682	

The reserve increases recorded in 2017 are essentially due to the business combination described in this note, especially due to the new formation of the “Share premium reserve” and the business combination reserves that represent a first estimate of the price adjustment as provided for in the shareholder agreements.

Below is the statement of changes of net equity:

	Share capital	Reserves	Reserves for derivative instruments valued at fair value	IAS 8 Reserve	Reserve for actuarial gains (losses) on employee benefit provisions	Profit for the year
Balance as at 31 December 2015	61,089,246	0	40,861,867	0	6,594,776	108,545,889
Profit for the year					4,903,933	4,903,933
Other components of comprehensive income as at 31 December 2016:						0
Actuarial gains (losses) on employee benefit provisions			-168,477			-168,477
Comprehensive profit for the year						0
Allocation of 2015 profit						0
allocation to other reserves			6,594,776		-6,594,776	0
allocation to retained earnings						0
Balance as at 31 December 2016	61,089,246	0	47,288,166	0	4,903,933	113,281,345

Balance as at 31 December 2016	61,089,246	0	47,288,166	0	4,903,933	113,281,345
Profit for the year					3,952,466	3,952,466
Other components of comprehensive income as at 31 December 2017:						0
actuarial gains (losses) on employee benefit provisions			47,127			47,127
Comprehensive profit for the year						0
Increase of Share Capital to serve operation of merger	24,287,606	16,965,073				41,252,679
Reserve for profits/losses from business combinations				7,420,104		7,420,104
Other changes			614,284			614,284
Allocation of 2016 profit						0
Allocation to other reserves			4,903,933		-4,903,933	0
Balance as at 31 December 2017	85,376,852	16,965,073	52,853,510	7,420,104	3,952,466	166,568,005

Share capital

The share capital of Euro 85,376,852 is divided into N. 85,376,852 shares of the nominal value of Euro 1.00 wholly subscribed and paid. The increase recorded in the year is welling by the incorporation of CIS, Publiambiente and ASM companies. Alia S.p.A. in execution of the resolution of extraordinary Assembly of December 23, 2016, increases its share capital from Euro 61,089,246 to Euro 85,376,852. The increase of Euro 24,287,606 has occurred by issuing at par of No. 24,287,606 new shares from nominal euro 1.00 each reserved to the members of the companies incorporated according to the specified exchange ratios.:

-N. 9,463,106 shares of category "B " of the nominal value of Euro 1.00, reserved for shareholders of Publiambiente;

-N. 13,728,000 shares of category "C " of the nominal value of Euro 1.00, reserved for ASM shareholders;

-N. 1,096,500 shares of category "D " of the nominal value of Euro 1.00, reserved to CIS members

Share premium reserve

Share premium reserve equal to Euro 16,965,073 it was generated by the exchange differences due to the merger transaction to accounting values;

Extraordinary Reserve and other reserves of profits

The reserve goes from Euro 40,861,867 to 31.12.2015 to euro 47,288,166 Euro per 31.12.2016, the increase of euro 6,594,776 is relative to the destination of the operating profit 2015.

The reserves go from Euro 47,288,166 to 1.1.2017 euro 52,853,510 Euro per 31.12.2017, the increase of an amount equal to Euro 5,565,344 is mainly due to:

-Euro 4,321,269 increase of the extraordinary reserve and Euro 227,435 increase of the legal reserve for the purpose of the result of operating 2016 as per shareholders ' meeting of the 31.05.2017;

-Euro 355,229 useful to new related to the effects of the first adoption of IFRSs on the 2016 operating income;

-Euro 47,127 reserve which includes the effects of actuarial changes resulting from the application of the Projected Unit Credit Method.

Other Reserves

As described in the section "Business Combinations", the company has determined the current value of the assets and liabilities acquired and, for the mechanism foreseen by the shareholders' agreements, all the differentials measured in relation to the values Accountants formed a first estimate of the price adjustment, thus finding an accounting counterpart in a specially constituted reserve of equity.

The other reserves for total Euro 7,420,301 are therefore constituted by the Fair value of the deferred consideration, determined as described above, and equal to Euro 9,327,922 for the former Publiambiente, Euro-2,488,476 for the former ASM and Euro 580,659 for the former Cis.

NON-CURRENT LIABILITIES

13) Provisions for risks and charges

The breakdown of the items is set out below:

DESCRIPTION	Other risks	Case Passerini	Vaiano landfill	Vigiano landfill	TOTAL
Amount at 31/12/2016	2,016,727	17,595,323			19,612,050
CHANGES DURING THE YEAR					
Merger effects	573,348		1,954,484	4,671,742	7,199,574
Provisions	8,648,194	2,036			8,650,230
Provision adjustment	139,087				139,087
Interest		95,946	-23,946	82,434	154,434
Uses	-1,663,153	-87,064	-62,474		-1,812,691
Amount at 31/12/2017	9,714,203	17,606,241	1,868,064	4,754,176	33,942,684

The balance of the provisions for risks and charges amounts to 33,942 thousand, with an increase compared to the previous year for Euro 14,331 thousand.

The effect is mainly related to the effects of the business combination process explained at the beginning of these explanatory notes.

The balance at year-end mainly includes:

- The provision after closure of the landfill amounts to a total of € 24,228 thousand: this represents what was allocated to meet costs that will have to be borne to manage the closure and post-closure periods of the landfills currently in use. Future outlays, estimated through a specific expert appraisal for each landfill, were discounted back in accordance with the provisions of IAS 37. The increases in the provision include the financial component inferred from the discounting back procedure and the provisions due to changes in the hypotheses on future outlays following the review of the expert appraisal on the landfills being operated and those that are already full. The uses represent the actual outlay that are calculated during the year.
- With regard to Casa Sartori, the Company did not allocate a provision for the post-closure management in accordance with the provisions of the Economic and Financial Plan for 2018 prepared in the course of participation in the tender which led to the award of the Environmental Management Service of the ATO Tuscany Centro. On that basis, the costs incurred for said landfill will be covered with the new tariffs each year, with the consequence that the Company will not be affected.

- Provisions per other risks of € 7,207 thousand. The item is registered to deal with future and possible risks related to pending cases and the provision to settle the balance of the sales made to the municipalities with respect to the previous “in house providing management” during the year 2017.
- € 2,507 thousand refers to the amount allocated on the financial statements for the payment of production premiums to employees.

14) Employee severance indemnity and other benefits

The amount due at 31/12/2017 to employees for employee severance indemnity is broken down in the statement below:

DESCRIPTION	
Amount at 31/12/2016	15,835,960
Merger effects	5,277,619
Provision	317,909
Uses	- 1,200,440
Fund correction	- 539,978
Other changes	79,066
Changes due to discounting to present values	-194,340
Amount at 31/12/2017	19,575,796

The item, equal to € 19,576 thousand, includes the provisions for employee severance indemnity and other contractual benefits, net of the advances made and payments made to social security institutions in accordance with prevailing law. The calculation is made by using actuarial techniques, and discounting back future liabilities to the date of the financial statements. These liabilities comprise the receivable that the employee will have matured by the time he/she leaves the company.

The table below shows the main assumptions used in the actuarial estimate of employee benefits:

Description	Rate % used in the year 2017	Rate % used in the year 2016
Inflation rate	1.5%	1.5%
Annual discount rate	1.30%	1.31%
Annual increase rate of total payments	2.625%	2.625%
Annual frequency of people leaving work for reasons other than death	1.00%	1.00%

In the OCI section, the actuarial component relating to the severance indemnity and its deferred tax are displayed.

15) Non current financial liabilities

The total and the breakdown of the loans, payables and other non-current financial liabilities are shown below:

Description	Balance at 31/12/2017	Balance at 31/12/2016
Due to banks	29,013,658	9,681,470
Bonds	49,600,578	0
TOTAL	78,614,236	9,681,470

Debts to mortgage banks had the following handling:

Description	Balance 31/12/2016	increase due to merger	increase from new ignitions	decrease for refunds	Balance 31/12/2017
Bank financing	9.681.470	15.075.699	8.024.249	3.767.760	29.013.658

Debts to banks: The balance includes amounts due to banks for the medium and long term portion (amounting to € 29,014 thousand).

Bond: on 9 March 2017, the Company finalised the procedure to issue a € 50,000,000 bond listed with the Irish Stock Exchange of Dublin. It has a seven-year duration and fixed return of 2.7%. The loan will be repaid with fixed amounts starting from 2021.

The net proceeds of the issue are intended to finance investments within the Service Contract with ATO, basically the transformation of the services in the framework of the twenty-years concession.

16) Other non current liabilities

Hereby the prospect:

Description	Balance at 31.12.2017	Balance at 31.12.2016
Due to Publiservizi S.p.A.	1,680,000	
Provincial Tax	1,157,294	480,573
Accrued liabilities / deferred income	3,686,182	3,558,993
TOTAL	6,523,476	4,039,565

The debt to Publiservizi S.p.A., equal to Euro 1,680 thousand is related to the purchase of an industrial warehouse located in the municipality of Fucecchio (FI);

The Provincial Tax represents the amount to be paid for that tribute on the TIA bills collected in the year. The deferred income is related to contributions in account/facilities whose competence is referred to future exercises. The division of the shares of competence beyond the year 2018 and more than five years is inferred from the following table:

	FROM 1 TO 5 YEARS	OVER 5 YEARS
TOTAL	1,484,277	2,201,905

17) Deferred tax liabilities

The deferred tax liabilities are detailed in Note n. 5.

CURRENT LIABILITIES

18) Financial current liabilities

The balance at 31 December 2017 amounts to Euro 41,861,701 (euro 10,521,793 to 31 December 2016) and refers exclusively to debts to short-term banks.

The balance is also included in the short share of the Bond for Euro 1,098,000, which consists of the accrued interest accrued during the period.

19) Trade payables

The total and breakdown of the trade payables are shown below:

Description	Balance 31/12/2017	Balance 31/12/2016
Payables to suppliers	50,061,327	34,336,924
Payables to associated companies	94,242	37,500
Payables to associated companies	9,970,300	369,282
Payables to companies subject to the control of the parent company	280	17,529
Total	60,126,149	34,761,235

Within the balance of €60,126 thousand (Euro 34,761 thousand at 31 December 2016), are mainly included debts of commercial nature to suppliers (Euro 50,061 thousand) and to associated companies (Euro 9,970 thousand). The increase compared to the previous year is mainly attributable to the merger operation described above.

The debt to associates refers to the invoices received by Revet and Valcofert for treatment and collection services of multi light material and glass and compost marketing.

20) Other current liabilities

Description	Balance to 31/12/2017	Balance to 31/12/2016
Withholdings TAX	27,225	3,572
Vat in purchase split payment	2,618,514	0
Income tax for employees	1,654,344	966,608
Deferred VAT on sales	24,873	59,869
Prepaid tax on employee's severance indemnity	26,889	0

Accrued expenses	132,312	-
Deferred income	406,214	432,795
Other Debts	10,144,038	9,027,258
Amounts payable to social security institutions	3,338,916	1,998,707
Due to Comune di Firenze	2,932,767	7,219,434
Total	21,306,092	19,708,243

The debt positions described above refer to the tax and social security liabilities paid by the Company in the following year. In the heading Other debts is included the debt to the parent (municipality of Florence), which refers to payments for the waste tax, received by the users as accounting agents and, repaid in the following year.

5) EXPLANATORY NOTES TO THE INCOME STATEMENT

21) Revenues

The revenues from the waste collection, treatment and disposal service amounts to € 248,785 thousand, of which € 231,553 thousand from Municipalities that are direct and indirect shareholders of the Company. The other revenues are related to other sales and commercial services.

In order to better understand the management trend of the company, we refer to what is reported in Report on operation.

The other operating revenues amounting to € 6,123,781 (Euro 6,364,159 to 31 December 2016) mainly include:

- Active contingent connected mainly to adjustments tariffs Euro 787,494 (euro 2,370,227 to 31 December 2016).
- Grants in c/exercise for €383,038 (€. 11,411 to 31 December 2016)
- Grants in c/facilities for €625,601 (€. 633,840 to 31 December 2016)
- Revenues from penalties for €918,309 (€. 1,108,025 to 31 December 2016)
- Revenues for claims €339,868 (€. 43,656 to 31 December 2016)
- Repayments of excise duty fuels €492,289 (€. 360,153 to 31 December 2016)
- Production incentives. Electric power GSE €324,259 (€. 135,554 to 31 December 2016)

22) Operating costs

The total and breakdown of the operating costs as at 31.12.2017 are shown below:

Description	Balance 31/12/2017	Balance31/12/2016
Fuel	6,301,758	3,162,245
Spare parts	2,085,689	1,518,518
Bags	1,046,575	172,600
Consumables	1,287,789	1,444,145
Other purchases	1,130,706	119,491
Costs for raw materials and consumables	11,852,517	6,416,999
Waste collection and selection	34,086,122	13,715,390
Transport and waste treatment	23,022,536	16,250,965
Waste collection and treatment RUR	19,021,006	15,728,977
Cleaning and sweeping services	5,043,489	2,930,108
Cleaning of green areas and historic centers	3,861,457	3,600,990
Environmental inconvenience compensation	2,473,023	2,113,151
Maintenance	7,181,190	3,036,188
Utilities, lighting, water and gas	3,266,097	1,432,447
Rents and leases	1,754,568	322,281
Canteen	1,321,209	570,598
Insurance	3,991,018	2,305,503
Collection services TIA	2,237,944	758,644
Legal and notary fees	1,258,965	62,672
Services and procurement	2,123,651	0
Third party services	1,600,696	981,036
Reimbursement to regional waste disposal tribute suppliers	1,769,713	1,018,912
Other costs	11,799,751	5,745,988
Costs for Services	125,812,436	70,573,848
Wages and salaries	62,035,485	33,374,420
Social security contributions	19,506,185	10,484,839
Employee severance indemnity	3,529,529	1,861,861
Other personnel costs	2,507,694	1,181,950
Labour cost	87,578,893	46,903,070
Consumption taxes	606,171	4177
Contingent liabilities	550,398	749081
Miscellaneous taxes and duties	1,103,677	812280
Losses	670,472	162507
Other costs	1,065,184	444262
Other operating expenses	3,995,902	2,172,307

The variations are essentially due to the aggregation operation which has resulted in a substantial change in the scale of activity.

Remuneration paid to directors and statutory auditors amount to € 109,084 and € 75,229 respectively. As regards the detail of the average number of employees at 31 December 2017, refer to the Report on operation in the paragraph "personnel, recruitment policies, training".

23) Amortisation/depreciation, Provisions and Write-downs

The following table shows the depreciation and other provisions made in the financial year:

Description	Balance at 31/12/2017	Balance at 31/12/2016
Property, plant and equipment depreciation	16,630,692	7,558,319
Intangible assets amortisation	972,480	1,142,763
Write-downs of the current assets and the cash and cash equivalents	523,186	313,150
Provisions for risks	320,500	0
Other Provisions	2,036	3,911
TOTAL	18,448,894	9,018,143

24) Financial management

Share of profits /losses of joint ventures and related companies

The balance at 31 December 2017 amounts to Euro 666,971 and represents the share of profits accrued by the related companies of Alia S.p.A..

Financial income

It is reported in the table below the detail of financial income:

Description	Balance at 31/12/17	Balance at 31/12/16
Interest income on bank accounts	904,261	428,623
Interest income on Subsidiaries	5,007	
Other interest income on credit	778,583	919,394
Subsidiaries income		271,300
Interest income on discounting to present values for post-management periods		895,267
TOTAL	1,687,851	2,514,584

Financial charges

The table below gives the breakdown of the financial charges:

Description	Balance at 31/12/17	Balance at 31/12/16
Interest on loans	998,694	44,934
Interest expense on BONDS	1,155,513	
Interest expense on arrears	4,606	9,541
Interest expense on bank accounts	714,773	221,168
Interest expense on discounting to present values for post-management periods	154,434	-
Interest expense on employee severance indemnity	264,644	156,512
TOTAL	3,292,664	432,155

25) Tax management

The following is a reconciliation between the difference between the value of production and the costs of production with the taxable IRAP, the rate for the parent company in 2017 is 5.12% whereas in 2016 it was 4.82%.

Difference between value and costs of production	95,644,926
Increases changes due to revenues	-
Decreased changes due to revenues	492,289
Increases changes due to costs	8,686,107
Decreased changes due to costs	79,145,537
Taxable	24,693,207
Irap rate	5.12%
Taxes pertaining to Irap	1,264,292

The following is a reconciliation between the accounting income and the IRES taxable. The rate for the 2017 is 24% while the 2016 is 27.5%:

Pre-tax accounting income	6,260,355
Increasing variations	11,961,670
Decreased variations	14,055,243
Tax losses	3,333,425
Taxable income	833,357
Ires rate	24%
Taxes pertaining to Ires	200,666

The table below shows the calculation of the taxes rate for 2017:

Current IRAP taxes	1,264,292
Current IRES taxes	200,006
Prepaid/Deferred taxes	843,591
Taxes for the period	2,307,889
Pre-tax income	6,260,355
Tax rate	36.8%

6) OTHER INFORMATIONS

Please refer to the chapter in the report on operations for company events that occurred after 31/12/2017.

Net financial position	Note	31/12/2017
Non-current obligations	14	- 49,600,578
Non-current bank loans	14	- 29,013,658
Total non-current financial indebtedness		- 78,614,236
Current bank loans	18	- 41,861,701
Cash and cash equivalents	10	151,430,747
Total net financial indebtedness		30,954,810

Independent auditing firm remuneration

Fees for the auditing services provided by PricewaterhouseCoopers S.p.A. amount to € 60,000 in addition to € 22,000 for the audit of the financial statements of the two subsidiaries. Payments for other auditing services carried out by PricewaterhouseCoopers S.p.A. amounted to € 122,000.

Transactions with Related Parties

The urban waste service managed by Alia Spa in the applicable area is carried out on the basis of agreements entered into with the local authorities and is for the exclusive management of the collection, transport, sweeping and road washing services, the recovery and disposal of waste, etc. The agreements entered into with the local authorities govern the financial aspects of the contractual relationship and also the procedures followed to organise and manage the service and the quantitative and qualitative levels of the services provided. The consideration paid to the operator for the services provided, including the disposal/treatment/recovery of the urban waste is defined annually on the basis of the national tariff method, in addition to the Tares/Tari regulations, starting from 2013. The 2017 payments decided by the local authorities were invoiced to the individual municipalities or the public where the precise tariff payment system is applied.

The parties indicated by the international accounting standard regarding disclosure of transactions with related parties on the financial statements are to be considered to be “related parties” (IAS 24 revised).

Transactions between related parties are carried out at normal market prices, with the main ones set out below:

Euro*1000	Receivables	Assets financial non-current	Payables	Revenues	Costs
Parent companies:	1,612		2,933	76,608	378
Comune di Firenze	1,612		2,933	76,608	378

Comuni:	36,367		6,305	155,625	2,666
Comune di Prato	3,041		43	34,769	35
Comune di Pistoia	1,036		46	12,436	67
Comune di Empoli	1,162		-	6,973	83

Comune di Bagno a Ripoli	1,521		176	3,932	13
Comune di Tavarnelle	813		431	1,575	0
Comune di Impruneta	694		51	2,243	0
Comune di san Casciano	1,312		654	2,950	18
Comune di Calenzano	2,071		43	3,840	1
Comune Di Signa	558		90	3,032	0
Comune di Campi Bisenzio	960		1,762	7,312	888
Comune di Sesto Fiorentino	1,281		491	7,953	1,252
Comune di Fiesole	200		324	2,355	0
Comune di Greve in Chianti	227		650	2,733	24
Comune di Scandicci	667		1,074	7,864	3
Comune Agliana	745			2,979	
Comune Montale	483			1,933	
Comune Quarrata	1,184			4,737	
Comune Buggiano	401			800	
Comune di Montemurlo	4,051		22	3,923	10
Comune di Poggio Caiano	2,883		0	1,455	0
Comune di Carmignano	669			1,965	
Comune di Vaiano	303		4	1,350	4
Comune di Lamporecchio	44			1,250	
Comune di Vinci	163		0	1,958	13
Comune di Cerreto guidi	1,369		1	1,369	3
Comune di Montelupo Fiorentino	314		1	1,890	13
Comune di Capraia	138			825	
Comune di Barberino	171			708	
Comune di Lastra ,	572			3,303	
Comune di Serravalle	317			1,269	
Comune di Montaione	60			729	
Comune di Fucecchio	458		14	2,746	21
Comune di Certaldo	507		13	1,999	39

Comune di Gambassi	119			715	
Comune di Castelfiorentino	351		0	2,103	26
Comune di Montespertoli	75		0	897	6
Comune di Ponte Buggianese	1,313		28	1,207	0
Comune di Borgo San Lorenzo	419		215	2,511	148
Comune di Larciano	69			829	
Comune di Monsummano Terme	399			2,394	
Comune Barberino di Mugello	1,123		11	1,685	0
Comune di Vaglia	52			620	
Comune Scarperia e San Piero	153			1,837	
Comune di Vicchio	1,496		0	1,017	0
Comune di Chiesina	25			305	
Comune di Massa e Cozzile	91		74	1,066	0
Comune Cantagallo	100			437	
Comune Vernio	209			848	

Subsidiaries:	658	800	322	536	4,695
Q, tHermo S,r,l,	4	-	-	7	-
Programma Ambiente S,p,A,	653	600	320	528	4,692
IRMEL S,r,l,	1	200	2	1	3
TECHSET S,r,l, in liquidazione	-	-	-	-	-

Euro*1000	Receivables	Financial non-current assets	Payables	Revenues	Costs
Controlled by Parent companies:	9		-	15	12
Marcafir S.c.p.A.	-		-	1	-
S.A.S. S.p.A.	-		-	2	9
Firenze Parcheggi S.p.A.	8		-	8	-
Casa S.p.A.	-		-	1	3
Silfi S.p.A.	1		-	3	-
ATAF S.p.A.	-		-	-	-

Associated companies:	6,433	80		10,009	18,320
Q.Energia S.r.l.	9		38	64	-
Valcofert S.r.l.	-	80	157	-	2,033
SEA Risorse S.p.A.	904		-	809	-
REVET S.p.A.	5,520		9,814	8,137	16,287
HOLME S.p.A. in liquidation	-		-	-	-

Related parties:	1		2,776	12	2,733
Le Soluzioni S.c.r.l.	1		2,776	12	2,733

Information on the operating segments - IFRS 8

The Company operates in the area of environmental sanitation and the collection, sweeping and disposal of urban waste. That is why the data shown above represents the asset and economic amounts of the only operating segment.

Risks

The Company, for each of the following types of risk, defined specific policies with the primary objective of clarifying the strategic guidelines, the organisational/management principles, the macro-processes and the necessary techniques for actively managing these (where applicable):

- 1) Financial Risks (liquidity, exchange rate, interest rate);
- 2) Credit risks;
- 3) Equity risks;
- 4) Operating risks.

Details of the active management methods of the Company are reported below, for the different risk types.

1-FINANCIAL RISKS:

a) Liquidity risk

Liquidity risk is the risk of the financial resources available to the Company being insufficient to cover financial and commercial commitments in accordance with the agreed terms and deadlines. The procurement of financial resources is managed by the Finance Department, for the purpose of optimising the use of available resources. In particular, the centralised management of cash flows allows available funds to be allocated according to need. The Department responsible carefully and periodically monitors compliance with the financial constraints (so-called covenants) related to the bond issued by the Parent Company in 2017 and the other medium and long-term loans. The current and future financial position, and the availability of adequate bank credit facilities are constantly monitored; no criticalities emerged regarding the coverage of the short-term financial commitments. Through its relations with the leading Italian banks, Alia searches for the types of financing most suited to its needs and the best market conditions. Liquidity risk for Alia is greatly mitigated through constant monitoring by the Finance and Control Department.

With respect to liquidity risk, the payment due dates of the main debts are set out below:

Description	In 12 months	From 1 to 5 years	Over 5 years	Total
Financial liabilities	41,861,701	42,296,436	36,317,721	120,475,858
Commercial debts	60,126,149			60,126,149
Other Debts	21,306,092	4,321,570	2,201,905	27,829,567
Total	123,293,942	46,618,006	38,519,626	208,431,574

At 31 December 2017, the value of "cash and cash equivalents" amounts to Euro 151,889 thousand; Therefore, there is no criticality to reimbursement of the short-term total debts as stated above.

b) Exchange rate risk

The Alia S.p.A. is not exposed to exchange rate risk in relation to domestic operations of the Company.

c) Interest rate risk

The interest rate risk to which the Company is exposed originates primarily from the financial payables due to banks. In light of the current trend in interest rates, the Company's risk management policy does not make provision for the use of interest rate derivatives.

In order to complete the financial risk statement, a reconciliation is reported between the classes of financial assets and liabilities as identified in the scheme of financial position and the types of assets and liabilities

Identified according to the requirements of the International Accounting standard-IFRS 7-adopted in this financial statements.

<i>(In unit of Euro)</i>	Financial assets / liabilities measured at fair value with changes booked to the income statement	Loans and credits	Assets / liabilities available for sale	Liabilities valued at amortized cost	Total
CURRENT ASSETS					
Commercial credits	-	60,982,077	-	-	60,982,077
Other current assets	-	24,824,400	-	-	24,824,400
Cash and cash equivalents	-	151,430,747	-	-	151,430,747
NON-CURRENT ASSETS					
Non-current financial assets	-	994,144	-	-	994,144
Current liabilities					
Current financial liabilities	-	-	-	41,861,701	41,861,701
Trade payables	-	-	-	60,126,149	60,126,149
Other current liabilities	-	-	-	21,306,092	21,306,092
Non-current liabilities					
Non-current financial liabilities	-	-	-	78,614,236	78,614,236
Other non-current liabilities	-	-	-	6,523,476	6,523,476

It is stated that at 31 December 2017 there are no financial instruments valued at fair value. Receivables and Trade payables have been valued at the book value which is estimated to approximate fair value.

2. CREDIT RISK

Alia's credit risk is tied essentially to the amount of trade receivables due from companies and private customers that use waste disposal services, based on private contracts, to outstanding former TIA (environmental hygiene tariff) management items accrued directly from domestic and other non-industrial customers, as well as, lastly, the receivable due from the Municipalities in relation to the urban waste management service following the transfer to taxation from 2012/13.

Alia, in carrying out its activities, is exposed to the risk of the receivables not being honoured at maturity, with a subsequent increase in the ageing of the receivables, or insolvency in the case of receivables subject to bankruptcy proceedings or, nonetheless, uncollectable.

The credit management policy and the credit standing valuation instruments, as well monitoring and collection activities, are differentiated in relation to the different types of credit risk indicated above.

The payment terms generally applied to customers are based on the applicable legislation or regulations or in line with market standards; if payments are not received, interest on arrears is applied to the extent indicated in the contracts.

Allocations to the bad debt provision accurately reflect the actual credit risks.

3. EQUITY RISK

Equity risk is essentially connected with the recoverability of the value of the investments made by the Parent Company in the investee companies: this risk is insignificant given that the Parent Company does not hold equity instruments subject to a high degree of variability and available for sale. All equity investments held in subsidiaries and associated companies relate to companies not listed on the stock exchange and represent long-lasting investments that are instrumental in company activities; impairment testing is monitored on the basis of the plans and growth prospects of the companies and based on the available information: they are managed as part of the Company strategy in order to increase the value of and support the investments made. Any impairment is reflected in the financial statements.

4. OPERATING RISKS

Falling into this category are all risks that, in addition to those already outlined in the previous paragraphs, may impact the achievement of the objectives relating to the effectiveness and efficiency of company operations, performance levels, profitability and the protection of resources from any losses.

The risk management process requires, for each operating area, the activities performed to be analysed and the main risk factors related to the achievement of the objectives to be identified. Following the identification of the risks, they are evaluated from a quali-quantitative perspective (in terms of intensity and likelihood of occurrence), thus allowing the identification and selection of the most relevant ones and, subsequently, the definition of risk mitigation plans.

Please refer to the report on operations for more information on the issues relating to credit risk and liquidity risk.

Guarantees and commitments

The guarantees given are set out below:

1) surety for the final guarantee deposit in favour of the Toscana Centro Waste Regulatory Authority for the value of €/000 11,956 issued by Reale Mutua Assicurazioni on 27/07/2017 and valid for the period between 30/08/2017 and 30/08/2020;

2) bank guarantees as set out in the table below:

Bank	Type of Guarantee	Nominal guarantee amount (amounts in thousands of euro)
Intesa San Paolo	Guarantee in favour of Consorzio Progetto Acqua Spa	6
Intesa San Paolo	Guarantee in favour of Consorzio Progetto Acqua Spa	1
Intesa San Paolo	Guarantee on bank credit in favour of Programma Ambiente spA	2,047
CRF	Unconditional warranty at first request in favour of the GSE Energy Service Manager for the company QTermo SPA (*)	12,400

(*) With regard to the guarantee given in favour of Q. THERMO S.p.A., it is noted that 40% of the risk is covered by HERA S.p.A.

3) guarantees of €/000 35,677 to cover the environmental risks related to the landfills and plants managed, as requested by the Municipalities, Tuscany Region, Metropolitan city of Florence, and those issued to the Ministry of the Environment to register with the Environmental Manager Register.

The Company entered into insurance policies with leading insurance companies with respect to said guarantees.

Finally, there is a first degree mortgage registered on the composting plant in Faltona (Municipality of Borgo San Lorenzo) in favour of Monte dei Paschi Capital Service S.p.A. for an amount of € /000 17,700.

The debt, tariff or commercial collection disputes were not measured for the provision for risks even if they were identified as probable since there is an applicable Bad debt provision.

Disputes with possible outcomes:

TEKRA Srl: we terminated the contract due to default. The counterparty filed an appeal with the Regional Administrative Court against the termination, but the Regional Administrative Court said it did not have jurisdiction since it involved a dispute relating to the management of a contract and not the prior contracting party section stage. When proceedings resumed before the Court of Florence, the company requested compensation for damages of about €1.1 million and Alia made a cross-claim for about € 0.31 million. The Court ordered a court-appointed expert, who is currently being appointed.

EFFENNE Srl: Objection against an injunction for payment of rent for a property in Pistoia of € 50 thousand. The case is suspended pending judgement on the finding relating to the property lease.

Labour dispute for cancellation of the dismissal of an employee. Risk of reinstatement and/or payment of remuneration owed of about € 85,000.

ROMEI Srl: Administrative dispute. Annulment of the decision of the Municipal Council of Scarperia no. 22 of 11.05.2012 (made by Romei Srl against the Municipality of Scarperia and Publiambiente) to approve the “due variance to the Municipal Regulation - adjustment of the area boundaries to be used for technological equipment” and related documents. There were no activities for July 2013 therefore the Regional Administrative Court may declare that it has lapsed.

With Ruling 3109 of 24 May 2018, the 5th section of the Council of State, passed a definitive judgment on the main appeals and cross-appeals against the Ruling of the Tuscany Regional Administrative Court which had cancelled the management document of the Metropolitan City of Florence no. 4688 of 23/11/2015, which constituted the Integrated Environmental Authorisation pursuant to Legislative Decree no. 152 of 2006 and the Unique Environmental Authorisation pursuant to Legislative Decree no. 387 of 2003, issued to Q.Thermo for the construction and management of the Case Passerini WTE plant.

The Council of State definitively confirmed the cancellation of the management document mentioned above. From the countless reasons for cancellation put forward by WWF, Environmental Associations, the Municipality of Sesto Fiorentino and the Municipality of Campi Bisenzio, the Council of State finally upheld only the part relating to the failure of the authorisation to provide for prior realisation of the so-called “*Boschi della Piana*” project to mitigate the management of the WTE plant, before it started up operations. Completion of these works is not, however, the responsibility of Q.tHermo, but the regional authorities.

60% of Q.tHermo is owned by Alia SpA and 40% by SAT Srl (Hera group), established following the dual-purpose tender (carried out by Quadrifoglio SpA on behalf of the Toscana Centro Waste Regulatory Authority, as decided by the private minority shareholder with whom a company is to be established to carry out the planning, construction and management of the WTE plant.

The ruling confirms that the authorisation, and the project forming the basis of said authorisation drafted by Q.tHermo, does not present profiles of illegitimacy from a health, environmental, technological and location perspective. Since the flaw in the authorisation is not due to responsibilities attributable to Q.tHermo, based on the conformational effect of the administrative judgment, the latter will ask the Waste Regulatory Authority to confirm the need for the WTE plant and then the Tuscany Region for the issuing of a new authorisation free of the flaws that led to the cancellation of the Council of State which, it is reiterated, only concern the non-provision of mitigation works.

The negative outcome of these initiatives and, therefore, the non-construction of the plant will entitle Q.tHermo to receive payment of costs incurred according to the provisions of the agreement signed with the Toscana Centro Waste Regulatory Authority, from Q.tHermo and from Quadrifoglio (now Alia). In accordance with the above, we believe that the Q.tHermo equity investment, registered in the financial statements of Alia as at 31.12.2017, as things stand, and in relation to the Agreement mentioned above, should not be written down (please refer to paragraph 3).

7) TRANSITION TO THE IAS/IFRS INTERNATIONAL ACCOUNTING STANDARDS

The company Alia S.p.A. adopted the international accounting standards, International Financial Reporting Standards from the 2017 financial year, with date of transition to the IFRS of 1 January 2016. The last financial statements drawn up in accordance with Italian accounting standards are for the year ended on 31 December 2016.

As requested by IFRS 1, this Attachment show the reconciliation statements between the amounts reported previously in accordance with the Italian accounting standards and those re-calculated in accordance with the IFRS, attached to the relative comments to the adjustments.

These statements were prepared for the sole purpose of the transition project to draw up the first complete financial statements in accordance with the IFRS approved by the European Commission, and do not contain comparative data or the necessary explanatory notes that would be required for a complete representation of the capital-financial position and the net result of Alia in accordance with the IFRS standards.

They were also prepared in accordance with the International Financial Reporting Standards (IFRS) currently in effect, including the IFRS recently adopted by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The balance sheet as at 1 January 2016 and at 31 December 2016 and Income Statement for 2016 are shown below, highlighting:

1/1/2016	National Accounting Principles (OIC)	Effects of the transition to IFRS	International accounting Principles (IFRS)	Note
ASSETS				
Non-current assets				
Tangible fixed assets	74,079,006	7,632,876	81,711,881	1
Intangible fixed assets	2,230,120	- 1,290,054	940,066	2
Goodwill	-		-	
Investments	5,096,914	137,668	5,234,582	3
Non-current financial assets	44,413		44,413	
Deferred tax assets	12,005,509	- 2,503,540	9,501,969	4
Other non-current assets	2,315,672		2,315,672	
Total non-current assets	95,771,634	3,976,950	99,748,584	
Current assets				
Inventories	938,592		938,592	
Trade receivables	82,438,393		82,438,393	
Current financial assets	328,993		328,993	
Other current assets	7,610,448		7,610,448	
Derivative financial instruments				-

Cash and cash equivalents	59,875,425		59,875,425	
Total current assets	151,191,850	-	151,191,850	
TOTAL ASSETS	246,963,485	3,976,950	250,940,435	
SHAREHOLDERS' EQUITY AND LIABILITIES				-
Share capital and reserves				
Share capital	- 61,089,246		- 61,089,246	
Reserves	- 33,580,146	614,285	- 32,965,861	5
Reserve for first-time adoption of IAS		- 7,896,006	- 7,896,006	
Profit (loss) for the year	- 6,594,776		- 6,594,776	
Shareholders' equity	- 101,264,168	- 7,281,721	- 108,545,889	
Total shareholders' equity	- 101,264,168	- 7,281,721	- 108,545,889	
Non-current liabilities				
Provisions for risks and charges	- 24,903,556	3,414,394	- 21,489,162	6
Employee severance indemnity and other benefits	- 15,393,961	- 1,089,533	- 16,483,494	7
Non-current financial liabilities	- 13,637,886		- 13,637,886	
Deferred tax liabilities	- 38,313	- 510,191	- 548,504	8
Derivatives financial instruments				
Other non-current liabilities	- 592,236	- 4,022,687	- 4,614,923	9
Total non-current liabilities	- 54,565,952	- 2,208,017	- 56,773,969	
Current liabilities				
Current financial liabilities	- 9,985,654		- 9,985,654	
Trade payables	- 29,139,331	194,931	- 28,944,400	10
Current tax liabilities	- 300,318		- 300,318	
Other current liabilities	- 51,708,063	5,317,857	- 46,390,205	
Derivatives financial instruments				
Non-current liabilities held for disposal (IFRS 5)				
Total current liabilities	- 91,133,365	5,512,788	- 85,620,577	
TOTAL LIABILITIES	- 145,699,317	3,304,771	- 142,394,545	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	- 246,963,485	- 3,976,950	- 250,940,435	

31/12/2016

	National Accounting Principles (OIC)	Effects of the transition to IFRS	International accounting Principles (IFRS)	Note
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ASSETS

Non-current assets

Tangible fixed assets	73,120,736	7,104,221	80,224,957	1
Intangible fixed assets	2,021,974	- 1,263,034	758,941	2
Goodwill			-	
Investments	6,112,280	- 10,693	6,101,587	3
Non-current financial assets	34,350		34,350	
Deferred tax assets	10,272,298	- 3,169,298	7,103,000	4
Derivatives financial instruments			-	
Other non-current assets	2,315,672		2,315,672	
Total non-current assets	93,877,310	2,661,196	96,538,506	

Current assets				-	
Inventories		956,885		956,885	
Trade receivables		35,180,183		35,180,183	
Current financial assets				-	
Investments				-	
Assets for current taxes		2,398,047		2,398,047	
Other current assets		8,809,826		8,809,826	
Derivative financial instruments				-	
Cash and cash equivalents		83,558,213		83,558,213	
Non-current assets held for disposal (IFRS 5)				-	
Total current assets		130,903,154	-	130,903,154	
TOTAL ASSETS		224,780,463	2,661,196	227,441,660	
				-	
SHAREHOLDERS' EQUITY AND LIABILITIES				-	
Share capital and reserves				-	
Share capital	-	61,089,246		61,089,246	
Reserves	-	40,174,922	782,763	39,392,159	5
Reserve for first-time adoption of IAS			7,896,006	7,896,006	
Profit (loss) for the year	-	4,548,704	355,229	4,903,933	
Shareholders' equity	-	105,812,872	7,468,473	113,281,345	
Total shareholders' equity	-	105,812,872	7,468,473	113,281,345	
Non-current liabilities				-	
Provisions for risks and charges	-	24,034,932	4,422,882	19,612,050	6
Employee severance indemnity and other benefits	-	14,820,250	1,015,710	15,835,960	7
Non-current financial liabilities	-	9,681,470		9,681,470	
Deferred tax liabilities	-	23,224	23,224	-	8
Derivatives financial instruments				-	
Other non-current liabilities	-	480,573	3,558,993	4,039,565	9
Total non-current liabilities	-	49,040,448	128,597	49,169,045	
Current liabilities				-	
Current financial liabilities	-	10,521,793		10,521,793	
Trade payables	-	34,956,166	194,931	34,761,235	10
Current tax liabilities				-	
Other current liabilities	-	24,449,184	4,740,943	19,708,241	
Derivatives financial instruments				-	
Non-current liabilities held for disposal (IFRS 5)				-	
Total current liabilities	-	69,927,143	4,935,873	64,991,270	
TOTAL LIABILITIES	-	118,967,591	4,807,276	114,160,315	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	-	224,780,463	2,661,196	227,441,660	

	National Accounting Principles (OIC)	Effects of the transition to IFRS	International accounting Principles (IFRS)	
INCOME STATEMENT				
Revenues	- 133,928,128		- 133,928,128	
Change in work in process and finished goods				
Other revenues and income	- 6,364,159		- 6,364,159	
Cost of raw materials and consumables	6,416,999		6,416,999	
Cost of services	70,277,457	296,391	70,573,848	11
Personnel costs	47,355,084	- 452,015	46,903,070	12
Other operating expenses	2,172,307		2,172,307	
Capitalized costs			-	
Amortisation/depreciation, provisions and write-downs	8,812,899	205,243	9,018,142	13
Operating profit (EBIT)	- 5,257,540	49,619	- 5,207,921	
Write-downs and write-backs of financial assets and financial liabilities	-		-	
Share of profits (losses) of joint ventures and associated companies		-148,361	-148,361	14
Financial income	- 1,619,316	- 895,268	- 2,514,584	15
Financial charges	275,643	156,512	432,155	16
Financial management	- 1,343,674	- 590,395	- 1,934,069	
Pre-tax profit	- 6,601,214	- 540,775	- 7,141,989	
Taxes	2,052,509	185,547	2,238,056	17
Net profit for the year	- 4,548,705	- 355,229	- 4,903,933	

Comments on the main IAS/IFRS adjustments made to the items on the Balance sheet as at 1 January 2016 and 31 December 2016

Balance sheet items - Assets

1) Property, plant and equipment: these adjustments refer to the reversal made to the accumulated depreciation to the appurtenant land and grounds, which should not be depreciated according to the IAS/IFRS (+1269), and recording the properties subject to appraisal at the beginning of 2017 at fair value (+ € 5,370 thousand due to revaluations and write-downs). These changes in value of the properties were depreciated in 2015 (+ € 205 thousand).

2) Intangible fixed assets: the above-mentioned adjustments mainly regard the elimination of certain costs that do not meet the requirements for recognition provided under the IAS/IFRS standards (- € 295 thousand in 2015 and - € 296 thousand in 2016). Certain items relating to improvements to leased assets were also reclassified under property, plant and equipment (- € 671 thousand).

3) Shareholdings: the shareholdings in associates held by the Company were measured with the equity method in accordance with IAS 28. There was a revaluation of the company Q.Energia Srl of € 622 thousand and a € 271 thousand write-down due to dividends distributed in 2016.

The shareholding in Helios Spa in liquidation was also written down (by € 362 thousand).

4) Deferred tax assets: this regards the recognition of the deferred tax that matured on the transition entries to the IFRS.

Description	Effect of advance taxes (deferred)	
Euro/000		
Tangible fixed assets	-	1,873
Intangible fixed assets		172
Provisions	-	1,632
Employee severance indemnity and other benefits		191
Trade payables	-	57
Component OCI (actuary component TFR)		53
Total		-3,146

The total amount of Euro 3,146 thousand represents the net balance of items entered under item 4 and 8.

Balance Sheet items - Liabilities

5) Reserves: this item changed in 2016 due to the actuarial component of the post-employment benefits (net of the deferred tax component).

6) Provisions for risks and charges: the adjustment refers to recognition of the post mortem provision of the Case Passerini (FI) landfill in accordance with IAS standard 37. This adjustment did not have any impact on the value of the intangible fixed assets since the landfill is almost full.

7) Post employment benefits and other benefits: the above-mentioned adjustments essentially refer to application of the actuarial methods to the post-employment benefits and recognition of the current financial-actuarial value to the expected liabilities.

8) Deferred tax liabilities: the change in this item is shown in note 4 illustrated above.

9) Other non-current liabilities: they relate to reclassifications of the deferred income and accrued liabilities, recorded under other current liabilities.

10) Trade payables: the change in said item relates to cancellation of a commercial debt to the company Helios spa (€ 195 thousand).

Adjustments to the components of the income statement

11) Costs for services: this change is accounted for by classifying previous capitalisations as costs (see note 2).

12) Payroll costs: the reversal recognised in the statement is due to the adjustment of the post-employment benefits provision during the year in accordance with national regulations.

13) Amortisation/depreciation, provisions and write-downs: the increase in the cost refers exclusively to the higher depreciation on the higher value of the property, plant and equipment (see note 1).

14) Write-downs and write-backs of financial assets and financial liabilities: the negative adjustment is due to the increase in the value of the Q.Energia shareholding due to application of the equity method (+€ 123 thousand), and the reduction due to reversal of the dividends, accounted for by reducing the shareholding (- € 271 thousand).

15) Financial income: related to the financial effect of discounting the post mortem provision of the Case Passerini landfill to present values.

16) Interest expense: this adjustment is due to the financial effect on the IAS 19 entry of the post-employment benefits.

17) Taxes: the adjustment is due to the effect of the changes on the amounts recognised and described above.

18) Actuarial gains (losses) on employee benefit provisions: the adjustment relates to said adjustments, reconnecting to the deferred taxes.

Allocation of profit for the year

Dear Shareholders, please approve the financial statements of your company for the year ended as at 31/12/2017; we propose allocating the net profit for the year, amounting to € 3,952,465.67, as follows:

- 5% corresponding to € 197,623.28 to the legal reserve
- € 3,754,842.39 to the extraordinary reserve.

On behalf of the Board of Directors
The Chairman
Paolo Regini

Declaration on the Financial Statements

pursuant to art. 81-TER of CONSOB Regulation No 11971 of 14 May 1999 and subsequent amendments and additions

1. The undersigned Mr.Livio Giannotti in his capacity as Managing Director and, Mr.Gustavo Giani in his capacity as Manager in charge of the preparation of the corporate accounting documents of Alia Servizi Ambientali S.p.A., hereby certify, also in consideration of provisions Art. 154-bis, paragraphs 3 and 4 of the Legislative Decree of 24 February 1998, no 58:

- the adequacy in relation to the characteristics of the company (also taking into account any changes that occurred during the year) and
- the actual application of administrative and accounting procedures for the preparation of the Financial statements ended 31 December 2017.

2. No significant aspects have emerged in this regard.

3. Furthermore, it is attested that the Financial statements:

a) were prepared in compliance with the applicable International Accounting Standards recognised in the European Community pursuant to Regulation (EC) No 1606/2002 of the European Parliament of 19 July 2002;

b) are consistent with the data contained in the accounting books and entries;;

c) is capable of providing a truthful and correct representation of the issuer's financial and economic situation, together with the description of the major risks and uncertainties to which they are exposed.

Firenze, 14 June 2018

The CEO

The Manager in charge of the
corporate accounting statements

Livio Giannotti

Gustavo Giani

Report of the Independent Auditing Firm on the separate financial statements



Independent auditor's report

in accordance with article 14 of Legislative Decree No.39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014

To the shareholders of
Alia Servizi Ambientali SpA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alia Servizi Ambientali SpA (the Company), which comprise the statement of financial position as of 31 December 2017, the income statement, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2017 and of the result of its operations and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers SpA

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Auditing procedures performed in response to key audit matters
<p>Business Combinations</p> <p><i>Ref.: Note 1 – General information and significant events occurred during the year and Note 2 – Accounting policies and basis of preparation of the financial statements</i></p> <p>13 March 2017 marked the conclusion of the legal and administrative process related to the merger of ASM SpA based in Prato, CIS Srl based in Montale and Publiambiente SpA based in Empoli into Quadrifoglio SpA based in Florence (which then changed its corporate name to Alia Servizi Ambientali SpA). The four companies were not linked by shareholding relationships nor were ascribable to a sole shareholder under joint control.</p> <p>Therefore, the shareholders of ASM, CIS and Publiambiente received shares of Alia Servizi Ambientali SpA (formerly Quadrifoglio) in exchange for the shares they held in the merged companies. The share exchange ratio was calculated by the directors of the companies involved in the merger on the basis of an appraisal report prepared by external independent professionals and under the shareholders’ agreement entered into by the parties the equity interests in the share capital of the merging company are subject to review depending on the fair values calculated on the basis of ad-hoc appraisal reports of the real properties contributed by each company and based on the capital gains and losses arising with reference to other balance sheet items such</p>	<p>Audit procedures performed</p> <p>As part of our audit of the financial statements as at 31 December 2017, we carried out the procedures specified below.</p> <p>We obtained and examined all the documentation related to the merger by incorporation of the companies CIS Srl, Publiambiente SpA, ASM SpA into Quadrifoglio SpA (now Alia Servizi Ambientali SpA).</p> <p>We verified, also with the support of the technical function, that the transaction had been accounted for in accordance with the provisions of IFRS 3 as adopted by the European Union and with the current valuation practice.</p> <p>Finally, we examined the completeness and accuracy of the disclosures provided by the Directors in the financial statements.</p>



Key Audit Matters

Auditing procedures performed in response to key audit matters

<p>as receivables, payables, provisions, etc.</p> <p>The aforementioned merger, which was carried out on 24 February 2017 and had legal effects starting from 13 March 2017, accounting and tax effects backdated to 1 January 2017 (date on which the control of ASM in Prato, CIS in Montale and Publiambiente in Empoli was transferred to the shareholders of Quadrifoglio in Florence) takes the form of a business combination in light of the provisions of IFRS 3. Within this context the transaction price is made up of the value of the new shares issued by the acquirer to the benefit of the merging company's shareholders. As set down in the shareholders' agreement as summarised above, the price is subject to adjustment to be settled through shares of Alia Servizi Ambientali SpA in accordance with a set time schedule.</p> <p>Taking account of the foregoing, the current value of the assets and liabilities acquired was determined on the acquisition date and, based on the mechanism provided for by the shareholders' agreement, all differences compared with the accounting values constituted a first estimate of the price adjustment and were offset by an accounting entry under equity set up for the purpose. Accordingly, no residual goodwill or badwill arose from the transaction.</p> <p>As part of our audit of the financial statements as at 31 December 2017, we focused on the transaction described above considering that a high degree of estimates and assumptions was required of management which entailed a significant professional judgement by them.</p>	
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Key Audit Matters

Auditing procedures performed in response to key audit matters

Provisions for dump post-management	Audit procedures performed
<p><i>Ref.: Note 12 – Provisions for risks and charges of the financial statements</i></p> <p>The value of the provisions for the post-management of proprietary dumps recorded within the balance sheet liabilities of the financial statements at 31 December 2017 amounted to Euro 24,228 thousand, which accounts for 6% of the Company’s liabilities.</p> <p>Such amount was determined by the Directors on the basis of the applicable accounting standards and in particular in accordance with “IAS 37 - Provisions, contingent liabilities and contingent assets” and they were supported by external independent professionals for estimating the expected cash flows relating to such provision.</p> <p>Given the significance of the amounts at issue and the use of estimates made by management to verify the compliance with the requirements of “IAS 37 - Provisions, contingent liabilities and contingent assets” adopted by the European Union, we paid special attention to reviewing the liabilities at issue.</p>	<p>As part of our audit of the financial statements as at 31 December 2017, we carried out the procedures specified below.</p> <p>We understood and evaluated the procedure adopted by the Company in order to determine the accruals to the provisions for dump post-management.</p> <p>We checked that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003.</p> <p>Moreover, we obtained and analysed, through discussions with the Company’s personnel, the external appraisal reports used by management to determine the above-mentioned provisions and we then verified that the data contained in the reports had been adequately utilised for the determination of the accruals through the discounting process under IAS 37. We also verified the reasonableness of the discount rate used by the directors to calculate the amount of the provision recorded in the financial statements.</p> <p>Finally, we checked the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the financial statements.</p>



Other matter

The financial statements present, for comparative purposes, the corresponding previous year data prepared in accordance with the international financial reporting standards derived from the financial statements for the year ended 31 December 2016 drawn up in accordance with Italian regulations governing their preparation, which had been audited by other auditors, who issued an unqualified opinion on 13 April 2017. Paragraph entitled “Transition to the international accounting standards IAS/IFRS” of the notes to the financial statements describes the effects of the transition to the IFRSs adopted by the European Union and includes information on the reconciliation statements required by IFRS 1.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company’s ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.



Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014

On 16 February 2017, the shareholders of Alia Servizi Ambientali SpA in general meeting engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2017 to 31 December 2025.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to those charged with governance, in their capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

Report on Compliance with other Laws and Regulations

Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10 and Article 123-bis, paragraph 4, of Legislative Decree No. 58/98

The directors of Alia Servizi Ambientali SpA are responsible for preparing a report on operations and a report on the corporate governance and ownership structure of Alia Servizi Ambientali SpA as of 31 December 2017, including their consistency with the relevant financial statements and their compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations and of the specific information included in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/98, with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2017 and on their compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations and the specific information included in the report on corporate governance and ownership structure mentioned above are consistent with the financial statements of Alia Servizi Ambientali SpA as of 31 December 2017 and are prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No.39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.



Bologna, 14 June 2018

PricewaterhouseCoopers SpA

Signed by

Roberto Sollevanti
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.

Report of the Board of Statutory Auditors to the Financial Statements for the year ended as at 31 December 2017

drafted pursuant to art. 2429, paragraph 2, of the Italian Civil Code and Art.153 of Legislative Decree. 58/1998

To the Shareholders' Meeting of ALIA S.p.A.

Dear Shareholders,

this report was approved jointly. The administrative body made the following documents approved on 28/05/2018 available, relating to the year ended as at 31 December 2017:

- draft separate financial statements;
- directors' report;
- draft consolidated financial statements;
- consolidated non-financial declaration.

The company ALIA SpA, as a result of the bond issued on the regulated market, is defined as a "Public Interest Entity" and, according to the provisions of Legislative Decree no. 39 of 27 January 2010, which implements Directive 2006/43/EC, is the equivalent, in any case, to a listed company.

The approach to this report is based on the legal provisions and was drafted in accordance with art. 2429 of the Italian Civil Code and art. 153 of Legislative Decree no. 58/1998, according to the criteria set forth in the rules of conduct for the Board of Statutory Auditors issued by the CNDCEC (National Institute of Chartered Accountants), and was supplemented by the indications set out in CONSOB communication no. DEM/1025564 of 06/04/2001 and Legislative Decree 254/2016.

Board of Statutory Auditors and Board of Directors

The Board of Statutory Auditors in office at the date of this report, as with the Board of Directors, was appointed by the Shareholders' meeting at 24/03/2017. The Board's term of office expires on approval of the financial statements for the year ended as at 31/12/2019.

Knowledge of the company, assessment of risks and report on the offices assigned

In acknowledgement of the knowledge which the Board of Statutory Auditors declares that it possesses on the company and as regards:

- i) the type of activities performed;
- ii) its organisational and accounting structure;

also taking account of the size and problems of the company, it is reiterated that the phase of “planning” of monitoring activities - in which the intrinsic risks and criticalities must be assessed with respect to the two parameters cited above - was implemented through the positive verification based on the information acquired over time.

This report summarises the activities concerning the disclosure required by art. 2429, paragraph 2, of the Italian Civil Code and Art.153 of Legislative Decree 58/1998, and more specifically:

- the results for the company year;
- the activities performed in fulfilment of the obligations set out in the regulations;
- the observations and proposals regarding the financial statements;
- the receipt of any complaints from shareholders pursuant to art. 2408 of the Italian Civil Code.

We remain at your full disposal, nonetheless, to examine any additional aspect in depth at the shareholders’ meeting.

Core Business

The activities performed by the Board of Statutory Auditors concerned the part of the year from 24/3/2017, the date of the appointment, to 31/12/2017, and during said period, meetings were held regularly pursuant to art. 2404 of the Italian Civil Code. The appropriate minutes were drafted for these minutes, duly signed for unanimous approval.

During the periodic checks and through participation in the meetings of the Board of Directors, the Board of Statutory Auditors gained knowledge of the trend in company activities, paying particular attention to temporary and/or extraordinary problems, in order to identify their economic and financial impact on the result for the year and on the capital structure, as well as any risks such as those deriving from losses on receivables TIA, monitored periodically.

The Board of Statutory Auditors evaluated and monitored the adequacy of the administrative and accounting system, as well as the reliability of the latter in correctly representing management events, by obtaining information from the managers of the respective department, by examining the company documents and analysing the results of the work performed by the independent auditors and we have no observations to make in this regard.

The Board of Statutory Auditors therefore periodically evaluated the adequacy of the organisational and functional structure of the company and any changes with respect to the minimum requirements presumed by the operating performance.

Relations with persons operating in the aforementioned structure - directors, employees and external advisors - are based on mutual collaboration in respect of the roles assigned to each person, having clarified those of the Board of Statutory Auditors.

For the entire year, we were able to verify that the technical training of internal administrative personnel tasked with recording company events was suitable for the type of

ordinary company events to be registered and that they have sufficient knowledge of company problems;

Owing to the structure of the management organisational chart, the information required by art. 2381, paragraph 5 of the Italian Civil Code, is provided directly by the Chief Executive Officer on a continuing basis at the meetings of the Board of Directors.

In conclusion, as far as it was possible to verify during the activities performed during the year, the Board of Statutory Auditors can confirm that:

- the decisions taken by the shareholders and the administrative body conform to the law and the articles of association and were not manifestly imprudent or as such to definitively compromise the integrity of company assets;
- sufficient information was acquired on the company's general operating performance and its outlook, and on the most significant transactions, in terms of their characteristics or size, carried out by the company;
- that the transactions carried out also complied with the law and the articles of association and did not involve a potential conflict with the resolutions passed by the shareholders' meeting or were as such as to jeopardise the integrity of the company's assets;
- we have no specific observations to make regarding the adequacy of the organisational structure of the company, nor regarding the adequacy of the administrative and accounting system, as well as on the latter's reliability in correctly representing management events;
- as described above, no additional significant facts worthy of note in this report emerged from our supervisory activity;
- no action was needed for omissions of the administrative body pursuant to art. 2406 of the Italian Civil Code;
- no complaints were received pursuant to art. 2408 of the Italian Civil Code;
- no complaints were made pursuant to art. 2409, paragraph 7 of the Italian Civil Code

Further information provided pursuant to CONSOB Communication no. DEM 1025564 of 6 April 2001

According to the order envisaged by CONSOB Communication of 6/04/2001 and subsequent updates, the additional information required is provided below.

Considerations on the most significant economic, financial and equity transactions carried out by the company and their compliance with the law and the memorandum of association.

Adequate information was acquired on the most significant economic, financial and equity transactions carried out ALIA SpA and its subsidiaries. The main transactions performed in 2017 were as follows:

- on 15 February 2017, by means of deed of Notary Renato D'Ambra, the transfer of the car parks business unit from former ASM S.p.A. to Consiag Servizi Comuni S.r.l. was signed, effective from 01/03/2017;
- by means of a merger deed drawn up by Notary Riccardo Cambi on 24 February 2017 (Index no. 22525/9626), the merger by incorporation in Quadrifoglio S.p.A. of the other 3 former managers of ATO Toscana Nord, i.e. Publiambiente S.p.A., ASM S.p.A. and Cis S.r.l., took legal effect from 13 March 2017, (with accounting and tax effects backdated to 1 January 2017);
- The procedure of the issuing of a bond issue listed on the financial markets ((EUROBOND 50 €/Mil listed c/o Irish Stock Exchange of Dublin-Republic of Ireland) was completed on 9 March 2017;
- 22 March 2017 saw the completion of the acquisition, from Bankruptcy no. 288/2014 of the Court of Florence, of the industrial complex located in Florence, via di Castelnuovo no. 20, Ferrale district, with the annexed surrounding areas of land, for a total surface area covering around 32,000 square metres, for an amount of Euro 10.3 million;
- the Service Contract was signed with the ATO Toscana Centro on 31 August 2017 for the twenty-year concession, and the activities envisaged by the transitory period (180 days) were launched, for the start of operation of the concession from 2018.

Information on the existence of any atypical and/or unusual transactions, including intercompany or with related parties - Evaluation of the adequacy of the information provided, in the directors' report on operations, regarding atypical and/or unusual transactions, including intercompany or with related parties

The Board of Statutory Auditors did not note the existence of atypical and/or unusual transactions with Group companies, third parties or related parties. This was confirmed in the information provided by the Board of Directors and the Independent Auditors.

The report on operations drafted by the Directors contains adequate information on intercompany transactions and those with related parties, all consistent, in keeping with the company's interests and regulated on arm's length basis. The economic impact with related parties is reported in the notes to the company's financial statements and the notes to the consolidated financial statements.

Observations and proposals regarding the remarks and requests for information contained in the independent auditors' report

The reports of the independent auditors PricewaterhouseCoopers S.p.A. on the separate financial statements and consolidated financial statements, issued on 14 June 2018 in accordance with art. 14 of Legislative Decree 39/2010, do not contain remarks or requests for information and certify that the separate financial statements and consolidated financial statements provide a truthful and correct representation of the balance sheet and financial situation, economic profit (loss) and the cash flows, respectively, of the Company and the Group, for the year ended in 31/12/2017, according to the IFRS adopted by the EU. The aforementioned reports also contain the certification that the reports on operations and specific information contained in the paragraph report on corporate governance and ownership structure are consistent with the separate financial statements and consolidated financial statements.

The Board of Statutory Auditors, in its role of Internal Control and Audit Committee, pursuant to art. 19 of Legislative Decree 39/2010, also received the certification that, based on the audit activities carried out, no significant deficiencies emerged in the internal control system in relation to the financial disclosure process.

Independence and indication of any assignment of additional offices to the independent auditors and any costs also to entities connected to the independent auditors by ongoing relations and the relevant costs

With regards to the annual confirmation of the independence of the independent auditors, the Board of Statutory Auditors states that it received said confirmation from the independent auditors on 14 June 2018.

The Board of Statutory Auditors monitored the independence of the independent auditors and, in particular, received periodic evidence of the engagements, with reference to 2017, other than audit services (or attributed on the basis of specific regulatory provisions) to the independent auditor.

The associated amounts are stated in the appropriate sections of the notes to the separate financial statements and in the notes to the consolidated financial statements.

The Board of Statutory Auditors considers the fees paid to the independent auditors to be suited to scope, complexity and characteristics of the works performed and also believes that the engagements (and the associated fees) other than audit services are not as such to impact the independence of the independent auditor.

Indication of the frequency and number of meetings of the Board of Directors and the Board of Statutory Auditors

The Board of Directors held 16 meetings (of which 11 during the term of office of the current Board of Statutory Auditors, i.e. from 24/3/2017 to 31/12/2017), and the current Board of Statutory Auditors held 7 meetings in the same period. The Board of Statutory Auditors attended, including via tele-conference, all meetings of the Board of Directors.

Observations on the adequacy of the provisions handed down by the company to the subsidiaries pursuant to art. 114, paragraph 2 of Legislative Decree 58/1998.

The Board of Statutory Auditors has no observations to make on the adequacy of the information flows provided by the subsidiaries to the parent company targeted at ensuring the prompt fulfilment of the communication obligations set forth by the law.

Observations on any relevant aspects that emerged during the meetings held with the auditors pursuant to art. 150, paragraph 2 of Legislative Decree 58/1998

During the periodic exchanges of data and information between the Board of Statutory Auditors and the independent auditors, no aspects came to light that need to be included in this report.

Closing judgments regarding the monitoring activities carried out regarding any omission of censurable events or irregularities recorded during said activity

The monitoring activities of the Board of Statutory Auditors in 2017 were carried out as per normal practice and they did not bring to light any omissions or censurable events that need to be reported.

Observations on the consolidated non-financial declaration

ALIA SpA, as “public interest entity”, pursuant to art. 16, paragraph 1, of Legislative Decree 39/2010, is required to draft the consolidated non-financial declaration, in compliance with the provisions of Legislative Decree 254/2016, and the Board of Directors, at the meeting on 28/05/2018, approved the aforementioned declaration, relating to the year ended as at 31 December 2017.

On 14/06/2018, the independent auditors issued its report drafted in accordance with art. 3, paragraph 10, of Legislative Decree 254/2016 and art. 5 of CONSOB Regulation no. 20267 of 18/01/2018 on the consolidated non-financial declaration, in which it stated that it did not receive any elements that lead it to believe that the non-financial declaration of Alia Spa, relating to the year ended as at 31/12/2017, was not drafted, as regards all its significant aspects, in compliance with the requirements of articles 3 and 4 of the aforementioned decree.

Without prejudice to the directors’ responsibility to guarantee that the report is drafted and published in compliance with the provisions of Legislative Decree 254/2016, the Board of Statutory Auditors, as part of the performance of its functions, monitored the observance of the provisions established in the aforementioned Decree.

Observations and proposals regarding the financial statements and their approval

The company, having issued bond securities admitted to trading, drafted its separate financial statements (and consolidated financial statements) in compliance with the international accounting standards (IAS/IFRS) starting from the financial statements as at 31 December 2017.

As far as it is aware, the Board of Statutory Auditors notes that, in preparing the separate financial statements and consolidated financial statements, there were no exceptions to the legal provisions.

The Board of Statutory Auditors examined the draft financial statements as at 31 December 2017, and examined the consolidated financial statements for the year ended as at said date. As regards the financial statements, the following additional information is provided:

- attention was focused on the approach to the draft financial statements, their general compliance with the law as regards their formation and structure and, in this regard, we have no observations to make that need to be included in this report;
- we verified compliance with the legal regulations regarding the preparation of the report on operations and, in this regard, we have no observations that need to be included in this report;
- we verified the consistency of the financial statements with the events and information we obtained knowledge of as a result of fulfilment of the typical duties of the Board of Statutory Auditors and, in this regard, we have no additional observations to make;
- we acquired information from the Supervisory Body pursuant to Legislative Decree 231/2001, and analysed the reports, and no criticalities came to light regarding the organisational model which need to be highlighted in this report.

Result for the company year

The net income assessed by the Administration Body relating to the year ended as at 31 December 2017 was a positive EUR 3,952,466.

Conclusions

Based on the above and on the information brought to the knowledge of the Board of Statutory Auditors and the results of the periodic controls performed, it is unanimously believed that there are no impediments to your approval of the draft financial statements for the year ended as at 31 December 2017, as drafted and approved at the meeting of 28 May 2018 by the Board of Directors, nor to the proposed allocation of the profit for the year, as formulated by said administrative body.

Florence, 14 June 2018

The Board of Statutory
Auditors

President: Stefano Pozzoli

Member: Serena Berti

Member: Fabio Giommoni