CONSOLIDATED FINANCIAL STATEMENTS 2017

Table of contents

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

TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

INTRODUCTION

The year ended as at 31 December 2017 represented the first year of activities of the Parent Company 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 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 the Parent Company 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, the Parent Company Alia S.p.A. adopted, as of this administrative year, the international accounting standards (IFRS) and, for the first time, given all the conditions set out in art. 25 of Legislative Decree 127/1991 were met, drafts the Consolidated Financial Statements.

SCOPE AND METHOD OF CONSOLIDATION

The equity investments held directly by the Parent Company Alia S.p.A are detailed below:

SUBSIDIARIES	PROGRAMMA AMBIENTE S.p.A.	100.00%
	Q.THERMO S.r.l.	60.00%
	IRMEL S.r.l.	51.00%
	TECHSET S.r.l. (in liquidation)	78.96%
ASSOCIATED COMPANIES	REVET S.p.A.	46.98%
	Q.ENERGIA S.r.l.	50.00%
	VALCOFERT S.r.l.	42.50%
	SEA RISORSE S.p.A.	24.00%
	HOLME S.p.A. (in liquidation)	49.00%

OTHER EQUITY INVESTMENTS	LESOLUZIONI SCARL	18.69%
	VALDISIEVE SCRL	12.33%
	TIFORMA SCRL	0.50%
	PROGETTO ACQUE SPA	0.42%
	VAIANO DEPUR SPA	0.34%
	C.E.T. s.c.r.l. (CONSORZIO ENERGIA TOSCANA - TUSCANY ENERGY CONSORTIUM)	1.52%
	Arzano Multiservizi Spa in Liquidation	13.00%
	HELENA PAESTUM SPA in Liquidation	10.00%
	Consorzio Italiano Compostatori (Italian Compost and Biogas Association)	5.28%
	Cassa di Risparmio di San Miniato	0.00%
	Banca di Credito Coop.di Cambiano	0.01%
	BANCA DI CREDITO COOPERATIVO DI MASIANO S.c.p.a	0.04%
	CHIANTI BANCA S.c. a r.l.	0.02%
	FONDAZIONE CENTRO DI SCIENZE NATURALI	19.28%

The Alia Group fully consolidates the following operating companies in these financial statements:

(i) Programma Ambiente S.p.A., operates in the special waste management sector. In particular, the collection and transfer for disposal of waste generated by companies in the Prato manufacturing sector;

(ii) Programma Ambiente Apuane S.p.A., controlled indirectly through Programma Ambiente S.p.A., operates in the management of a landfill for inert non-hazardous waste and manufactured asbestos cement products;

(iii) Q.tHermo S.r.l., 60% owned by Alia S.p.A. and in which S.A.T. Gruppo HERA holds a 40% stake, is the mixed capital company established following the public procedure for the selection of a technology partner to carry out the design, construction and management of the Case Passerini WTE plant in the Municipality of Sesto Fiorentino;

(iv) Irmel S.r.l., operates in the sector dealing with waste from building demolitions. Handles the recovery and preparation for recycling;

(v) Techset S.r.l. (in liquidation), operated in the sector of the supply of services to Protezione Civile (Civil Protection). The company is at the completion phase of the liquidation process.

The associated companies, reported hereunder, were consolidated using the equity method, with the exception of Holme S.p.A., at an advanced stage of liquidation, which was valued at cost:

(i) Revet S.p.A.: operates in the waste sector, serving more than 80% of the population of Tuscany. Its activities include the collection, selection and start of recycling of plastics, aluminium, steel, glass and polylaminates (like tetrapaks), deriving from separated urban waste collection and waste from manufacturing activities. It owns 23.96% of Revet Recycling S.r.l. and 23.02% of La Revet Vetri S.r.l., which were also consolidated using the equity method.

(ii) Q.Energia S.r.l.: operates in the energy sector. Its activities include exclusively the generation of electricity through the management of the plant for the recovery and use, for energy purposes, of biogas produced by the S. Martino landfill in Maiano (Certaldo – FI).

(iii) Valcofert S.r.l.: operates in the land and farming products sector. Deals with the production and sale of amendments, fertilisers and topsoil in general, deriving from organic matrixes from separated collection.

(iv) SEA Risorse S.p.A: operates in the waste sector. Its activities include the collection and transport of separated waste, the management of development plants, the recovery of industrial waste and the maintenance of public green areas.

(v) Holme S.p.A. (in liquidation): dealt with the collection and disposal of urban waste in the Campania region. The company is at the completion phase of the liquidation process.

All other equity investments were valued at cost.

For consolidation purposes, the financial statements for the year ended as at 31 December 2017 of the subsidiaries prepared by the respective Boards of Directors for approval by the Shareholders' Meeting were used.

The consolidated financial statements for the year ended as at 31 December 2017 posted a profit of Euro 3,503,164, after the allocation of current taxes for IRES (corporate income tax) and IRAP (regional business tax) of Euro 1,641,816, and after having considered the negative effect connected with the recognition of deferred tax assets/liabilities in the Income Statement amounting to Euro 772,354.

It should be noted that the final result differs from the algebraic sum of the results of the consolidated companies, due to the application of the accounting standards in drafting the consolidated financial statements, as regards the measurement of equity investments in associated companies.

For details of the items making up the Balance Sheet and the Income Statement of the Group Consolidated Financial Statements, please refer to the appropriate Financial Statements tables contained in the Explanatory Notes.

NEW LEGAL PROFILE OF THE PARENT COMPANY AND CORPORATE OBLIGATIONS

The qualification of the Parent Company 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 Financial Intermediation - (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 CdS (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 Parent 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 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 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.

The Parent Company also provided the subsidiaries with guidelines on adjusting their own models pursuant to Legislative Decree 231/2001 into line with the model of Alia S.p.A. and appointing the same Supervisory Body.

As of March 2017, Alia S.p.A. manages, for the subsidiary Programma Ambiente S.p.A., the part of the supply chain that the incorporated company ASM S.p.A. managed for its subsidiary.

The lists of suppliers established for the Parent Company are also valid for the subsidiaries. In relation to tenders instrumental in the core business, provision is made for the unitary management of the purchase procedures.

Unitary management is based on a Group approach and is targeted at speeding up contractual procedures, improving their financial conditions based on higher volumes, avoiding the substantial duplication of procedures and providing the subsidiary with specific relevant expertise.

At the meeting of the Board of Directors on 23 October 2017, an amendment was finally approved to the Articles of Association 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.

CONSOLIDATED ECONOMIC AND FINANCIAL RESULTS

The economic and financial performance is summarised in the management Consolidated Income Statement and Balance Sheet tables reported hereunder; the 2016 data refer to the IFRS-compliant Consolidated "pro-forma" 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	253,434
Change in inventories of finished products, semi-finished products and work in progress	-	(1)
Other revenues and income	6,357	6,548
Consumption of raw materials and consumables	(6,417)	(12,142)
Costs for services	(70,903)	(126,595)
Personnel costs	(46,903)	(90,369)
Other operating expenses	(2,204)	(4,337)
Capitalised costs	0	0
EBITDA	**13,857**	**26,538**
Amortisation/depreciation, provisions and write-downs	(9,023)	(19,313)
EBIT	**4,835**	**7,224**
Write-downs and write-backs of financial assets and liabilities		(20)
Share of profits (losses) of joint ventures and associated companies	(148)	667
Financial income	2,515	1,687
Financial charges	(432)	(3,641)
FINANCIAL MANAGEMENT	**1,934**	**(1,307)**
PRE-TAX PROFIT	**6,769**	**5,917**
Taxes	(2,179)	(2,414)
NET PROFIT	**4,590**	**3,503**

BALANCE SHEET (€/1000)	31/12/2016	31/12/2017
Fixed capital	**87,892**	**190,045**
Property, plant and equipment	83,370	177,338
Intangible fixed assets	761	1,642
Equity investments and other financial assets	3,760	11,065
Net working capital	**(1,558)**	**9,071**
Provision for risks and charges	**(19,612)**	**(40,052)**
Provision for employee severance indemnity	**(15,836)**	**(20,750)**
TOTAL NET INVESTED CAPITAL	**50,885**	**138,314**
Shareholders' equity	**114,356**	**166,962**
Net financial position	**(63,471)**	**(28,648)**
TOTAL COVERAGE	**50,885**	**138,314**

The deviations between 2017 and 2016 are not comparable in view of the new corporate perimeter of the Parent company and of the Group as a whole, 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	***calculation methods***			
Capital solidity	Shareholders' equity/(total liabilities - shareholders' equity)	%	1,00	0,60
Self-coverage of fixed assets	Shareholders' equity/fixed assets	"	1,30	0,88
Coverage of fixed assets with permanent capital	(Shareholders' equity+payables expiring after the next financial year)/fixed assets	"	1,86	1,66
Liquidity ratios	***calculation methods***			
Current ratio	Current assets/(payables - due after the year)	"	2,01	1,90
Total liquidity ratio	(Current assets-inventories/(payables - payables after the year)	"	2,00	1,89

		U/M	2016	2017
Financial ratios	***calculation methods***			
Cash flow from operations	Profit (or loss) + amortisation/depreciation + provisions	€/000	13,613	22,816
Inventory average duration	(Inventories + 50%B11) * 360 / (B6+B11)	dd	54	54
Average duration of tariff receivables	(Receivables due from customers + receivables due from parent companies) * 360 / A1	"	95	89
Average duration of trade payables	Trade payables * 360 / (B6 + B7 + B8 + B14)	"	160	161
Working capital cycle	inventory average duration + average duration of tariff receivables - average duration of trade payables	"	-11	-18

		U/M	2016	2017
Profitability ratios	***calculation methods***			
ROE net profit/shareholders' equity	Profit (or loss) / shareholders' equity	%	4,0	2,1
ROI EBIT/invested capital	EBIT / total assets	"	2,1	1,6

		U/M	2016	2017
Economic productivity ratios	*calculation methods*			
Per capita ordinary revenues	A1 / average total employees	€/000	130,1	126,5
Per capita value added	value added / average total employees	"	59,0	58,4
Per capita cost of labour	(B9)/ average total employees	"	45,6	45,1
Per capita EBIT	EBIT / average total employees	"	4,7	3,6

		U/M	2016	2017
Economic ratios	*calculation methods*			
Cost of sales/revenues	(B6+B11) / A1	%	4,8	4,8
Personnel costs/revenues	B9 / A1	"	35,0	35,7
EBIT/revenues	EBIT / A1	"	3,6	2,9
Financial charges/income	C17 / A1	"	0,3	1,4
Net profit/revenues	Profit (or loss) / A1	"	3,4	2,2
Average number of total employees		no.	1,029	2,003

DEVELOPMENT ACTIVITIES

The Group Companies did not carry out any development activities during the year.

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

The detail of the relations with subsidiaries, associated companies, parent companies and companies subject to control of the letter, in reported in a special paragraph “relations with related companies” contained “ in the Explanatory Notes to which we refer.

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 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 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.

<u>24 May 2018:</u> 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 quantities 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.

INFORMATIONS ABOUT PERSONNEL

In relation to "Personnel", a consolidated table is provided below showing the headcount, broken down for each of the Companies subject to line-by-line consolidation:

Workforce

The average headcount at the Alia Group during the year was **2,003**, as detailed below:

	ALIA S.p.A	IRMEL S.r.l.	QTHERMO S.r.l.	PROGRAMMA AMBIENTE S.p.A.	PROGRAMMA AMBIENTE APUANE S.p.A.	Consolidated Alia
Executives (*)	15		-	-		15
Middle managers	27		-			27
Administrative Staff	168		-	14		182
Technical Staff	253		-	-		253
Blue Collar Workers	1.254	3	-	33	4	1.294
Agency Staff	211		-	20	1	232
Total	**1.928**	**3**	**-**	**67**	**5**	**2.003**

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

RISK MANAGEMENT

Introduction

The Alia Group, 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 Group 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 Group 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.

b) Exchange rate risk

The Alia Group is not exposed to exchange rate risk in relation to domestic Group operations.

c) Interest rate risk

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

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 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			
Non-current assets			
Property, plant and equipment	(1)	177,337,599	83,370,235
Intangible fixed assets	(2)	1,642,011	761,498
Goodwill			
Equity investments	(3)	10,851,842	3,725,587
Non-current financial assets	(4)	213,562	34,350
Deferred tax assets	(5)	8,852,319	7,214,468
Derivatives			
Other non-current assets			2,315,672
Total non-current assets		**198,897,333**	**97,421,810**
Current assets			
Inventories	(6)	1,832,583	956,885
Trade receivables	(7)	62,785,102	35,175,913
Current financial assets			
Equity investments	(8)	1,770	
Current tax assets	(9)	3,658,544	2,398,357
Other current assets	(10)	26,367,634	9,402,846
Derivatives			
Cash and cash equivalents	(11)	151,888,494	83,674,389
Non-current assets held for disposal (IFRS 5)			
Total current assets		**246,534,127**	**131,608,390**
TOTAL ASSETS		**445,431,460**	**229,030,200**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	(12)	85,376,852	61,089,246
Reserves	(13)	70,185,576	40,781,159
Reserve for first-time adoption of IAS	(13)	7,896,006	7,896,006
Profit (loss) for the year		3,503,164	4,589,998
Third party equity	(14)	1,669,041	1,505,999
Third party profit (loss) for the year	(14)	48,027	-125,574
Total shareholders' equity		**166,961,598**	**114,356,409**
Non-current liabilities			
Provisions for risks and charges	(15)	40,052,210	19,612,050
Employee severance indemnity and other	(16)	20,750,031	15,835,960

benefits			
Non-current financial liabilities	(17)	79,818,935	9,681,470
Deferred tax liabilities	(18)	745,971	
Derivatives			
Other non-current liabilities	(19)	7,430,536	4,039,565
Total non-current liabilities		**148,797,683**	**49,169,045**
Current liabilities			
Current financial liabilities	(20)	43,421,511	10,521,793
Trade payables	(21)	64,079,610	35,241,447
Current tax liabilities	(22)	143,895	
Other current liabilities	(23)	22,027,163	19,741,506
Derivatives			
Non-current liabilities held for disposal (IFRS 5)			
Total current liabilities		**129,672,179**	**65,504,746**
TOTAL LIABILITIES		**278,469,862**	**114,673,791**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**445,431,460**	**229,030,200**

INCOME STATEMENT	*Notes*	*31/12/2017*	*31/12/2016*
Revenues	(24)	253,434,106	133,928,128
Change in inventories of finished, semi-finished products and work in progress	(24)	-655	
Other operating income	(24)	6,547,703	6,356,857
Consumption of raw materials and consumables	(25)	12,142,128	6,416,999
Costs for services	(25)	126,594,578	70,903,364
Personnel costs	(25)	90,369,179	46,903,070
Other operating expenses	(25)	4,337,418	2,204,409
Capitalised costs			
EBITDA		**26,537,851**	**13,857,143**
Amortisation/depreciation, provisions and write-downs	(26)	19,313,474	9,022,545
Operating profit (EBIT)		**7,224,377**	**4,834,598**
Write-downs and write-backs of financial assets and financial liabilities	(27)	20,343	
Share of profits (losses) of joint ventures and associated companies	(28)	666,971	-148,361
Financial income	(29)	1,686,989	2,514,952
Financial charges	(29)	3,640,660	432,218
Financial management		**-1,307,043**	**1,934,373**
Pre-tax profit		**5,917,334**	**6,768,971**
Taxes	(30)	2,414,170	2,178,973
Net profit for the year		**3,503,164**	**4,589,998**
Third party profit (loss) for the year	(14)	48,027	-125,574
Attributable to:			
Shareholders of Parent Company		3,455,137	4,715,572
Minority shareholders	(14)	48,027	-125,574

STATEMENT OF COMPREHENSIVE INCOME			
Net profit/(loss) for the year		**3,503,164**	**4,589,998**
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	(16)	62,009	-221,680
Tax effect relating to other reclassifiable components of the Statement of Comprehensive Income	(16)	-14,882	53,203
Total comprehensive profit/(loss) for the year		**3,550,291**	**4,421,521**
Shareholders of Parent Company		3,502,264	4,547,095
Minority shareholders	(14)	48,027	-125,574

CASH FLOW STATEMENT	NOTES	31/12/2017
CASH AND CASH EQUIVALENTS AT START OF YEAR	11	**83,674,389**
Profit (loss) for the year (A)		**3,503,164**
Depreciation of property, plant and equipment	26	17,157,496
Ammortization of intangible fixed assets	26	997,746
Provision for bad debts	26	825,563
Provision for risk provisions	15	15,069,991
Adjustment of participations in the PN method	28	(666,971)
Economic effect of prepaid / deferred taxes	30	772,354
Provision for current taxes	30	1,641,816
(Capital gains) / Losses from disposals	24	(99,666)
(Income) / Financial charges	29	1,953,671
Provision for severance pay	16	4,456,460
Non-monetary adjustments (B)		**42,108,460**
Cash flow from Current Management (C) = (A) + (B)		**45,611,624**
(Increase,) / Decrease, in inventories	6	(235,607)
(Increase) / Decrease, Trade receivables	7	23,883,009
(Increase) / Decrease, Current tax assets	9	6,014,364
Increase / (Decrease) Liabilities for current taxes	22	(2,504,117)
(Increase) / Decrease, Other current assets	10	(11,667,091)
Increase/ (Decrease) Trade payables	21	(11,388,481)
Increase / (Decrease) Other current liabilities	23	(10,693,074)
Other variations		87,286
Net Working Capital Variation (D)		**(6,503,711)**
Increase / (Decrease) Other non-current assets		2,315,672
(Increase) / Decrease, Other non-current liabilities	19	3,390,971
Interest received / (paid)	29	(30,000)
Change in prepaid / deferred taxes	30	2,028,822
Use of risk funds/TFR fund	15 + 16	(7,597,617)
Other operating variations (E)		**107,848**
Operating cash flows (G) = (C) + (D) + (E)		**39,215,762**
(Acquisitions) / Disposals, Tangible fixed assets	1	(35,447,467)
(Acquisitions) / Disposal, Intangible fixed assets	2	1,516,795

(Acquisition) / Disposals, Financial fixed assets	3 + 4	5,255,455
Cash flows for investment activities (H)		**(28,675,217)**
Cash flows available (I) = (G) + (H)		**10,540,545**
Financial activity - Means of third parties		
Change Non-current financial liabilities	17	14,527,920
Change Current financial liabilities	20	32,899,718
Financial activity - Own means		
Variation of liquidity for BC transactions		10,245,922
Cash flows from financial activities (J)		**57,673,560**
Net cash and cash equivalents (L) = (I) + (J)	**11**	**68,214,105**
FINISH NET FINANCIAL CASH AND CASH	**11**	**151,888,494**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1) GENERAL INFORMATION AND SIGNIFICANT EVENTS DURING THE YEAR

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

On **31December 2016** The Group Alia had the following structure:

Subsidiaries

Q.Thermo S.r.l. [60%]

Associated Companies

Q.Energia S.r.l. [50%]

Helios S.p.A.in liquidation [44.66%]

On **31December 2017** The Group Alia had the following structure, after the operation of business combination hereinafter described:

Subsidiaries

Q.Thermo S.r.l. [60%]

Irmel S.r.l. [51%]

Techset S.r.l. in liquidation [79%]

Programma Ambiente S.p.A. [100%]

Programma Ambiente Apuane S.p.A., owned by Programma Ambiente S.p.A. to the extent of 80%.

Associated Companies

Revet S.p.A. [55.52%]

Q.Energia S.r.l. [50%]

Valcofert S.r.l. [42.5%]

Sea Risorse S.p.A. [24%]

In the financial year 2016 Alia predisposed the financial statements according to the National Accounting standards and, although exceeding the limits laid down for the preparation of the consolidated financial statements, it availed itself of the exemption granted by the national accounting principles due to fact that the only subsidiary attended, Q. Thermo S.r.l., was not considered significant.
In the year 2017, following the transition to the International Accounting Standards IAS/IFRS and having put in place the merger operation, with the entry into the perimeter of consolidation of new subsidiaries, the first consolidated financial statements were prepared. The comparative data of the year 2016 are related to the assets and economic values of Quadrifoglio S.p.A. and Q. Thermo S.r.l., as described in paragraph 7 of this note.

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 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.

The other companies within the consolidation perimeter are located in the Tuscan territory and deal with waste management, collection, treatment and disposal.

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 8.

CONSOLIDATED FINANCIAL STATEMENT

The group's consolidated 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 Consolidated financial statement at 31 December 2017 of Alia Group 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 PricewatershouseCoopers 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 Consolidated 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 equity was drawn up in accordance with the provisions of “IAS 1”.

2) CONSOLIDATION STANDARDS

The consolidation is carried out using the global integration method that incorporates all the assets and liabilities in their entirety. The main consolidation criteria adopted for application of said method are set out below.
- Subsidiaries are consolidated starting from the date that control is actually transferred to the Group, and stop being consolidated on the date in which control is transferred outside the Group.
- The assets and liabilities, charges and income of the consolidated companies using the global integration method are fully incorporated into the consolidated financial statements; the carrying

amount of the equity investments is eliminated against the corresponding portion of the shareholders' equity of the associated companies, attributing their current value at the date of acquisition of control to the individual asset and liability elements (acquisition method as defined by IFRS 3 “Business combinations”). Any residual difference, if positive, is recorded under “Goodwill”; if negative, to the income statement.
- The reciprocal relations between credit and debit, costs and revenues, between consolidated companies and the effects of all the significant transactions between them are eliminated.
- The portion of shareholders' equity and the returns of the period for the minority interests are recorded separately in the consolidated shareholders' equity and income statement: this interest is calculated on the basis of the percentage held in the fair value of the assets and liabilities recorded at the date of original acquisition and in the changes in the shareholders' equity after that date.
- The profits and losses are then attributed to the minority shareholders on the basis of the percentage they hold and the losses are attributed to the minority interests even if this implies that the minority shares have a negative balance.
- Changes in the percentage shareholding of a parent company in a subsidiary that does not result in loss of control are accounted for as equity transactions.
- If the parent company loses control of a subsidiary, it:
* eliminates the assets (including any goodwill) and the liabilities of the subsidiary,
* eliminates the carrying amounts of any minority portion in the former subsidiary,
* records the fair value of the consideration received,
* records the fair value of any shareholding maintained in the former subsidiary;
* records any profit or loss in the income statement,
* reclassifies the parent company’s share of the components previously recorded in the statement of comprehensive income to the income statement or to the retained profits as appropriate.

Scope of consolidation

The consolidated financial statements as at 31 December 2017 include the financial statements of the Parent Company Alia S.p.A. and the financial statements of the companies that it directly or indirectly controls.
Control is obtained when the Group is exposed or has the right to variable returns resulting from its relationship with the investee, and at the same time, has the ability to influence these returns by exercising its power over said entity. More specifically, the Group controls an investee if, and only if, the Group has:
· power over the investee (or has valid rights that give it the current ability to manage the significant activities of the investee);
· exposure or rights to variable returns from its relationship with the investee;
· the capacity to exercise its power over the investee to have an affect on the amount of its returns.
Generally, it is assumed that holding the majority of voting rights confers control. In support of this assumption, and when the Group holds less than the majority of the voting rights (or similar rights), the Group considers all the significant facts and circumstances to establish whether it controls the investee; including:
· contractual agreements with other holders of voting rights;
· rights resulting from contractual agreements;
· voting rights and potential voting rights of the Group.
The Group will reconsider whether it has control of an investee or not, if the facts and circumstances indicate that there have been changes in one or more of the three relevant elements in order to define control.
The consolidated financial statements are drawn up on the basis of the accounting situations as at 31 December 2017, prepared by the companies included in the scope of the consolidation and adjusted, where necessary, to align them with the accounting standards and classification criteria of the group in accordance with the IFRS.

The scope of consolidation as at 31 December 2017 differs from the scope of consolidation as at 31 December 2016, mainly due to the merger described in these notes.
The associated companies listed in point 1 of this note are consolidated by the equity method.

3) 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 fixed 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
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 merger can be classified as a business combination pursuant to the provisions of IFRS 3.

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 business combination
The companies involved in the aggregation operation were not linked together by participatory relations and, therefore, the members of ASM, CIS and Publiambiente received shares of Alia S.p.A. (already Quadrifoglio) as a concurrency of the shares held in the companies Embedded. The exchange rate was determined by the directors of the companies participating in the merger on the basis of an expertise drawn up by independent external professionals and the shareholders ' agreements signed between the parties, stipulating that the shares of Participation in the social capital of the incorporated companies will be revisited according to the *fair values* determined on the basis of appropriate evaluations of the real estate made by each company and on the basis of the active and passive contingents originating in reference to assets and liabilities such as receivables, debts, funds, etc., such that there is no difference between the price and the fair value of the net asset.

The aforementioned integration, carried out on 24 February 2017 and which had legal efficacy since 13 March 2017, with accounting and fiscal effects backdated on 1 January 2017, is a business combination according to the provisions of IFRS 3. In this context, the purchaser is Alia S.p.A. (formerly Quadrifoglio S.p.A.), the acquisition date is January 1, 2017 and the transaction price is the value of the new shares issued by the buyer for the benefit of the members of the incorporated companies. According to the provisions of the shareholders' agreement and briefly reported above, the price is subject to an adjustment to be settled in Alia S.p.A.'s shares, according to certain timeframes.

In view of the above, at the date of the acquisition it has been determined the current value of the assets and liabilities acquired and through the mechanism foreseen by the pacts, all the differentials measured in relation to the accounting values formed a first estimation of the price adjustment, thus finding an accounting counterpart in a specially constituted equity reserve. Therefore, no goodwill or residual badwill has been generated from the operation.
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.

Publiambiente	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
T O T A L A S S E T S	**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
T O T A L L I A B I L I T I E S	**- 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

ASM	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
T O T A L A S S E T S	**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
T O T A L L I A B I L I T I E S	**- 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 associated companies
The subsidiaries are fully consolidated.

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 valued at their fair value equal to the consideration received on the date on which they are added, in the case of debts and financing, the transaction costs directly attributable to them. Subsequently, non-derived financial liabilities are measured with the amortised cost criterion using the actual interest rate method.
The company's financial liabilities include trade payables and other debts and financing.

Financial liabilities falling within the scope of IAS 39 are classified as debts and financing, or as derivatives designated as hedging instruments, as appropriate. The company determines the classification of its financial liabilities at the time of initial recognition.
Earnings and losses are accounted for in the income statement when the liability is extinguished, as well as through the depreciation process.
The amortised cost is calculated by noting any discount or premium on the acquisition and fees or costs that are integral part of the actual interest rate. Depreciation at the actual interest rate is included in the financial burden in the income statement.
A financial liability is cancelled when the obligation underlying the liability is extinguished or cancelled or fulfilled.
In cases where an existing financial liability is replaced by another of the same provider, under substantially different conditions, or the conditions of an existing liability are substantially altered, such exchange or amendment shall be treated As an accounting cancellation of the original liability and the detection of a new liability, with entry into the income statement of any differences between the accounting values.

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 Group.

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 Group.

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 Group.

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 was 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.

4) 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:

DESCRIPTION	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	67,971,879	47,123,574	2,218,380	61,922,356	2,729,409	181,965,598
Accumulated depreciation	-13,358,455	-41,680,593	-1,921,170	-48,739,367		-105,699,585
Net amount at 31.12.2016	54,613,424	5,442,981	297,210	13,182,989	2,729,409	76,266,014
Adjustments due to first time adoption	6,433,224	164,343		506,655		7,104,222
IAS net balance at 31.12.2016	**61,046,648**	**5,607,324**	**297,210**	**13,689,644**	**2,729,409**	**83,370,235**
NET CHANGES 2017						
Acquisitions from business combinations	54,084,682	23,702,621	3,753,702	1,724,089	26,011	83,291,105
Changes from acquisitions	6,656,657	695,284	282,359	9,179,285	13,257,870	30,071,455
Transfer from fixed assets under construction	319,920			2,118,000		2,437,920
Depreciation 2017	-4,028,381	-3,919,060	-746,586	-8,463,469	0	- 17,157,496
Decreases and transfers from reclassification	5,713,902	-12,864,514	-2,535,614	7,441,537	-2,430,931	-4,675,619
Gross amount	168,137,719	123,266,220	5,982,065	120,466,251	13,582,358	431,434,614
Accumulated depreciation	-44,344,291	-110,044,565	-4,930,994	-94,777,164	-	-254,097,014
IAS net balance at 31.12.2017	**123,793,428**	**13,221,655**	**1,051,071**	**25,689,087**	**13,582,358**	**177,337,599**

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.
Land and buildings also contains the Landfill belonging to Programma Ambiente Apuane Spa, called "Ex Casa Fornace" in the Municipality of Montignoso (Massa Carrara), measured in accordance with IAS 16: capitalising the post-management costs.

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 32,000m2, for approx. € 10.3 million.
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	INDUSTRIAL PATENT AND INTELLECTUAL PROPERTY RIGHTS	PERMITS, TRADEMARKS AND SIMILAR RIGHTS	OTHER	FIXED ASSETS UNDER CONSTRUCTION	INTANGIBLE FIXED ASSETS
AMOUNTS AT 31.12.2016						
Gross amount			1,714,399	6,776,568	780,467	9,271,434
Accumulated amortisation			-1,593,513	-5,653,389		-7,246,902
Net amount at 31.12.2016			120,886	1,123,179	780,467	2,024,532
Adjustments due to first time adoption				-670,998	-592,036	-1,263,034
IAS net balance at 31.12.2016			**120,886**	**452,181**	**188,431**	**761,498**
CHANGES IN THE YEAR 2017						
Acquisitions from business combinations	-	6,006	677,332	2,498,076	-	3,181,414
Changes from acquisitions	167,424	54,003	284,210	14,239	840,085	1,359,961
Transfer from fixed assets under construction			78,652			78,652
Amortisation 2017	-	-13,860	-565,055	-418,831	-	-997,746
Decreases and transfers from reclassification	-167,424	-	22,091	-2,459,484	-136,951	-2,741,768
Gross amount	-	191,218	8,171,589	10,548,447	891,565	19,802,819
Accumulated amortisation	-	-145,069	-7,553,473	-10,462,266	-	-18,160,808
IAS net balance at 31.12.2017	**-**	**46,149**	**618,116**	**86,181**	**891,565**	**1,642,011**

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 associated companies

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

GENERAL					
Company name	REVET SPA	Q.ENERGIA SRL	VALCOFERT SRL	SEA RISORSE SPA	
Headquarters		CERTALDO - VIA PIANGRANDE	CERTALDO - LOC. CANTONE S.S. 429	VIAREGGIO - VIA PALADINI	
Registered office	PONTEDERA - 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).

Non-qualifying equity investments:

The non-qualifying equity investments amount to € 527,318, which includes the equity investment in Valdisieve soc. cons. a.r.l. of € 350,000: this is a shareholding that holds the capital of A.E.R. Spa (in

the Municipality of Pontassieve), a company that manages the environmental sanitation service in the Northern zone of Florence.
The decrease compared to the previous year is due to the liquidation of the Helios shareholding for a value of €7100 600.

4) Non-current financial assets

The non-current financial assets are described below:

Description	**Balance at 31/12/2017**
Security deposits	133,562
Receivables from associated companies	80,000
Total	**213,562**

The balance on 31 December 2017 was € 214 thousand, of which € 80,000 for the loan to Valcofert S.r.l.. The balance at 31 December 2016, equal to Euro 34,350, was exclusively for deposits.

5) Deferred tax assets

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:

	BALANCE SHEET ITEMS	ADVANCE TAXES 31/12/2016	CHANGES BUSINESS COMBINATION	BALANCE 1/1/2017 POST AGGREGATION	TEMPORARY DIFFERENCES	DEFERRED TAXED ACTIVITIES 31/12/2017	DEFERRED TAX LIABILITIES 31/12/2017	
						IRES	IRES	IRAP
ALIA (PARENT COMPANY)	Fixed assets	-1,500,185	-4,834,986	- 6,335,171	- 19,986,276	- 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	2,507,694	601,847		
	Causes risks	200,346	384,684	585,030	1,386,509	332,762		70.989
	Levy	1,053	-	1,053		-		
	Employee severance indemnity	243,770	93,950	337,720	1,238,245	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. Vaiano		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		-		
Q.THERMO	Loss of previous years	111,468		111,468	584,850	140,364		
PROGRAMMA AMBIENTE	Fixed assets		- 89,572	- 89,572	- 310,798		- 74,592	- 14.980
	Employee severance indemnity		50,511	50,511	210,464		50,511	
	Allowance for doubtful accounts		101,280	101,280	422,000	101,280		
	Loss of previous years		37,239	37,239	155,163	37,239		
	Write-down of shares and securities		1,440	1,440	5,684	1,364		
PROGRAMMA AMBIENTE APUANE	Allowance for doubtful accounts		107,375	107,375	447,396	107,375		
	Waste dump Apuane			-	- 238		- 57	- 11
GROUP	**TOTAL**	**7,214,468**	**1,775,134**	**8,974,720**	**36,784,094**	**8,852,319**		**- 745,971**

CURRENT ASSETS

6) Inventories

The statement with changes in inventories is shown below:

Values 31/12/2016	Raw materials, ancillary materials and consumables	956,885
	Balance at 31/12/2016	**956,885**
Variations during period	Raw materials, ancillary materials and consumables	855,586
	Finished products and goods	20,112
Values 31/12/2017	Raw materials, ancillary materials and consumables	**1,812,471**
	Finished products and goods	**20,112**
	Balance at 31/12/2017	**1,832,583**

The inventories, amounting to € 1,833 thousand, 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	109,063,543	75,432,659	33,630,884
Provision for write-downs	-46,278,441	-40,256,746	-6,021,695
TOTALE	**62,785,102**	**35,175,913**	**27,609,189**

The balance of trade receivables, amounting to € 62,785 thousand, mainly includes the receivables for invoices issued to municipalities for waste management services that had not been collected as at 31 December 2017, and receivables from users for environmental hygiene tariffs.

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 Provisions for write down:

Description	31/12/2016	Contribution from merger	Contribution from BC/variation perimeter Consolidation	Increase	Decrease	31/12/2017
Provision for write down	40,256,746	15,327,352	1,082,173	819,016	-11,206,846	46,278,441

Equity investments

The total and breakdown of Equity Investments are shown below.

8) Equity investments

Description	**31.12.2017**	**31.12.2016**
Equity investments (shares of banks)	1,770	-
TOTAL EQUITY INVESTMENTS	**1,770**	-

9) 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
IRES tax receivables	82,946	0
IRAP tax receivables	27,981	0
Other credits	222	0
TOTALI	**3,658,544**	**2,398,357**

The balance at 31 December 2017, equal to Euro 3,658,544, is mainly made up of IRES and IRAP advanced payments for surplus amounts compared to the debt calculated at the end of the year.

10) Other current asset

Description	Balance at 31.12.2017	Balance at 31.12.2016
Credits to other	5,308,004	3,191,219
Revenue c/VAT	12,447,082	4,070,520
Credit for Ires refund	11,000	-
Credit for Irap refund	2,315,672	-
Revenue c/VAT refund	4,422,720	1,500,000
Tax Administration Receivables refund notice 2009	331,146	-
Claims tax recovery on fuels	37,747	-
Accruals and discounts	1,494,263	641,107
TOTAL	**26,367,634**	**9,402,846**

The balance at 31/12/2017 of € 26,368 thousand is related to the VAT credit for € 12,447 thousand, to the VAT credit required for refund, for € 4,423 Thousand and other credits for €5,308 thousand of which € 1,038 thousand to ATO Toscana Centro (Authority of the Concession) for grants to receive, € 205 thousand towards the Province of Florence, € 794 thousand towards Regione Toscana, €231 thousand for white and green certificates and €267 thousand for advances to suppliers.

11) 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	146,023,579	68,799,210
Postal accounts	5,837,023	14,866,654
Cash and equivalents on hand	27,892	8,525
TOTALS	**151,888,494**	**83,674,389**

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

5) EXPLANATORY NOTES TO THE LIABILITIES

12) Share capital

The share capital of the Alia Group as at 31.12.2017 amounts to € 85,539,546, and comprises ordinary shares and corporate shares. The Parent Company's quota amounts to € 85,376,852, while the corresponding minority interests amount to € 162,694.
As at 31 December 2017, no treasury stock was held through subsidiaries, finance companies or through third parties.

13) Reserves

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
Business Combination CIS reserve		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
Fusion surplus reserve	3,695,634			3,695,634	
Shareholder payments reserve	1,580,000			1,580,000	
Other reserves	8,361,764	614,284	-704,798	8,271,250	A,B,C
Total	**40,777,159**	**32,438,997**	**-3,193,274**	**70,022,882**	

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.

The amount of the reserve from First Time Adoption, equal to Euro 7,896,006, is related to the accounting differences originating from the transition to international accounting standards under IFRS 1.
Below is the statement of changes of net equity:

	Share Capital	*Share premium Reserve*	*Extraordinary Reserve and other reserves of profits*	*Other Reserves*	*Profit for the year*	*Shareholders' equity*	*Third party equity*
Balance as at 31 December 2016	**61,089,246**	**0**	**48,677,164**	**0**	**4,589,998**	**114,356,408**	**1,380,425**
Profit for the year					3,503,164	3,503,164	48,027
Other components of comprehensive income as at 31 December 2017:							
actuarial gains (losses) on employee benefit provisions			47,127			**47,127**	
Comprehensive profit for the year	**0**	**0**	**47,127**	**0**	**3,503,164**	**3,550,291**	**48,027**
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			382,116			382,116	288,616
Allocation of 2016 profit:						**0**	
Dividends distributed							
Allocation to other reserves			4,589,998		-4,589,998	**0**	
Allocation to undivided profit							
Balance as at 31 December 2017	**85,376,852**	**16,965,073**	**53,696,405**	**7,420,104**	**3,503,164**	**166,961,598**	**1,717,068**

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 reserves go from Euro 48,677,164 to 1.1.2017 to euro 53,696,405 Euro per 31.12.2017, the increase of an amount equal to Euro 5,019,241 is mainly attributable to the destination of the operating profit 2016

Other Reserves
As described in the section "Business Combinations", the parent 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.

Below is the reconciliation table for Alia's equity with the Group's equity balances:

	Net equity 31/12/2017	Income 31/12/2017
Balances as per the financial statements of the Parent Company Alia Servizi Ambientali SpA	**166,568,005**	**3,952,466**
Net equity of subsidiaries	1,399,475	(482,532)
Elimination of the value of holdings	(2,669,850)	
Elimination of the effects of intragroup transactions		(13,703)
Other adjustments	(5,074)	(1,094)
Balance consolidated financial statement Alia's Group	**165,292,556**	**3,455,137**
others	1,669,042	48,027
Balance consolidated financial statement	**166,961,598**	**3,503,164**

14) Minority interests

Shareholders of:	Minority shareholders' equity	Minority shareholders' profit
- Programma Ambiente Apuane SpA	99,502	76,535
- Irmel Srl	99,986	29,079
- Q.Thermo SpA	1,500,426	-56,948
- Techset Srl in Liquidation	-30,873	-639
TOTAL	**1,669,041**	**48,027**

NON-CURRENT LIABILITIES

15) Provisions for risks and charges

The breakdown of the items is set out below:

DESCRIPTION	Case Passerini	Vaiano landfill	Vigiano landfill	Apuane landfill	Other risks	Provision for waste pre-treatment/disposal costs	Provision for Techset winding-up charges	TOTAL
Amount at 31/12/2016	**17,595,323**	**-**	**-**		**2,016,727**		**27,028**	**19,612,050**
Changes during the year	-	-	-	**5,788,585**		**16,714**	**27,028**	5,832,327
Merger effects	-	1,954,484	4,671,742	-	573,348			7,199,574
Provisions	2,036	-	-	283,783	8,648,194	10,130		8,944,143
Provision adjustment	-	-	-	-	139,087	-	-	139,087
Interest	95,946	-23,946	82,434	-	-	-	-	154,434
Uses	-87,064	-62,474	-	-	- 1,663,153	- 7,312	-	-1,820,003
Surplus to Income Statement	-	-	-	-	-	- 9,402	-	- 9,402
Amount at 31/12/2017	**17,606,241**	**1,868,064**	**4,754,176**	**6,072,368**	**9,714,203**	**10,130**	**27,028**	**40,052,210**

The balance of the provisions for risks and charges amounts to 40,052 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 € 30,300 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.
- The Risk Provision referring to the Apuane Landfill was calculated from an external expert report in order to quantify the amount to allocate on the basis of the quantities conferred.
- 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. 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, while € 2,507 thousand refers to the amount allocated on the financial statements for the payment of production premiums to employees.

16) 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
Business Combination/change perimeter of consolidation	847,895
Merger effects	5,277,619
Provisions	442,069
Uses	- 1,220,444
Releases	-
Excesses at Income Statement	-
Other changes	-463,401
Changes due to discounting to present values	30,333
Amount at 31/12/2017	**20.750.031**

The item, equal to € 20,750 thousand, includes the provisions for employees 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	Alia Spa	Programma Ambiente Spa	Alia Spa
	2017		2016
	% Rate used	% Rate used	% Rate used
Inflation rate	1.5%	1.5%	1.5%
Annual discount rate	1.30%	1.30%	1.31%
Annual increase rate of total payments	2.625%	2.625%	2.625%
Annual frequency of people leaving work for reasons other than death	1.00%	1.00%	1.00%

17) 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
Bonds	49,600,578	-
Due to shareholders for loans	136,936	-
Due to banks	29,118,213	9,691,470
Due to other financial institutions	963,208	-
Total non-current financial liabilities	**79,818,935**	**9,691,470**

Debts to mortgage banks had the following handling:

Description	Balance 31/12/2016	Purchases from Business Combination/ changes scope of consolidation	increase due to merger	increase from new ignitions	decrease for refunds	Balance 31/12/2017
Bank financing	9,681,470	313,645	15,075,699	8,024,249	3,976,850	29,118,213

Debts to banks: The balance includes amounts due to banks for the medium and long term portion (amounting to € 29,118 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.

18) Deferred tax liabilities

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

19) Other non current liabilities

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
Security deposits	907,060	
accrued liabilities / deferred income	3,686,182	3,558,993
TOTAL	**7,430,536**	**4,039,565**

In the "other debts" are included the debt to Publiservizi SpA, equal to Euro 1,680 thousand, related to the purchase of an industrial warehouse located in the municipality of Fucecchio (FI); the debt for Provincial Tax for Euro 1,157 thousand, the debt for security deposits received by the company Programma Ambiente Apuane S.p.A. for Euro 907 thousand and part of the deferred income, for euros 3,686 thousand, referred to contributions in account/facilities received by Alia S.p.A. and competence of future exercises.

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**

CURRENT LIABILITIES

20) Financial current liabilities

The total and the breakdown of the financial current financial liabilities are shown below:

Description	Balance at 31/12/2017	Balance at 31/12/2016
Accrual BOND interest	1,098,493	-
Due to shareholders for loans	139,929	-
Due to banks	42,160,062	10,521,793
Due to other financial institutions	23,027	-
Total Current Financial Liabilities	**43,421,511**	**10,521,793**

The balance at 31 December 2017 amounts to Euro 43,421,511 (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.

21) Trade payables

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

Description	Balance 31/12/2017	Balance 31/12/2016
Advances	62,309	-
Payables to suppliers	54,031,796	34,854,636
Payables to associated companies*	9,970,300	369,282
Payables to companies subject to the control of the parent company*	280	17,529
Miscellaneous payables	14,924	-
FINAL TOTAL	**64,079,610**	**35,241,447**

Within the balance of €64,080 thousand, are mainly included debts of a commercial nature for €54,032 thousand.
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. The increase compared to the previous year is mainly attributable to the merger operation described above.

22) Current tax liabilities

Liabilities for current taxes are broken down in the statement below:

Description	31/12/2017	31/12/2016
Ires debt	120,114	-
IRAP debt	23,781	-
TOTAL	**143,895**	**-**

The debt positions illustrated above refer to the tax payables paid by the Group in the subsequent year.

23) Other current liabilities

Description	Balance to 31/12/2017	Balance to 31/12/2016
Vat in purchase split payment	2,618,514	
Vat Debt	38,519	
Deferred VAT on sales	24,873	59,869
Withholdings account	38,868	36,771
Income tax for employees	1,751,483	966,608
Prepaid taxes on employee's severance indemnity	27,304	0
Waste disposal fee	89,025	0

Amounts payable to social security institutions	3,459,580	1,998,707
Other Debts	13,418,297	16,246,756
Prepayments and accrued income	560,700	432,795
Total other current liabilities	**22,027,163**	**19,741,506**

The debt positions described above refer to the tax and social security liabilities paid by the group 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.

6) EXPLANATORY NOTES TO THE INCOME STATEMENT

24) Revenues

The total amount of revenues for sales and services of the Alia Group in 2017 amounted to € **253,434,106 (**revenues €.133,928,128 to 31 December 2016**).** The revenues of the Parent Company alone, Alia Servizi Ambientali SpA, from the waste collection, treatment and disposal service amounts to € 248,785,171, of which € 231,552,617 from Municipalities that are direct and indirect shareholders of the Company.

There are variations of inventories for goods equal to €. -655, as a result of the integral consolidation of Irmel S.r.l.

The other operating revenues of the Alia Group are Euro 6,547,703 (euro 6,356,857 to 31 December 2016), of which operating income of the single parent company for Euro 6,123,781.

In detail the other operating income of the group mainly include:

- 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 €1,122,945 (€. 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)
- Recoveries and refunds €. 897,107 (€. 830,058 to 31 December 2016)
- Active contingent €. 1,008,580 (€. 2,370,227 to 31 December 2016)
- Other revenues €. 958,882 (€. 657,025 to 31 December 2016)
- Transportation costs €. 395,134

25) 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	1,577,400	1,444,145
Other purchases	1,130,706	119,491
Costs for raw materials and consumables	***12,142,128***	***6,416,999***
Waste collection and selection	39,991,162	13,715,390
Transport and waste treatment	23,298,748	16,250,965
Waste collection and treatment RUR	12,246,881	15,728,977
Cleaning and sweeping services	4,862,927	2,930,108
Cleaning of green areas and historic centers	1,831,070	3,600,990
Environmental inconvenience compensation	2,485,984	2,113,151
Maintenance	7,524,662	3,036,188
Utilities, lighting, water and gas	3,310,917	1,432,447
Rents and leases	2,457,586	322,281
Canteen	1,354,031	570,598
Insurance	4,069,492	2,306,914
Collection services TIA	2,237,944	758,644
Legal and notary fees	1,328,974	62,671
Services and procurement	1,255,779	0
Third party services	1,856,474	981,036
Reimbursement to regional waste disposal tribute suppliers	1,769,713	1,018,912
Other costs	14,712,234	6,074,092
Costs for Services	***126,594,578***	***70,903,364***
Wages and salaries	64,144,923	33,374,420
Social security contributions	20,045,988	10,484,839
Employee severance indemnity	3,670,574	1,861,861
Other personnel costs	2,507,694	1,181,950
Labour cost	***90,369,179***	***46,903,070***
Consumption taxes	606,171	4,177
Contingent liabilities	551,854	749,081
Miscellaneous taxes and duties	1,168,694	839,996
Losses	670,472	162,507
Other costs	1,340,227	448,648
Other operating expenses	***4,337,418***	***2,204,409***

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

Remuneration paid to directors and statutory auditors amount to € 264,538 and € 121,649 respectively.

The average headcount at the Alia Group during the year was **2,003**, as detailed below:

	ALIA S.p.A	IRMEL S.r.l.	QTHERMO S.r.l.	PROGRAMMA AMBIENTE S.p.A.	PROGRAMMA AMBIENTE APUANE S.p.A.	Consolidated Alia
Executives (*)	15		-	-		15
Middle managers	27		-			27
Administrative Staff	168		-	14		182
Technical Staff	253		-	-		253
Blue Collar Workers	1.254	3	-	33	4	1.294
Agency Staff	211		-	20	1	232
Total	**1.928**	**3**	**-**	**67**	**5**	**2.003**

26) Amortisation/depreciation, Provisions and Write-downs

Description	Balance at 31/12/2017	Balance at 31/12/2016
Intangible assets amortisation	997,746	1,147,165
Property, plant and equipment depreciation	17,157,496	7,558,319
Write-downs of the current assets and the cash and cash equivalents	825,563	313,150
Provisions for risks	320,500	-
Other Provisions	12,169	3,911
Total	**19,313,474**	**9,022,545**

27) Write-downs and write-backs of financial assets and financial liabilities

Description	Balance at 31/12/2017	Balance at 31/12/2016
Revaluations of other equity investments	1,770	-
Write-downs of other equity investments	22,113	-
Total	**-20,343**	**-**

28) 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 the Alia Group, the corresponding value at 31/12/2016 is €-148,361.

For the details of the proceeds and liabilities resulting from the valuation by the equity method, please refer to note 3.

29) Financial management

The financial income and charges are briefly described below.

Financial income

Description	Balance at 31/12/17	Balance at 31/12/16
Income from equity investments in other companies	8	-
Other financial income from securities recorded in the working capital that are not equity investments	21	-
Other interest income on Receivables	782,073	919,394
Interest income on bank accounts	904,752	428,623
Interest income on discounting to present values for post-management periods	0	895,267
Income other than the above	135	271,668
TOTAL	**1,686,989**	**2,514,952**

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	1,014,810	44,934
Interest expense on BONDs	1,155,513	-
Interest expense on arrears	50,811	9,541
Interest expense on bank accounts	855,219	221,231
Interest expense on discounting to	297,087	-

present values for post-management periods		
Interest expense on employee severance indemnity	264,644	156,512
Other interest expense	2,576	-
TOTAL	**3,640,660**	**432,218**

30) 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%. For the subsidiaries both for the 2017 and for the 2016 is 4.82%.

	Alia SpA (parent company)	Irmel SRL	Programma Ambiente Apuane SpA	Programma Ambiente SpA	Q.Thermo SRL	Techset SRL in liquidation	ALIA'S GROUP
Difference between value and costs of production	95,644,926	212,034	873,511	2,289,036	-	-	99,019,507
Increases changes due to revenues	-				-	-	
Decreased changes due to revenues	492,289	14,836		37,747	-	-	544,871
Increases changes due to costs	8,686,107	1,867	210,680	116,397	-	-	9,015,051
Decreased changes due to costs	79,145,537	150,808	463,323	1,845,941	-	-	81,605,609
Taxable	24,693,207	48,257	620,868	521,745	-	-	25,884,078
Irap rate	5.12%	4.82%	4.82%	4.82%	4.82%	4.82%	
Taxes pertaining to Irap	1,264,292	2,326	29,926	25,148			1,321,692

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

	Alia SpA (parent company)	Irmel SRL	Programma Ambiente Apuane SpA	Programma Ambiente SpA	Q.Thermo SRL	Techset SRL in liquidation	Total Amount
Pre-tax accounting income	6,260,355	61,670	499,940	-	-	-	6,821,965
Increasing variations	11,961,669	103,071	304,846	-	-	-	12,369,586
Decreased variations	14,055,243	63,749	304,296	-	-	-	14,423,288
Tax losses	3,333,425	100,993		-	-	-	3,434,418
Taxable income	833,357	-	500,491	-	-	-	1,333,846
Ires rate	24%	24%	24%	24%	24%	24%	
Taxes pertaining to Ires	200,666		120,119				320,124

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

TAX RATE

Description	**31/12/2017**
Current IRAP taxes	1,321,693
Current IRES taxes	320,123
Prepaid/Deferred taxes	772,354
Taxes for the period	**2,414,170**
Pre-tax income	5,917,335
Tax rate	**40.8%**

7) OTHER INFORMATIONS

Please refer to the chapter in the report on operations for company events that occurred after 31/12/2017.
Below is the detail of the net financial position; It is not considered necessary to bring back the comparative data because the variation of the consolidation perimeter does not make the data perfectly comparable.

Net financial position	**Note**	**31/12/2017**
Non-current obligations	17	- 49,600,578
Non-current bank loans	17	- 29,118,213
Payables to shareholders for loans	17	136,936
Other lenders	17	963,208
Total non-current financial indebtedness		**- 79,818,935**

Current bank loans	20	- 43,258,555
Other lenders	20	-23,027
Shareholder loans	20	-139,929
Cash and cash equivalents	11	151,888,494
Total net financial indebtedness		**28,648,048**

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	

Subsiduaries:	**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**	**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	-
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 Alia Spa Group 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 Alia Group, 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 Group 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 Group 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	43,421,511	43,501,214	36,317,721	123,240,446
Commercial debts	64,079,610			64,079,610
Other Debts	22,027,163	5,228,630	2,201,905	29,457,698
Total	129,528,284	48,729,844	38,519,626	**216,777,754**

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 Group is not exposed to exchange rate risk in relation to domestic Group operations.

c) Interest rate risk
The interest rate risk to which the Group is exposed originates primarily from the financial payables due to banks. In light of the current trend in interest rates, the Group'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.

(In unit of Euro)	**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	-	62,785,102	-	-	62,785,102
Other current assets	-	26,367,634	-	-	26,367,634
Cash and cash equivalents	-	151,888,494	-	-	151,888,494
NON-CURRENT ASSETS					
Non-current financial assets	-	213,562	-	-	213,562

Current liabilities

Current financial liabilities	-	-	-	43,421,511	43,421,511
Trade payables	-	-	-	64,079,609	64,079,609
Other current liabilities	-	-	-	22,027,163	22,027,163
Non-current liabilities					
Non-current financial liabilities	-	-	-	79,818,935	79,818,935
Other non-current liabilities	-	-	-	7,430,536	7,430,536

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 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.

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
CRF	Unconditional warranty at first request in favour of the GSE Energy Service Manager for the company QTermo SPA (*)	12,400
Insurance Companies	Guarantees insurance for licensing	1,493

(*) 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 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 the Toscana Centro Waste Regulatory Authority, from Q.tHermo and from Quadrifoglio (now Alia).

8) TRANSITION TO IAS / IFRS INTERNATIONAL ACCOUNTING STANDARDS

The parent company Alia S.p.A. has adopted international financial Reporting standards, from the year 2017, with a transition date to IFRSs at January 1, 2016. The last Financial Statement drawn up in accordance with Italian accounting standards is related to the year ended 31 December 2016.
As required by IFRS 1, this Appendix shows the reconciliation between the values reported above in accordance with the Italian accounting principles and those restated in accordance with IFRS, accompanied by the relevant commentary notes to adjustments.
These prospectuses have been prepared only for the purpose of the Transition project for the drafting of the first full Financial Statement according to IFRSs approved by the European Commission and lack the comparative data and the necessary explanatory notes that would be required for a complete representation of the financial position and the economic result of Alia according to the IFRS principles.
It is also present that they have been prepared in Conformità to the international Financial Reporting Standards (IFRS) currently in force, including the IFRSs recently adopted by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).
For the parent company Alia, shall be followed the balance sheet prospectuses at 1 January 2016 and 31 December 2016 and the income statement for the financial year 2016 showing:

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**
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**	

Comment Notes to major IAS/IFRS adjustments made to balance sheet items on 1 January 2016 and 31 December 2016

Balance Sheet Items-Assets

1) Tangible fixed assets: these adjustments refer to the reversal of the amortisation fund of the lands, which according to IAS/IFRS should not be amortised (+ 1,269) and to the registration at fair value as deemed cost of real estate Subject to expertise at the beginning of 2017 (+ 5,370 thousand Euro as a result of revaluations and impairments). These changes in the value of properties were depreciated in 2016 (+ 205 thousand euros).
2) Intangible fixed assets: the above-mentioned adjustments mainly relate to the elimination of certain costs which do not meet the enrolment requirements of the IAS/IFRS principles. A number of improvement items on third-party assets in tangible fixed assets (-671 thousand Euro) have also been reclassified.
3) Shareholdings: The equity method, in accordance with IAS 28, has been assessed in related shares held by the company. The company Q. Energia Srl has been re-evaluated by 622 thousand euro and reduced in value of 271,000 euros for dividends distributed in 2016.
Moreover the participation Helios SPA in liquidation was devalued (for 362 thousand euros).
4) Deferred tax assets: the detection of deferred taxation accrued on the transitional scriptures to IFRS.

Description **Euro/000**	**Effect of advance taxes (deferred)**
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 is varied in the year 2016 in respect of the actuarial component relating to the severance indemnity (net of the deferred tax component).
6) Provisions for risks and charges: the correction refers to the detection of the post-mortem fund of the landfill of Case Passerini (FI) in accordance with the principle of IAS 37. This rectification had no impact on the value of intangible assets since the landfill is almost completely exhausted.
7) TFR and other benefits: the above-mentioned adjustments relate essentially to the application of actuarial methodologies to severance pay and the inclusion of the current financial and actuarial value of the liabilities envisaged.

8) Deferred tax liabilities: the variation of this item is shown in note 4 above.
9) Other non-current liabilities: rediscount and accrued income are reclassified in the heading, listed in other current liabilities.
10) Trade Payables: the variation of this item is related to the cancellation of a commercial debt to the company Helios Spa (195 thousand euros).

Value adjustments to income statement components

11) Services Costs: this change is due to the qualification of previous capitalisations as costs (see note 2).
12) Personnel costs: the reversal found in the prospectus is derived from the rectification of the indemnity provision of the financial year carried out in accordance with the national legislation.
13) Amortization of provisions and devaluations: the increase in cost is only related to the greater depreciation accrued on the greater value of tangible fixed assets (see note 1).
14) Devaluations and restores financial assets and liabilities: the negative adjustment is given by the increase in the value of the participation Q. Energy for the application of Metod
15) Financial income: they are due to the financial effect arising from the actualization of the post-mortem fund of the landfill of Case Passi.
Financial charges: this correction is due to the financial effect accrued on writing IAS 19 of the severance pay.
17) Taxes: the adjustment is derived from the effect of the variations on the values detected and previously described.
18) Actuarial profits (losses) beneficial to employees: the rectification is related to these adjustments, to which deferred taxes are reconnected.

The consolidated balance sheet of the Alia Group at31.12.2016 presents as the sole consolidated company Q. Thermo SpA. The comparative values are therefore showed as follow:

STATEMENT OF FINANCIAL POSITION	31/12/2016 ALIA SPA	31/12/2016 Q.THERMO SPA	Adjustments To Elisions And Consolidation	Consolidated Financial Statements Ias 2016
ASSETS				
Non-current assets				
Property, plant and equipment	80,224,957	3,145,278		83,370,235
Intangible fixed assets	758,941	2,557		761,498
Goodwill	0	0		-
Equity investments	6,101,587	0	2,376,000	3,725,587
Non-current financial assets	34,350	0		34,350
Deferred tax assets	7,103,000	111,468		7,214,468
Derivatives	0	0		-
Other non-current assets	2,315,672	0		2,315,672
Total non-current assets	**96,538,507**	**3,259,303**		**97,421,810**
Current assets				
Inventories	956,885	0		956,885
Trade receivables	35,180,183	0	4,270	35,175,913
Current financial assets	0			-
Equity investments	0			-
Current tax assets	2,398,047	310		2,398,357
Other current assets	8,809,826	593,020		9,402,846
Derivatives	0			0
Cash and cash equivalents	83,558,213	116,176		83,674,389
Non-current assets held for disposal (IFRS 5))				0
Total current assets	**130,903,154**	**709,506**		**131,608,390**
TOTAL ASSETS	**227,441,661**	**3,968,809**		**229,030,200**
SHAREHOLDERS' EQUITY AND LIABILITIES				
Share capital and reserves				
Share capital	61,089,246	10,000	6,000	61,093,246
Reserves	39,392,160	3,754,998	2,370,000	40,777,159
Reserve for first-time adoption of IAS	7,896,006			7,896,006
Profit (loss) for the year	4,903,933	-313,934	1	4,589,998
Third party equity				1,505,999
Third party profit (loss) for the year				-125,574
				-

Total shareholders' equity	**113,281,345**	**3,451,064**		**114,356,409**
Non-current liabilities				
Provisions for risks and charges	19,612,050			19,612,050
Employee severance indemnity and other benefits	15,835,960			15,835,960
Non-current financial liabilities	9,681,470			9,681,470
Deferred tax liabilities				-
Derivatives	0			-
Other non-current liabilities	4,039,565			4,039,565
Total non-current liabilities	**49,169,045**	**0**		**49,169,045**
Current liabilities				
Current financial liabilities	10,521,793			10,521,793
Trade payables	34,761,235	484,482	-4,270	35,241,447
Current tax liabilities				-
Other current liabilities	19,708,243	33,263		19,741,506
Derivatives				-
Non-current liabilities held for disposal (IFRS 5)				-
Total current liabilities	**64,991,271**	**517,745**		**65,504,746**
TOTAL LIABILITIES	**114,160,316**	**517,745**		**114,673,791**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**227,441,661**	**3,968,809**		**229,030,200**

	31/12/2016 ALIA	**31/12/2016** Q,THERMO	**Adjustments To Elisions And Consolidation**	**Consolidated Financial Statements Ias 2016**
INCOME STATEMENT				
Revenues	**133,928,128**			**133,928,128**
Change in inventories of finished, semi-finished products and work in progress				**-**
Other operating income	**6,364,159**		**7,302**	**6,356,857**
Consumption of raw materials and consumables	**6,416,999**			**6,416,999**
Costs for services	**70,573,848**	**336,818**	**-7,302**	**70,903,364**
Personnel costs	**46,903,070**			**46,903,070**
Other operating expenses	**2,172,307**	**32,102**		**2,204,409**
Capitalised costs				**-**
EBITDA	**14,226,063**	**-368,920**		**13,857,143**

Amortisation/depreciation, provisions and write-downs	9,018,143	4,402		9,022,545
Operating profit (EBIT)	5,207,920	-373,322		4,834,598
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
Financial income	2,514,584	368		2,514,952
Financial charges	432,155	63		432,218
Financial management	1,934,069	305		1,934,373
Pre-tax profit	7,141,989	-373,017		6,768,971
Taxes	2,238,056	-59,083		2,178,973
Net profit for the year	4,903,933	-313,934		4,589,998
Third party profit (loss) for the year				-125,574
Attributable to:				
Shareholders of Parent Company				4,715,572
Minority shareholders				-125,574
STATEMENT OF COMPREHENSIVE INCOME				
Net profit/(loss) for the year	4,903,933	-313,934		4,589,998
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	-221,680			-221,680
Tax effect relating to other reclassifiable components of the	53,203			53,203
Statement of Comprehensive Income				-

Total comprehensive profit/(loss) for the year	**4,735,456**	**-313,934**	**4,421,521**
Shareholders of Parent Company			**4,715,572**
Minority shareholders			**-125,574**

For the Board of Directors
The Chairman
Paolo Regini

Declaration on the Consolidated 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 Consolidated financial statements ended 31 December 2017.

2. No significant aspects have emerged in this regard.

3. Furthermore, it is attested that the Consolidated 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 consolidated financial statements

pwc

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 Consolidated Financial Statements

Opinion

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Alia Group 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 Consolidated Financial Statements* section of this report. We are independent of Alia Servizi Ambientali SpA (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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C .F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

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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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Key Audit Matters</th><th>Auditing procedures performed in response to key audit matters</th></tr>
<tr><td>
Business Combinations
Ref.: Note 1 – General information and significant events occurred during the year and Note 3 – Accounting policies and basis of preparation of the consolidated financial statements
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.
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
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Audit procedures performed
As part of our audit of the consolidated financial statements as at 31 December 2017, we carried out the procedures specified below.
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).
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.
Finally, we examined the completeness and accuracy of the disclosures provided by the Directors in the financial statements.
</td></tr>
</table>

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
with reference to other balance sheet items such as receivables, payables, provisions, etc. 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 SpA in accordance with a set time schedule. 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. As part of our audit of the consolidated 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.	

Key Audit Matters	*Auditing procedures performed in response to key audit matters*
Provisions for dump post-management *Ref.: Note 12 – Provisions for risks and charges of the consolidated financial statements* The value of the provisions for the post-management of proprietary dumps recorded within the balance sheet liabilities of the consolidated financial statements at 31 December 2017 amounted to Euro 30,301 thousand, which accounts for 7% of the Company's liabilities. 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. 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.	***Audit procedures performed*** As part of our audit of the consolidated financial statements as at 31 December 2017, we carried out the procedures specified below. We understood and evaluated the procedure adopted by the Company in order to determine the accruals to the provisions for dump post-management. We checked that the accrual was made in accordance with the current provisions of law, in particular in compliance with Legislative Decree 36/2003. 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. Finally, we checked the mathematical accuracy of the calculation and assessed the adequacy of the disclosures in the notes to the financial statements.

Other matter

Having exceeded the limits laid down in paragraph 1 of article 27 of Legislative Decree 127/1991, the Alia Group prepared at 31 December 2017 its first consolidated financial statements and, for comparative purposes, the consolidated financial statements for the year ended 31 December 2016; the latter were unaudited.

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

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the parent company Alia Servizi Ambientali SpA 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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 consolidated 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 and on 20 December 2017 of the consolidated 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 consolidated 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 the Alia Group as of 31 December 2017, including their consistency with the relevant consolidated 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 consolidated financial statements of the Alia Group 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 consolidated financial statements of Alia 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.

Statement in accordance with article 4 of Consob's Regulation implementing Legislative Decree No. 254 of 30 December 2016

The directors of Alia Servizi Ambientali SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.
We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

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.