

# ALTO GARDA SERVIZI SpA

Based in Via Ardaro, 27 – 38066 Riva del Garda  
Resolved and Paid-in Share Capital Euro 23,234,016  
Registration no. Companies Register of Trento – Tax ID – VAT  
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## Financial Statements at 31.12.2015

19th FY

## Board of Directors

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**Chairman**

Floriano Migliorini

**Proxy Director**

Ruggero Moser

**Directors**

Fabrizio Veneri

Marco Merler

Andrea Mora

## Board of Statutory Auditors

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**Chief Statutory Auditor**

Michela Zambotti

**Statutory Auditors**

Luigino Di Fabio

Nicola Lenoci

**Substitute Auditors**

Augusto Betta

Rodolfo Marcolini

**TABLE OF CONTENTS**

<b>Report on Operations</b>	page .....	4
-----------------------------	------------	---

**Financial Statements at 31 December 2015**

- Balance Sheet Assets	page .....	31
- Balance Sheet Liabilities	page .....	33
- Income Statement	page .....	33

**Notes**

- Accounting Standards and Valuation Criteria	page .....	34
- Assets	page .....	40
- Liabilities	page .....	48
- Memorandum Accounts	page .....	53
- Income Statement	page .....	54

## REPORT ON OPERATIONS

Shareholders,

We hereby submit for your approval the financial statements for the year ended 31 December 2015 and the accompanying reports that the Board of Directors have prepared to illustrate the results achieved.

The Financial Statements at 31 December 2015 closed with a net profit of Euro 3,046,781 after amortisation, depreciation and allocations for Euro 2,264,583 and having allocated taxes for Euro 383,738.

In 2015, the Board of Directors implemented the corporate restructuring project presented to the Shareholders' Meeting of December 2014. This project, aimed at greater efficiency in compliance with industry regulations and the legislative framework, provided for the merger of the investee companies in the parent company Alto Garda Servizi SpA. In June 2015, the company reorganization path was thus completed with the merger by incorporation with retroactive effect to 1st January 2015 of the company Alto Garda Servizi Teleriscaldamento SpA in the company Alto Garda Servizi SpA. This operation is in keeping with the attention to the spending review required of Administrations in relation to their investee companies and that result in substantial and important organizational, economic, administrative and financial benefits.

This report is prepared in accordance with article 2428 Civil Code and according to the instructions of the National Council of Chartered Accountants and Accounting Experts of the Italian Accounting Board to provide a true, balanced and comprehensive analysis of the company's situation and the performance and result of operations in accordance with the size and complexity of the business being examined.

### 1. COMPANY SITUATION

#### 1.1 Structure and activities

Alto Garda Servizi SpA (hereinafter also "AGS" or "AGS SpA") operates in the territory of Alto Garda and performs the following activities:

- electricity and gas distribution;
- sale of heat to customers connected to the district heating network in the Municipality of Riva del Garda (activities performed by the former company AGS T SpA now incorporated in AGS);
- electricity production;
- management of the integrated water cycle in the Municipality of Riva del Garda;
- management of public lighting;
- invoicing service of water bills for the Municipality of Arco;

- management of the water cycle in the Municipalities of Arco and Nago – Torbole.

As shown in the explanatory notes, the balance sheet and income statement for the year 2015 include the consequences of the merger, with accounting effect as from 01.01.2015, of AGS T SpA in AGS SpA.

In order to allow homogeneous comparisons between the years 2015 and 2014, we present below summary proforma financial statements at 31.12.2014:

Description	Financial Statements AGS 31.12.2014	Financial Statements AGS T 31.12.2014	Eliminations / Adjustments proforma	Financial Statements proforma AGS + AGS T at 31.12.2014	Financial Statements AGS at 31.12.2015
<b>BALANCE SHEET</b>					
<b>ASSETS</b>					
B) Fixed assets	43,896,436	17,459,573	(8,660,896)	52,695,113	50,515,174
C) Current assets	7,520,518	1,905,497	(298,582)	9,127,433	8,929,037
D) Accruals and deferrals	8,387	45,000		53,387	55,375
<b>Total assets</b>	<b>51,425,341</b>	<b>19,410,070</b>	<b>(8,959,478)</b>	<b>61,875,933</b>	<b>59,499,586</b>
<b>LIABILITIES</b>					
A) Shareholders' Equity	38,913,654	6,918,378	(6,390,896)	39,441,136	41,862,418
B) Provisions for risks and charges	46,417			46,417	46,417
C) Employee severance indemnity	785,895	26,940		812,835	708,260
D) Payables	9,958,873	12,449,245	(2,568,582)	19,839,536	15,269,098
E) Accruals and deferrals	1,720,502	15,507		1,736,009	1,613,393
<b>Total liabilities</b>	<b>51,425,341</b>	<b>19,410,070</b>	<b>(8,959,478)</b>	<b>61,875,933</b>	<b>59,499,586</b>

Description	Financial Statements AGS 31.12.2014	Financial Statements AGS T 31.12.2014	Eliminations / Adjustments proforma	Financial Statements proforma AGS + AGS T at 31.12.2014	Financial Statements AGS at 31.12.2015
<b>INCOME STATEMENT</b>					
A) Production value	8,637,633	2,992,759	(111,034)	11,519,358	11,722,389
B) Production costs	8,615,863	3,018,247	(111,034)	11,523,076	11,148,956
<b>Difference between production value and costs (A-B)</b>	<b>21,770</b>	<b>(25,488)</b>		<b>-3,718</b>	<b>573,433</b>
C) Financial income and expenses	1,257,393	(65,043)		1,192,350	2,871,408
D) Value adjustments of fin. assets				0	
E) Extraordinary income and expenses	(22,588)	31,078		8,490	(14,322)
Income taxes for the year	(77,219)	78,682		1,463	(383,738)
<b>Profit (loss) for the year</b>	<b>1,179,356</b>	<b>19,229</b>	<b>0</b>	<b>1,198,585</b>	<b>3,046,781</b>

## 1.2 Economic, equity and financial situation: summary

### 1.2.1 Economic situation

(values in Euro thousands)

	2015	%	2014	%	2014 proforma	%
production value	11,722	100.00	8,638	100.00	11,519	100.00
production cost	(5,762)	(49.15)	(4,130)	(35.85)	(6,063)	(52.63)
<b>added value</b>	<b>5,961</b>	<b>50.85</b>	<b>4,508</b>	<b>64.15</b>	<b>5,456</b>	<b>47.37</b>
personnel cost	(3,121)	(26.62)	(2,956)	(25.66)	(3,137)	(27.23)
<b>gross operating margin</b>	<b>2,840</b>	<b>24.23</b>	<b>1,552</b>	<b>13.47</b>	<b>2,319</b>	<b>20.13</b>
amortization, depreciation, write-downs a	(2,265)	(19.32)	(1,531)	(13.29)	(2,322)	(20.16)
<b>net operating margin</b>	<b>575</b>	<b>4.91</b>	<b>21</b>	<b>0.18</b>	<b>(3)</b>	<b>(0.03)</b>
financial operations	2,871	24.50	1,257	10.91	1,192	10.35
extraordinary operations	(16)	(0.14)	(22)	(0.19)	8	0.07
<b>pre-tax result</b>	<b>3,431</b>	<b>29.26</b>	<b>1,256</b>	<b>10.90</b>	<b>1,197</b>	<b>10.39</b>
taxes	(384)	(3.27)	(77)	(0.67)	1	0.01
<b>net result</b>	<b>3,047</b>	<b>25.99</b>	<b>1,179</b>	<b>10.23</b>	<b>1,198</b>	<b>10.40</b>

AGS SpA closed the year 2015 with a net profit of Euro 3,046,781 compared to Euro 1,179,357 in the previous year. This result, as detailed below, is due to the important capital gain realized on the sale in July 2015 of the entire shareholding in the company Shen SpA.

The figures of the proforma financial statements at 31.12.2014 will be reported in the tables included in this Report on Operations in order to allow a homogeneous comparison between the Financial Statements at 31.12.2015 and those of the previous year. Therefore, the comments reported below also refer to the aggregate data of AGS SpA and AGS T SpA for both 2015 and 2014.

The 2015 Income Statement compared to the 2014 proforma shows an increase in revenues and a reduction in operating costs resulting in a higher gross operating margin of Euro 521 thousand compared to the previous year.

Compared to 2014, a particularly hot and dry year, there was in fact an increase in revenues and in the margin of sales of heat and revenues of the water sector.

In 2015, there were also other positive aspects such as an increase in revenues for connections and a decrease in expenses for maintenance, accompanied by an optimization of inventory management as well as the preferential use of internal staff in the performance of work.

Instead, the net operating margin showed an increase of Euro 578 thousand compared to 2014 due to lower allocation for doubtful accounts and lower amortisation and depreciation totalling Euro 57 thousand.

Financial management reported a profit of Euro 2,871 thousand, with an increase of Euro 1,679 thousand compared to 2014 impacted by the extraordinary sale of the entire shareholding of AGS SpA in Shen SpA.

The pre-tax result thus amounted to Euro 3,430 thousand, with an increase of about Euro 2,234 thousand compared to the previous year. We highlight that this increase is also largely attributable to the sale of Shen SpA. Beyond this extraordinary item, the pre-tax result would have amounted to Euro 1,626 thousand, compared to Euro 1,197 thousand in the previous year, with a net improvement of approximately Euro 429 thousand, attributable to the improvements in the operating margin mentioned previously.

Lastly, in terms of taxes, we note the adjustment of deferred tax assets, with a consequent negative effect on the net result, following the change in the IRES rate to 24% introduced as of 2017 by the Stability Law.

To better understand the results achieved by the Company, it may be useful to analyse the Income Statement through some indexes and margins. It is believed that the most significant are:

<b>Index</b>	<b>Formula</b>	<b>2015</b>	<b>2014</b>	<b>2014 proforma</b>
ROE	Net Result / Equity	7.25%	3.05%	3.04%
ROI	Operating Result / Total Assets	1.60%	0.10%	0%
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	2,838,017	1,553,179	2,318,715

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Company. In 2015, the index recorded a value of 7.25%, a significant increase compared to 2014 (3.04%). The change is attributable to the 2015 result, which includes, in addition to improvements in operating margin, the gain on the sale of the investment in Shen SpA.

ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2015, the index was 1.60%, also in this case reflecting the 2015 result.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) corresponds to the operating result before depreciation, amortisation and write-downs and highlights the amount generated from operations, net of notional cost items. EBITDA in 2015, by virtue of the considerations mentioned in the first part of this paragraph is up Euro 521 thousand with respect to as achieved cumulatively by AGS SpA and AGS T SpA in the previous year.



### 1.2.2 Balance Sheet

(values in Euro thousands)						
	2015	%	2014	%	2014 proforma	%
Fixed assets	50,515	85	43,896	85	52,695	85
Current assets	8,985	15	7,529	15	9,181	15
<b>Invested Capital</b>	<b>59,500</b>	<b>100</b>	<b>51,425</b>	<b>100</b>	<b>61,876</b>	<b>100</b>

  

	2015	%	2014	%	2014 proforma	%
Shareholders' Equity	41,862	70	38,914	76	39,441	64
Minorities' capital	17,638	30	12,511	24	22,435	36
<b>Financing Capital</b>	<b>59,500</b>	<b>100</b>	<b>51,425</b>	<b>100</b>	<b>61,876</b>	<b>100</b>

AGS SpA has a solid and balanced financial situation.

Fixed assets account for 85% of total assets and are covered by shareholders' equity for 83%. The change in fixed assets primarily reflects the sale in 2015 of the investment in Shen SpA.

Liabilities recorded an increase in the incidence of equity and a consequent decrease in the percentage of minorities' capital.

To better understand the capital structure and the Company, it may be useful to analyse the figures through some indexes and margins:

Index	Formula	2015	2014	2014 proforma
Debt and equity to asset	(Shareholders' Equity + Consolidated Liabilities) / Long-term Capital	105.8%	105.3%	95.6%
Financial autonomy	(Current Financial Liabilities + Consolidated Financial Liabilities) / Shareholders' Equity	26.3%	16.6%	40.6%
Loan rigidity	Fixed Capital / Total Assets	84.9%	85.2%	85.4%
Inventory turnover	Warehouse outgoing / Warehouse average value	1.0	1.2	1.2

AGS operates principally in distribution services (electricity and gas), in the management of the integrated water cycle and in the sale of heat and is characterized by a significant amount of assets and

equity. Therefore, to understand whether the Company's structure is balanced, it may be useful to analyse the consistency between the duration of assets and liabilities.

The **debt and equity to asset ratio** relates the sum of shareholders' equity and consolidated debt capital at year-end with the value of fixed assets at year-end. A value greater than 100% indicates that the Company has covered the fixed asset items with resources that have the same time horizon. AGS has an index of 105.8%.

The **financial autonomy ratio** relates the financial resources of third parties, both short and long-term (defined as exposure to banks and other financial institutions at year-end), with the shareholders' equity of the Company at year-end. The ratio should not be too high and in any case consistent with the cash flows, so as to avoid a situation of excessive exposure that would put the Company in difficulty to repay the debt capital. The index has a value of 26.3%, down from 40.6% the previous year. The resources obtained thanks to the sale of the investment in Shen SpA have reduced the debt with third parties. We note that compared to the financial statements only of AGS SpA, the incorporation of AGS T SpA has also resulted in the incorporation of bank debt subscribed in the past years for the construction of the district heating network. For further considerations, reference is made to paragraph 1.2.3. "Financial situation".

The **loan rigidity ratio** relates long-term capital and total assets at year-end. The index allows understanding whether the structure of the Company is consistent with the type of business in which it operates, or whether it has anomalies. AGS SpA has had a very similar value in 2015 (84.9%) and in 2014 (85.2%) and the figure is consistent with the type of business exercised by the Company, based on long-term rather than working capital.

The **inventory turnover ratio** allows understanding the speed at which the material purchased is used. AGS has had a rotation value of 1.00 in 2015, slightly lower than in 2014. Considering the type of activity that the Company carries out, which is linked to the need to always have a number of materials in stock for safety reasons, such rotation values are to be considered adequate.

### 1.2.3 Financial situation

At 31 December 2014, the Company AGS SpA had a negative net financial position of Euro 6.3 million. The merger with AGS T SpA led to the undertaking of the financial commitments contracted by the company for the construction of the district heating network, and therefore, the overall net financial position at the beginning of 2015 was negative for a total of Euro 15.9 million. It is noted that the net financial position at the end of 2015 decreased to Euro 10.5 million, with an improvement of Euro 5.3 million made possible from the sale of the investment in Shen SpA together with the cash flow generated by operations.

Provided below are the changes in cash and cash equivalents resulting in the use of the cash flows generated for investments, dividend payments and reduced bank debt.

<b>A) INITIAL CASH FLOW</b>	<b>126</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>	
Profit (loss) for the period (net of the gain from the sale of Shen S.p.A.)	1,268
Amortisation and depreciation	2,138
Net change in the employee severance indemnity (TFR)	(104)
<b>Self-financing generated from operations</b>	<b>3,302</b>
(Increase) Decrease in current receivables	450
(Increase) Decrease in other current and financial assets	(2)
Increase (Decrease) in payables to suppliers and others	421
Increase (Decrease) in other current liabilities	(123)
<b>INCREASE (DECREASE) IN LIQUIDITY</b>	<b>747</b>
<b>TOTAL</b>	<b>4,049</b>
<b>C) CASH FLOW FROM INVESTMENT ACTIVITIES</b>	
Investment in fixed assets:	
- intangible assets	(84)
- tangible assets	(1,684)
- financial assets	(740)
Sale of Shen investment	4,404
Price of sale or reimbursement of tangible and intangible assets	13
<b>TOTAL</b>	<b>1,909</b>
<b>C) CASH FLOW FROM FINANCIAL ACTIVITIES</b>	
Payment of dividends	(625)
Bank credit reduction	(4,991)
<b>TOTAL</b>	<b>(5,616)</b>
<b>E) CASH FLOW FOR THE PERIOD (B+C+D)</b>	<b>341</b>
<b>F) FINAL NET CASH FLOW (A + E)</b>	<b>467</b>

## 2. OPERATING PERFORMANCE

### 2.1 Macro-economic framework of the year

In 2015, the global recovery continued with difficulty, remaining heterogeneous among the various areas: the substantial stability of the world GDP growth rate appeared as the summary of the US force and widespread, albeit slow recovery in the Eurozone on the one hand, and the slowdown in emerging countries and a return to recession in Japan, on the other.

Confidence in the continued strengthening of the US economy prompted the Fed to a historic turning point; after seven years, US reference rates have abandoned the minimum threshold to which they had been led in response to the great financial crisis and rose by a quarter point. The considerable improvements in the labour market and inflation expectations have contributed to the unanimous decision of the monetary tightening.

Among the emerging countries, Brazil and Russia, penalized by lower prices of oil and other raw materials that depress available income, contribute negatively to the dynamics in world GDP, as well as the transition to the new growth model by China, which is still strongly affecting the slowdown of its imports.

We recall also that the events occurred in the last months of the year (fear generated by the terrorist attacks, military escalation in Syria and tensions between Russia and Turkey) have generated uncertainty also about the possible repercussions that may affect economic recovery in Europe, as well as trade relations between countries in Europe, North Africa and the Middle East.

The economic recovery was virtually based on domestic demand, as exports to emerging countries stopped. Considering the GDP of the three largest economies of the Euro, Germany, France and Italy, none of them in fact benefited in the third quarter of 2015 from a positive contribution of net foreign demand. Particularly the German economy, despite the industry slowdown during the summer months, recorded an increase in GDP higher than expected, mainly thanks to the dynamism of household consumption supported by employment growth and low inflation.

As for Italy, after having been able to rely on a positive trend in domestic consumption and investment recovery in late 2014 and early 2015, growth in 2016 is expected to strengthen with the new measures on amortisation included in the Stability Law, which would facilitate companies from the fiscal point of view, encouraging investments in new machinery and capital goods. In fact, investments remain the weak point of the Italian economy because their irregular trend does not allow recovery to gain the momentum needed for consolidation, while household spending continues to expand, also thanks to an improvement in employment mainly driven by the services sector.

In 2015, the Euro/Dollar exchange rate stood at USD 1.11 per Euro, down 16.5% compared to the average in 2014. The fluctuations recorded during the year mainly reflect the different monetary policies adopted by the ECB and the Fed, the result of economic conditions that characterized the US and Europe in 2015.

In March, in addition to the manoeuvres of interest rate cuts implemented in previous months, the ECB initiated a quantitative easing program the duration of which, tied to achieving an inflation target of around 2%, has been extended by six months (compared to the initially established term of September 2016) in order to give further impetus to the European economy. The FED, waiting for signs of economic recovery, decided to intervene in the Federal Funds Rate, bringing it in the range between 0.25% and 0.50% only on 16 December.

As for the oil markets, the year 2015 was characterized by a downward trend. The average annual price, down 46.1% compared to 2014, amounted to USD 53.7/bbl, reaching a low in December 2015 with the average of USD 38.9/bbl. The price of crude oil in Euro followed the annual trend of the price in Dollars; however, the depreciation of the Euro partly offset the decline in prices, which stood at Euro 48.4/bbl, down 35.4% compared to the average in 2014.

Performance of the Italian Energy Market; Report of Electricity in Italy and reference scenario

#### Electricity demand in Italy

TWh	2015	2014	Changes %
Net production	270.7	269.1	0.6%
Balance import/export	46.4	43.7	6.1%
Pumping consumption*	-1.9	-2.3	-20.6%
<b>Total demand</b>	<b>315.2</b>	<b>310.5</b>	<b>1.5%</b>

Source: elaborations on 2014 official data and 2015 Terna preliminary balance gross of network losses.

The gross total demand for electricity in Italy in 2015 amounted to 315.2 TWh (TWh = billions of kWh), an increase of 4.7 TWh (+1.5%) compared to the previous year.

Domestic production net of pumping covered 85% of demand, a slight decrease (-0.6%) compared to 2014. Domestic production, which increased overall by 1.6 TWh, recorded a significant reduction in hydroelectric production of 14.8 TWh (-24.9%) compared to 2014, which was characterized by record hydraulicity levels, partially offset by higher thermoelectric production of 13.8 TWh (+8.3%).

As for the other renewable sources, the positive trend of recent years continues, with an increase of 2.6 TWh (6.1%): in particular, we report greater production of photovoltaic plants (+2.8 TWh, +13% compared to 2014) and geothermal plants (+0.3 TWh, +4.5%), which offset lower production of wind power plants (-0.5 TWh, -3.3%).

The net import balance also increased by 2.7 TWh (+6.1%), while pumping consumption fell by 0.5 TWh (-20.6%).

From the point of view of infrastructure, we report the entry into operation of the Malta-Sicily interconnection power line (200 MW) in April.

With reference to the price scenario at 31 December 2015, the average of the PUN stood at a level of Euro 52.3 /MWh, substantially stable compared to the previous year (Euro 52.1 /MWh) despite a slight increase in demand.

The demand for electricity, as explained above, was met by higher thermoelectric production due to the decrease in generation from renewable sources, mainly attributable to lower hydraulicity. However, the decrease in thermoelectric generation costs, due to a drop in raw material prices, both gas (spot) and coal, has determined an electricity price stability in the domestic market compared to 2014.

Considering the monthly trend of the PUN, the most significant deviations were recorded in July (+46% compared to the same month of the previous year), due to the exceptional heat wave that resulted in record levels of demand and reduced production from renewable sources, and in October (-23% compared to the same month of the previous year), due to the combined effect of lower electricity demand, increased production from renewable sources and lower thermoelectric generation costs.

In 2015, the F1 group of hours remained substantially stable, while there was a decrease in the F2 group (-3.4%), which in the months from April to August, however, recorded values on average higher than those of F1, considering the increasing production from renewable sources that contributed to lower prices in the middle of the day moving the price peak to the early evening. The F3 group of hours increased (+3.1%).

#### Natural gas demand in Italy

Billion/mc	2015	2014	Changes %
Services and civil uses	28.4	25.6	11.6%
Industrial uses	16.0	16.5	-3.0%
Thermoelectric uses	20.7	17.7	16.6%
System consumption and losses	1.8	1.6	8.3%
<b>Total demand</b>	<b>66.9</b>	<b>61.4</b>	<b>9.1%</b>

Source: 2014 figures and 2015 preliminary figures of Snam Rete Gas and the Ministry of Economic Development and Edison estimates

The demand for natural gas in Italy in 2015 recorded an increase of 9.1% over the previous year, amounting to about 66.9 billion cubic meters, with a total increase of about 5.5 billion cubic meters.

This trend is mainly due to the recovery of civil consumption (+2.9 billion cubic meters; +11.6%) that were significantly lower in 2014 due to the particularly mild temperatures in the winter months. Gas consumption by thermoelectric plants also recorded an increase (+2.9 billion cubic meters; +16.6% compared to 2014) mainly due to a high electricity demand in the €/MWh summer months and hydroelectric production slightly below the average. Instead, the industrial sector (-0.5 billion cubic meters; -3% compared to 2014) decreased slightly.

In terms of sources of procurement, the year 2015 recorded:

- domestic production down (-0.4 billion cubic meters; -6% compared to 2014);
- gas imports up (+5.4 billion cubic meters; +10% compared to 2014);
- injection storage balance of about 0.3 billion cubic meters.

### **2.1.2 Regulatory framework of reference: overview**

Alto Garda Servizi SpA operates in the markets of electricity and gas distribution and water cycle management. This part of the report briefly analyses the regulatory interventions introduced in these sectors, so as to provide a more complete overview of events in the year and better understand the context in which the Company operates.

The electricity and gas distribution sectors are, in fact, heavily regulated and interventions (resolutions) of the Authority for Electricity and Gas and Water Service (AEEGSI) can affect both the revenue and cost structure of the Company, as well as influence the organizational structure, requiring organizational adjustments that involve no explicit costs but still affect profitability.

### **Water sector**

For the water service, the various measures taken, both at national level and at the provincial level, have reaffirmed and strengthened the principle of the management of the water service for Optimal Territorial Areas (ATO). In our country, an agreement has not yet been reached between the Autonomous Province of Trento and the Council of Local Autonomies for the definition of the ATO, based on which the Municipalities are required to organize the water cycle.

The Province extended the deadline for the definition thereof to 31 December 2016 and the related agreement with the Consortium of Municipalities to 30 June 2017.

Once the ATO have been approved, the service management will have to go to the Ambit Entities. The provincial legislation also provides that the management in place, which does not coincide with the optimal territorial area, and therefore the management of AGS SpA for the territory of the Municipality of

Riva del Garda, may continue until 31 December 2017, i.e. until the deadline by which everything will pass to the new manager, the Ambit Entity.

Moreover, it is recalled that the Constitutional Court, with sentence of 19 May 2014, established that in the autonomous provinces of Trento and Bolzano, the powers regarding tasks and functions in relation to the water service are entitled to the same Provinces.

### **Natural gas**

At the end of 2013, the AEEGSI approved the Consolidated Law (TU) for the fourth regulation period for natural gas distribution and metering services (2014-2019) concerning the quality of gas distribution and metering services and the tariff regulation.

It is recalled that in 2012, with Resolution no. 73, the Provincial Council, in agreement with the Council of the Local Autonomies and after consultation with the companies operating in the gas distribution sector, defined a single Territorial Area for the performance of the natural gas distribution public service, represented by the entire provincial territory with the eventual addition of the Municipality of Bagolino (BS). This area will be the subject of tender.

At the end of 2012, with Provincial Law no. 25 of 27 December 2012 (article 34, paragraph 2), the Province of Trento established that the Provincial Agency for Water Resources and Energy (APRIE) will conduct the function of contracting station responsible for the preparatory phase of the tender while the Provincial Agency for procurement and contract (APAC) will be the entity that will follow the conduct and awarding of the tender and the establishment of contractual deeds.

The PAT has taken steps to quantify the amount of the one-time fee to cover the costs deriving from the conduct of the tender for the awarding of the gas distribution service in the single provincial ambit. In early 2015, the Company paid the amount required by the PAT as an advance to be repaid, including interest, by the new concessionaire upon award of the service. It is noted that the tender for the award of the service was extended to the end of 2016.

Therefore, considering the size of the area to be managed in the future and the significant resources needed, especially financial, in relation to the size of the Company, the definition of a single ambit determines the inability to participate independently in the tender for the award of the service.

To address this condition, the Company initiated a comparison with other provincial companies currently operating in gas distribution with the aim of sharing a common approach to the path for awarding of the gas distribution service that allows all existing operators to be ready and competitive in order to participate together in the tendering of the service.

To date, the scenarios that lie ahead for the Company are the following:



1. the comparison initiated has positive outcome: in this case, the Company will define with the partner companies the procedures to participate together in the tender for the award of the gas service in the Province of Trento.

This scenario may then result in two further sub-scenarios:

- a. The Company created from the partnership between AGS and other companies operating in the sector was awarded the tender for the entrustment of the service and in this case, the Company will have a shareholding in the Company concessionaire of the gas service in the Province of Trento;
  - b. the Company created from the partnership between AGS and other companies operating in the sectors was not awarded the tender for the entrustment of the service and in this case, the assets related to the gas distribution service must be sold to the winner. Based on current legislation that already covers the methods of compensation, this sale is expected to result in a gain.
2. the comparison initiated with companies operating in the sector has negative outcome: in this case, the Company will await the outcome of the tender for the awarding of the service, since it cannot participate independently, as explained previously. The Company will sell the business unit relating to the gas distribution service to the winner of the tender. Based on current legislation (Ministerial Decree 22 May 2015 "Guidelines on application criteria and procedures for the evaluation of the reimbursement value of natural gas distribution systems") that already covers the method of compensation to outgoing managers, the sale is expected to result in a gain.

For the methane gas distribution service, even for the choices of the Public Entities of reference, no losses are expected from the sale of the business unit, regardless of the scenario. Consequently, the Board of Directors did not deem it appropriate to provide a write-down of assets relating to the gas and water cycle services and also decided to continue with the amortisation policies adopted to date and to maintain receivables for deferred tax assets accrued in previous years in the financial statements.

## **Electricity**

### **Provincial plan for electricity distribution**

In 2015, there were no new regulations with respect to the plan approved by the provincial council with resolution no. 1994 of 27/09/2013 that briefly reiterates as follows:

- the minimum territorial basin for the electricity distribution service is the single provincial ambit;
- the current managers, including AGS, will continue the distribution in the areas served until 31 December 2030;

- in order to rationalize the distribution service, it will be possible to transfer portions of SET networks to those who require it. The inverse situation is also possible;
- also with a view to rationalizing the distribution system and with the objective of single provincial ambit, grouping or aggregation of service managers is possible.

The distribution plan also requires electricity distributors operating in the Province as at 25 December 1999 to submit an application to the Province, through the Provincial Agency for Water Resources and Energy (APRIE), for the issue of the concession for electricity distribution activities.

The concession will be issued free of charge until 31 December 2030 after the positive outcome of the technical investigation carried out by APRIE. The issue of the concession is subject to the commitment by the distributor to comply with certain quality standards of service. The Province will have the right to carry out checks on compliance with commitments that the concessionaire undertakes by signing the agreement.

The Company is preparing the documentation required for the concession request. The first analysis of the requirements for issue of the concession does not reveal any impeding aspects. AGS is very attentive to this aspect and is committed to continuous improvement with the aim of overcoming the standards necessary for the maintenance of the concession.

## **2.2 Significant events in the period**

As already noted in the introduction to this report, in 2015, the merger was finalized between the merging company AGS SpA and the merged company AGS T SpA.

AGS therefore included the management of district heating in the Municipality of Riva del Garda and acquired a package of 261 customers connected to the network and incorporated the assets of the district heating network with a book value of Euro 17.3 million and the related staff.

Another significant event in the period concerns the sale of all the shares of Shen SpA in July 2015.

## **2.3 Summary of activities performed by business area**

The year ended 31.12.2015 proposes a net profit of Euro 3,046,781.

The following is an overall analysis of the performance of operating costs and revenues, referring to the explanatory notes for further details.

### **Revenues**

The production value indicated in the financial statements amounted to Euro 11,722 million compared to Euro 11,519 million in the previous year (proforma financial statements). The following tables show the

changes that occurred within the various sectors and will be examined further in the following paragraphs.

values in Euro millions	2015	2014	difference %
electricity	4.1	4.1	0.00%
methane gas	2.5	2.4	5.42%
water/sewage	1.5	1.5	2.40%
heat	3.1	2.9	6.90%
other revenues	0.5	0.6	-16.67%
Total	11.7	11.5	2.31%

	2015 qty. distributed	2014 qty. distributed	difference %
GWh electricity	80.7	79.8	1.13%
mcm methane gas	40.1	32.2	24.53%
mcm drinking water	1.8	1.7	5.88%
Mwh heat	42,079	38,817	8.40%

### Electricity sector

In 2015, the energy that transited in the network increased by 1.13% compared to the previous year. The turnover from distribution did not change significantly compared to the previous year as the restriction to revenues is not based on the quantity of raw material distributed but on the investments made by the Company and on the number of users served.

### Gas sector

In 2015, the demand for gas recorded an increase of 24.53% compared to the previous year. This performance was due to higher civil consumption that in 2014 had been particularly low due to the mild winter weather but also to the increased use of gas for production use in the territory recorded in 2015. Similarly to as specified for the electricity sector, the gas sector also has a constraint to revenues based on the number of meters installed and the amount of investments made. For equalization purposes, the year 2015 benefited from the effect resulting from the replacement of existing meters with other ones more compliant with local regulations.

## Water sector

In 2015, the quantities of the water sector recorded an increase compared to the previous year. As already noted, this trend is mainly due to the climatic trend of the year under review.

## District heating sector

The increase in sales in the sector is essentially due to the fact that the year 2015 qualifies as a "normal" thermal year from the climatic point of view, in contrast to 2014, when temperatures were particularly mild in the winter months.

## Other revenues

Other revenues are in line with the previous year.

## Costs

With regard to production costs, their overall trend marks a decrease compared to 2014 from Euro 11.5 million to Euro 11.1 million.

For the mere sake of comparison, we present below a brief summary of costs in 2015 compared to costs in 2014 (proforma financial statements).

values in Euro thousands	2015	2014 Proforma		Delta yoy	Delta %
Raw materials	681	890	-	209	-23.47%
Heat purchases	1,420	1,703	-	283	-16.62%
Maintenance	510	540	-	29	-5.43%
Costs for services	2,117	2,096		21	1.01%
Leasehold improvements	393	363		29	8.08%
Personnel costs	3,121	3,137	-	16	-0.52%
Depreciation, amortization and impairment	2,265	2,322	-	58	2.74%
Other operating expenses	642	472		171	36.21%
<b>Total costs</b>	<b>11,149</b>	<b>11,523</b>	<b>-</b>	<b>374</b>	<b>-2.49%</b>

Costs for the raw material, also considering the change in inventory, showed a decrease of Euro 209 thousand.

Lower costs for the procurement of heat showed a decrease due to the decline in rates and the favourable trend in the take or pay contract.

We highlight that costs for services, equal to Euro 2.436 million, while in line with the year 2014 (Euro 2.467 million) include cost items related to extraordinary transactions in the period, including the sale of the investment in Shen SpA.

Costs for rents and leases recorded a slight increase compared to the previous year (Euro +29

thousand) while the trend in personnel costs is in line with the previous year.

Amortisation costs were slightly lower than the previous year (Euro -18 thousand), and we see the same trend for write-downs (Euro -40 thousand).

We highlight that the increase in other operating expenses essentially reflects the effect of the gas service equalization system and that this increase was offset by higher revenues recorded in the gas sector.

## 2.4 Financial management

Overall, financial management shows a positive balance of Euro 2.871 million, an increase over the previous year (Euro 1.679 million).

The increase was mainly due to the gain realized thanks to the sale of Shen SpA. Dividends from equity investments amounted to Euro 1.364 million compared to Euro 1.485 million in the previous year. As regards the balance of interest income and expenses, we report a negative balance of Euro 350 thousand.

## 2.5 Investments

Investments made in 2015 amounted to Euro 1.768 million compared to Euro 1.683 million in the previous year. Investments are detailed in the following table and described by sector.

### INVESTMENTS 2015

(values in Euro thousands)

	2015	2014	delta yoy	delta %
electricity service	722	910	(188)	-21%
gas service	255	290	(35)	-12%
water service	159	147	12	8%
district heating	449	227	222	98%
common services	183	109	74	68%
<b>Total</b>	<b>1,768</b>	<b>1,683</b>	<b>85</b>	<b>5%</b>

### 2.5.1 Electricity sector

Distribution is in the Municipalities of Riva del Garda, Nago-Torbole and, partially, in the Municipalities of Tenno and Arco (town of San Giorgio).

Investments made in the electricity sector in 2015 amounted to Euro 722 thousand compared to Euro

910 thousand in 2014.

In 2015, the Company continued activities to improve the electricity infrastructure through a series of work on medium and low voltage networks and stations. The key interventions on the network concerned the transfer of MV/LV stations powered on the 6KW network to the 20KW line and partial preparation of the 20KW delivery point at Passo San Giovanni. These investments will allow the dismantling of the supply area line of the town of Nago with the consequent transition to 20KW.

<b>Electricity network</b>		<b>2015</b>	<b>2014</b>
Medium-voltage networks	km	96	96
Low-voltage networks	km	97	96
Total meters	no.	15,538	15,486

### 2.5.2 Methane gas sector

Distribution is performed in the Municipalities of Riva del Garda, Arco, Dro and Tenno. Investments made in the gas sector amounted to Euro 255 thousand including, in accordance with the provisions of the authority, the migration of the electronic meters.

<b>Gas network</b>		<b>2015</b>	<b>2014</b>
Medium-pressure networks	Km	33	33
Low-pressure networks	km	124	123
Total meters	no.	16,255	16,161

### 2.5.3 Aqueduct cycle sector

The service is carried out in the Municipalities of Riva del Garda, Arco and Nago-Torbole and also includes the management of the consortium aqueduct, which starts from the collection work Sass del Diaol in the Municipality of Dro and reaches the Cretaccio reservoir in the Municipality of Arco. In Riva del Garda, it concerns both the aqueduct and the management of the sewage system.

In 2015, resources were invested for Euro 159 thousand mainly regarding new connections.

<b>Water network</b>		<b>2015</b>	<b>2014</b>
Network extension	km	102	101
Total meters	no.	10,384	10,223

#### 2.5.4 District heating sector

The district heating network was laid on the territory of the Municipality of Riva del Garda by the merged company AGS T. The network currently serves 261 users.

In 2015, resources were invested for Euro 449 thousand mainly regarding new connections and arrangement of road sections crossed by the district heating network.

<b>District heating network</b>		<b>2015</b>	<b>2014</b>
Network extension	km	24.2	23.2
Total customers	no.	261	256

#### 2.5.5 Common investments

Common investments amounted to Euro 183 thousand compared to Euro 109 thousand in the previous period and include merger costs for approximately Euro 26 thousand, investments in optical fibre for Euro 44 thousand euro, investments in remote control for about Euro 18 thousand, work on the headquarters for Euro 20 thousand. The remainder regards the purchase of software and the replacement of some vehicles.

#### 2.6 Equity investments

The Company ensures it seizes every opportunity that allows it to be more and more involved in the Trentino System of managing network services, at all levels of the supply chain, so as to be able to create synergies and to better seize the opportunities that the market will have to offer.

In 2015, the equity investments of AGS SpA showed a balance of Euro 12.526 million compared to Euro 19.441 million in the previous year. The changes reflect the merger by incorporation of 100% ownership of AGS T SpA as well as the sale of the investment in Shen SpA. For a detailed description of the changes and figures regarding shareholders' equity and the result for the year of investee companies, reference is made to the Notes.

At 31 December 2015, AGS SpA has 100% control of the company Ledro Energia Srl. The investee company is building a production site compendium in Tiarno di Sopra (Val di Ledro) to manage a cogeneration plant (combined production of electricity and thermal energy), a district heating network for public and private users and a pellet production line for heating.

## **2.7 Information on risks and uncertainties**

The Company is subject to risks and uncertainties related to the external environment, i.e. the context in which it operates. It is not subject to exchange rate risks as it does not operate in foreign currency.

The main risks identified are:

### **Legislative and regulatory risk**

A source of risk is the ongoing change in the legislative and regulatory context of reference that has an impact on the functioning of the market, tariff plans, levels of service quality required and the technical and operational requirements. In this regard, the Company makes use of its structure for the analysis of regulations and relations with the AEEGSI.

### **Concession tender risk**

The Company cannot avoid taking this risk as it is intrinsic to its activity. With regard to the tender for management of the gas distribution service, reference is made to as indicated in the report for a description of the company's activities.

### **Interest rate risk**

Interest rate risk is closely monitored by the company, which has structured the debt with a time horizon in keeping with its own cash flows. The company is subject to the risk of fluctuations that may occur in the evolution of interest rates. Interest rates, income and expense, including those on intercompany loans, are variable and therefore tied to market performance.

### **Other risks**

As regards district heating, a random factor that may significantly affect turnover is the climatic trend, especially winter, as the more or less rigid temperature can affect the quantity of heat sold, considering the same installed capacity.

### **Internal risk management tools**



With a view to monitoring and managing risk, the company has also independently adopted a number of instruments, listed below:

- **Transparency Manager (RPT):** the Company has appointed the Transparency Manager as the party that: elaborates the three-year Transparency Program and keeps it updated; monitors the fulfilment of obligations regarding publication and updating of law and adaptation of the website, reporting regularly to the Board of Directors.

It is noted that pursuant to article 20 of Legislative Decree 8 April 2013, no. 39, concerning provisions on the non-conferability and incompatibility of offices, the Company undertook the statements of non-existence of the causes of non-conferability by the directors in charge of appointment of the Municipality of Riva del Garda.

In compliance with the applicable provisions in force on advertising, transparency and dissemination of information by companies controlled by public authorities, the specific section "Transparent Company" of the corporate website contains the statements made pursuant to Legislative Decree no. 39/2013 together with other data provided by Legislative Decree no. 33/2013.

- **Corruption Prevention Manager (RPC):** the Company also appointed a Corruption Prevention Manager, which drafts the three-year Prevention of Corruption Plan, to be updated annually, containing the mapping of risk areas and the elaboration of corruption prevention measures. The RPC also ensures the conduct of the related training activities and reports regularly to the Board of Directors.
- **Model 231:** the Company adopted the organization, management and control model in compliance with the requirements of Legislative Decree 231/2001 and during the year, set the activities necessary for the updating thereof.
- **Code of Ethics:** AGS adopted a Code of Ethics that defines and contains the set of rules of conduct in relations with external interlocutors and collaborators. The rules contained therein are aimed at creating an efficient and effective system for the programming, execution and control of activities.
- **Certification UNI ISO 9001:** in all sectors of activities, the Company is certified ISO 9001. The 2015 annual audit ended with the renewal of the certification.
- **Management Control:** the Company has implemented and adopted adequate reporting for planning, controlling and measuring performance by setting up a Management Control Office that supports management by interfacing with the various sectors.

### 3. HUMAN RESOURCES

At 31 December 2015, AGS SpA had 51 employees.

The breakdown of personnel by category is as follows:

	<b>C.C.N.L. applied</b>	<b>AGS 31.12.2014</b>	<b>AGS T 31.12.2014</b>	<b>Proforma 31.12.2014</b>	<b>incoming 2015</b>	<b>outgoing 2015</b>	<b>AGS 31.12.2015</b>
Managers	Managers	2	-	2	-	-	2
White collars	C.C.N.L.E.	26	3	29	1	-	30
Blue collars	C.C.N.L.E.	21	-	21	1	3	19
<b>Totals</b>		<b>49</b>	<b>3</b>	<b>52</b>	<b>2</b>	<b>3</b>	<b>51</b>
of which:							
- part-time		5	-	5	-	-	5

In 2015, labour costs amounted to Euro 3.121 million in line with Euro 2.930 million in 2014 for AGS SpA alone and Euro 3.137 million of the aggregate companies AGS SpA and AGS T SpA.

### 4. RESEARCH AND DEVELOPMENT

In 2015, research and development activities were not carried out. The company is using its know-how in the district heating and cogeneration sectors for the construction of a cogeneration plant powered by biomass located in Tiarno di Sopra (Val di Ledro) through its subsidiary Ledro Energia Srl.

### 5. RELATIONS WITH PARENT COMPANIES, ASSOCIATED COMPANIES AND SUBSIDIARIES

#### Relations with parent companies

The Municipality of Riva del Garda holds the majority shareholding of the company. Service contracts are in place with the Municipality which provide for the entrustment to Alto Garda Servizi SpA of the exclusive management of electricity and gas distribution services, of the water cycle and public lighting. There is also a lease contract for the property where the Company has its registered office. All relations with the parent body have been stipulated at current market values.

The company is committed to compliance with the containment measures established by the Memorandum of Understanding signed on 20 September 2012 by the President of the Autonomous Province of Trento, the Councillor for Local Entities and the President of Autonomies and circulated and

provided similar measures to its subsidiaries. In order to fulfil the Memorandum of Understanding of 20 September 2012, the company drafted the budget and the half-year report on operations as provided by article 2, paragraph 1 of the document annexed to the letter of the Municipality of Riva del Garda on 12 December 2012.

### **Relations with subsidiaries and associated companies**

In 2015, the subsidiary AGS T SpA was merged into AGS SpA, while the company Shen SpA was sold and therefore, relations with these parties no longer exist.

AGS SpA exercises management and coordination with the subsidiary Ledro Energia Srl, previously controlled by AGS T SpA. With this investee company, there is a service contract for technical and administrative services as well as a loan. These relations are settled at arm's length.

The associated company AGPower Srl, also acquired through merger, also supplies to AGS SpA the heat necessary for the supply of district heating to customers connected to Riva del Garda network. AGS SpA has recognized a loan towards AGPower Srl under receivables from associated companies.

## **6. OTHER INFORMATION**

### **6.1 Audit of the financial statements**

The Financial Statements of AGS SpA are subject to statutory audit by BDO SpA, a company that at the beginning of 2016, incorporated the business unit of Ria Grant Thornton SpA, which had been conferred the three-year office by the Shareholders' Meeting in 2014.

### **6.2 Treasury shares**

As envisaged by article 2428 of the Civil Code, it is specified that at 31 December 2015, the company owns 20 treasury shares, all registered to Alto Garda Servizi SpA. At 31 December 2015, subsidiaries and associated companies did not hold shares of AGS SpA and did not purchase or sell such shares in 2015. In 2015, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

## **7. SIGNIFICANT EVENTS SUBSEQUENT TO YEAR-END AND BUSINESS OUTLOOK**

In November 2015, the Municipality of Riva del Garda, thanks to the possibility included in the Stability Law to invest surplus portions of Directors in extraordinary expenses, expressed the intention to purchase from AGS SpA the water networks, understood as "improvements and portions of networks" of the aqueduct and sewerage in its Balance Sheet. The relations and obligations between

owner Municipality of Riva del Garda and manager AGS SpA are regulated by specific service contracts and framework agreements.

In consideration of as expressed by the Municipality of Riva del Garda, the Board of Directors thus appointed a defence expert and a joint expert in order to complete an assessment and evaluation of disposal assets. Over the next few months, the disposal assets will therefore be better defined and the transaction may be closed.

On 20 January 2016, the Council of Ministers, upon proposal of the Minister for Simplification and Public Administration (Hon. Madia), approved, in preliminary examination, a legislative decree in the form of Consolidated Act establishing laws for reorganization of the equity investments of Public Administrations and a legislative decree on Local Public Services of general economic interest. The draft Consolidated Act adopted introduces new elements that could affect the Company and related structure. We are waiting to know the final text of the Consolidated Act and the consequent adaptations to the new rules of law. The specific procedure provides that the Government, after the necessary consultations, is delegated to adopt such decrees by 28.08.2016.

As for the construction of the plant in Val di Ledro (refer to point 2.6 "Equity investments"), it is noted that on 05.02.2016, an appeal was submitted to the TAR (Regional Administrative Court) against the Municipality of Ledro and the PAT for the administrative deeds released, in which the subsidiary Ledro Energia Srl is defendant. Said appeal does not preclude and does not involve delays in investments. It is recalled that the subsidiary Ledro Energia Srl has all the authorizations for the construction of the plant and laying of the district heating network in the provincial and municipal territory.

## **8. LEGISLATIVE DECREE 196/03 PERSONAL DATA PROTECTION CODE**

The Company AGS SpA adopted and monitors Security Measures in accordance with Legislative Decree 30 June 2003 - "Privacy Code" that make up the set of organizational, technical, IT, logistics and procedural measures for the processing of personal and sensitive data and information collected during the conduct of activities. They discipline the attribution of tasks and responsibilities, the analysis of data risk, the list of measures adopted to ensure integrity, the availability and confidentiality of data, staff training on security issues, the description of the minimum security measures adopted in accordance with the Privacy Code both with regard to the use of electronic means and paper means.

## 9. PROPOSAL OF THE BOARD OF DIRECTORS TO SHAREHOLDERS

*Shareholders,*

The Company's financial statements for the year ended 31 December 2015 closed with a profit of Euro 3,046,781 - which is proposed to be allocated as follows:

- Euro 152,339 - to legal reserve;
- Euro 625,503 - to Shareholders as dividend, equal to Euro 1.40 per outstanding share;
- Euro 2,268,939 - to extraordinary reserve.

## 10. ACKNOWLEDGEMENTS

I would like to take this opportunity to express my heartfelt thanks to all employees of the Alto Garda Servizi Group for their commitment to the achievement of these positive results.

Riva del Garda, 29 March 2016

For the Board of Directors

**The Chairman**

*Florianio Migliorini*

# FINANCIAL STATEMENTS AT 31.12.2015

BALANCE SHEET

INCOME STATEMENT

NOTES

ASSETS		Financial Statements at 31.12.2015		Financial Statements at 31.12.2014	
		partial amounts	total amounts	partial amounts	total amounts
<b>A</b>	<b>Receivables from shareholders for contributions</b>				
<b>B</b>	<b>FIXED ASSETS</b>				
<b>I</b>	<b>Intangible assets</b>				
1	Start-up and expansion costs		21,508		-
2	Research, development and advertising		-		-
3	Industrial patents and intellectual property rights		15,957		11,800
4	Concessions, licences, trademarks and similar rights		1,172		17,000
5	Goodwill		-		-
6	Assets in progress and advances		-		-
7	Others		90,495		59,200
	<b>Total intangible assets</b>		<b>129,133</b>		<b>88,000</b>
<b>II</b>	<b>Tangible assets</b>				
1	Land and buildings		3,987,596		4,026,889
2	Plants and machinery		29,598,896		16,059,118
3	Industrial and commercial equipment		2,176,970		1,823,886
4	Other assets		179,805		180,320
5	Assets in progress and advances		-		-
	<b>Total tangible assets</b>		<b>35,943,267</b>		<b>22,090,213</b>
<b>III</b>	<b>Financial assets</b>				
1	Investments in:				
a	Subsidiaries	100,000		9,015,369	
b	Associated companies	2,000,000		-	
d	Other companies	10,426,522		10,426,522	
	<b>Total investments</b>		<b>12,526,522</b>		<b>19,441,890</b>
2	Receivables				
a	Subsidiaries				
-	- due within one year	1,010,000		2,270,000	
-	- due beyond one year	-		-	
			1,010,000		2,270,000
b	Associated companies				
-	- due within one year	-		-	
-	- due beyond one year	899,922		-	
			899,922		-
d	Others				
-	- due within one year	-		-	
-	- due beyond one year	5,031		5,031	
	<b>Total receivables</b>		<b>5,031</b>		<b>5,031</b>
			<b>1,914,952</b>		<b>2,275,031</b>
3	Other securities		-		-
4	Treasury shares		1,300		1,300
	<b>Total financial assets</b>		<b>14,442,774</b>		<b>21,718,221</b>
	<b>TOTAL FIXED ASSETS (B)</b>		<b>50,515,174</b>		<b>43,896,433</b>
<b>C</b>	<b>CURRENT ASSETS</b>				
<b>I</b>	<b>Inventories</b>				
1	Raw and ancillary materials and consumables		547,700		465,492
	<b>Total inventories</b>		<b>547,700</b>		<b>465,492</b>
<b>II</b>	<b>Receivables</b>				
1	Clients				
-	- due within one year	4,664,994		3,490,922	
-	- due beyond one year	-		-	
			4,664,994		3,490,922
2	Subsidiaries				
-	- due within one year	18,187		432,411	
-	- due beyond one year	-		-	
			18,187		432,411
3	Associated companies				
-	- due within one year	7,488		-	
-	- due beyond one year	-		-	
			7,488		-
4	Parent companies				
-	- due within one year	148,357		255,828	
-	- due beyond one year	-		-	
			148,357		255,828
4-bis	Tax receivables				
-	- due within one year	112,858		256,715	
-	- due beyond one year	-		-	
			112,858		256,715
4-ter	Deferred tax assets				
-	- due within one year	-		-	
-	- due beyond one year	1,553,767		1,659,153	
			1,553,767		1,659,153
5	Others				
-	- due within one year	1,408,197		848,375	
-	- due beyond one year	-		-	
	<b>Total receivables</b>		<b>1,408,197</b>		<b>848,375</b>
	<b>Financial assets not held as fixed assets</b>		<b>7,913,848</b>		<b>6,943,403</b>
<b>III</b>	<b>assets</b>				
1	Investments in subsidiaries		-		-
6	Other securities		-		-
	<b>Total financial assets</b>		<b>-</b>		<b>-</b>
<b>IV</b>	<b>Cash and cash equivalents</b>				
1	Bank and postal deposits		466,186		110,534
3	Cash-in-hand and cash equivalents		1,304		1,088
	<b>Total cash and cash equivalents</b>		<b>467,490</b>		<b>111,622</b>
	<b>TOTAL CURRENT ASSETS (C)</b>		<b>8,929,038</b>		<b>7,520,517</b>
<b>D</b>	<b>ACCRUALS AND DEFERRALS</b>				
1	Various	55,375		8,387	
	<b>TOTAL ACCRUALS AND DEFERRALS (D)</b>		<b>55,375</b>		<b>8,387</b>
	<b>TOTAL ASSETS</b>		<b>59,499,586</b>		<b>51,425,338</b>

LIABILITIES		Financial Statements at 31.12.2015		Financial Statements at 31.12.2014	
		partial amounts	total amounts	partial amounts	total amounts
<b>A</b>	<b>SHAREHOLDERS' EQUITY</b>				
<b>I</b>	<b>Capital</b>		<b>23,234,016</b>		<b>23,234,016</b>
<b>II</b>	<b>Share premium reserves</b>		<b>2,937,747</b>		<b>2,937,747</b>
<b>III</b>	<b>Revaluation reserves</b>		-		-
<b>IV</b>	<b>Legal reserve</b>		<b>926,767</b>		<b>867,799</b>
<b>V</b>	<b>Statutory reserves</b>		-		-
<b>VI</b>	<b>Reserve for portfolio treasury shares</b>		<b>1,300</b>		<b>1,300</b>
<b>VII</b>	<b>Other reserves</b>		<b>11,715,807</b>		<b>10,693,436</b>
	a extraordinary reserve	11,188,321		10,693,436	
	b future capital increase reserve	-		-	
	c merger surplus reserve	527,485		-	
	d reserve for capitalized long-term expenses	-		-	
<b>VIII</b>	<b>Profits (losses) carried forward</b>		-		-
<b>IX</b>	<b>Profit (loss) for the year</b>		<b>3,046,781</b>		<b>1,179,357</b>
	<b>TOTAL NET EQUITY (A)</b>		<b>41,862,418</b>		<b>38,913,655</b>
<b>B</b>	<b>PROVISIONS FOR RISKS AND CHARGES</b>				
	1 for pension and similar obligations		-		-
	2 for taxes, including deferred		-		-
	3 other risks provisions		46,417		46,417
	<b>TOTAL PROVISIONS FOR RISKS AND CHARGES (B)</b>		<b>46,417</b>		<b>46,417</b>
<b>C</b>	<b>EMPLOYEE SEVERANCE INDEMNITY (TFR) (C)</b>		<b>708,260</b>		<b>785,895</b>
<b>D</b>	<b>PAYABLES</b>				
	1 Bonds				
	- due within one year	-		-	
	- due beyond one year	5,000,000		5,000,000	
			5,000,000		5,000,000
	2 Convertible bonds				
	3 Payables to shareholders for loans				
	4 Payables to banks				
	- due within one year	900,628		1,449,552	
	- due beyond one year	5,115,352		-	
			6,015,980		1,449,552
	5 Payables to other lenders				
	6 Advances				
	7 Payables to suppliers				
	- due within one year	1,408,079		985,644	
	- due beyond one year	-		-	
			1,408,079		985,644
	8 Payables represented by securities				
	9 Payables to subsidiaries				
	- due within one year	6,083		8,459	
	- due beyond one year	-		-	
			6,083		8,459
	10 Payables to associated companies				
	- due within one year	176,599		-	
	- due beyond one year	-		-	
			176,599		-
	11 Payables to parent companies				
	- due within one year	914,452		780,640	
	- due beyond one year	-		-	
			914,452		780,640
	12 Tax payables				
	- due within one year	151,195		155,029	
	- due beyond one year	-		-	
			151,195		155,029
	13 Payables to pension and social security institutio				
	- due within one year	209,900		220,312	
	- due beyond one year	-		-	
			209,900		220,312
	14 Other payables				
	- due within one year	1,386,810		1,359,233	
	- due beyond one year	-		-	
			1,386,810		1,359,233
	<b>TOTAL PAYABLES (D)</b>		<b>15,269,099</b>		<b>9,958,870</b>
<b>E</b>	<b>ACCRUALS AND DEFERRALS</b>				
	- within one year	154,554		130,832	
	- beyond one year	1,458,838		1,589,669	
	<b>TOTAL ACCRUALS AND DEFERRALS (E)</b>		<b>1,613,392</b>		<b>1,720,501</b>
	<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>59,499,586</b>		<b>51,425,338</b>
	<b>Memorandum accounts</b>				
	1 Guarantees provided		1,950,000		15,723,006



INCOME STATEMENT		FY 2015		FY 2014	
A	PRODUCTION VALUE	partial	total	partial	total
1	Revenues from sales and services		9,831,782		6,363,580
4	Increases in fixed assets for internal work		608,481		739,378
5	Other revenues and income				
a	sundry	1,282,125		1,534,675	
	Total other revenues and income		1,282,125		1,534,675
	TOTAL PRODUCTION VALUE (A)		<b>11,722,389</b>		<b>8,637,634</b>
B	PRODUCTION COSTS				
6	For raw and ancillary materials, consumables and goods		(2,183,430)		(858,714)
7	For services		(2,627,300)		(2,435,635)
8	For rents and leases		(392,776)		(359,641)
9	For personnel				
a	wages and salaries	(2,200,346)		(2,074,536)	
b	social security costs	(704,460)		(677,452)	
c	employee severance indemnity (TFR)	(149,707)		(138,109)	
e	other costs	(66,302)		(65,510)	
	Total personnel costs		(3,120,815)		(2,955,606)
10	Depreciation, amortisation and write-downs				
a	amortisation of intangible assets	(51,873)		(117,824)	
b	depreciation of tangible assets	(2,086,734)		(1,336,505)	
c	other write-downs of fixed assets	-		-	
d	write-downs of receivables included in current assets and cash and cash equivalents	(125,975)		(77,080)	
	Total depreciation, amortisation and write-downs		(2,264,583)		(1,531,408)
11	Change in inventories of raw and ancillary materials, consumables and goods		82,208		(31,213)
12	Allocations for risks		-		-
13	Other allocations		-		-
14	Other operating expenses		(642,260)		(443,646)
	TOTAL PRODUCTION COSTS (B)		<b>(11,148,956)</b>		<b>(8,615,863)</b>
	DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)		<b>573,433</b>		<b>21,771</b>
C	FINANCIAL INCOME AND EXPENSES				
15	Income from equity investments				
a	from subsidiaries	1,903,962		100,000	
c	others	1,264,156		1,185,336	
	Total income from equity investments		3,168,118		1,285,336
16	Other financial income				
a	from receivables classified as fixed assets				
1	- from subsidiaries	-		-	
	Total financial income from receivables classified as fixed assets		-		-
b	from securities classified as fixed assets not classified as investments		-		-
c	from securities classified as current assets not classified as investments		-		-
1	- from subsidiaries				
d	other income				
1	- from subsidiaries	5,985		66,921	
4	- others	49,388		4,879	
	Total other financial income		55,372		71,799
17	Interest and other financial expenses				
a	from subsidiaries	-		-	
b	from associated companies	-		-	
c	from parent companies	-		-	
d	others	(352,082)		(99,743)	
	Total interest and other financial expenses		(352,082)		(99,743)
17-bis.	Exchange rate gains and losses		-		-
	TOTAL FINANCIAL INCOME AND EXPENSES (15+16+17+17bis)		<b>2,871,408</b>		<b>1,257,393</b>
D	WRITE-DOWNS OF FINANCIAL ASSETS				
	TOTAL WRITE-DOWNS OF FINANCIAL ASSETS (18+19)		-		-
E	EXTRAORDINARY INCOME AND EXPENSES				
20	Extraordinary income				
b	contingent assets/extraordinary liabilities	2,005		4,566	
d	others				
	Total extraordinary income		2,005		4,566
21	Extraordinary expenses				
a	losses on disposals	-		-	
b	contingent liabilities/extraordinary assets	(16,327)		(27,154)	
c	income taxes related to previous years	-		-	
d	others	-		-	
	Total extraordinary expenses		(16,327)		(27,154)
	TOTAL EXTRAORDINARY INCOME AND EXPENSES (20+21)		<b>(14,322)</b>		<b>(22,588)</b>
	PRE-TAX PROFIT (A+B+C+D+E)		<b>3,430,519</b>		<b>1,256,576</b>
22	Income taxes for the year				
	- current	(179,778)		(125,030)	
	- deferred	(203,960)		47,811	
	Total income tax expense for the year		(383,738)		(77,219)
23	RESULT FOR THE YEAR		<b>3,046,781</b>		<b>1,179,357</b>

## ACCOUNTING STANDARDS AND VALUATION CRITERIA

## NOTES

### PREPARATION CRITERIA

The Financial Statements at 31 December 2015, prepared in accordance with article 2423 et seq of the Civil Code, of which these Notes form an integral part in accordance with article 2427 and the applicable provisions, provide a true and fair view of the equity and financial position of the company and the economic result.

The accounting standards used are in line with those issued by the OIC (Italian Accounting Board) and are the same used by other companies of the Alto Garda Servizi Group.

### VALUATION CRITERIA

In preparing the financial statements, respect was ensured for the general principles of management prudence, accrual and economic competence and business continuity perspective.

The valuation criteria are consistent with those used for the preparation of the financial statements of the previous year.

Profits were included only if realized by year-end, while account was taken of the risks and losses, even if recognized after year-end.

The items indicated in these financial statements are expressed in Euro.

The classifications of the items of the Financial Statements at 31 December 2015 are consistent with those of the previous year.

In 2015, the company AGS SpA merged with accounting and tax effect from 1 January 2015 the company held 100% AGS T SpA. To better understand the performance for the year 2015 compared to 2014, reference is made to the content and statements of the Report on Operations, which includes "proforma financial statements" showing the aggregate values of the two pre-existing entities for the year 2014.

The Board of Directors, in drafting the financial statements, did not derogate from the rules of law pursuant to article 2423, paragraph four, Civil Code.

In particular, the following are the most significant standards and criteria:

#### **Intangible assets**

They are recognized at acquisition cost including any ancillary expenses, net of accumulated amortisation and depreciation.

The recognition of said expenses under assets is for those provided by law, with the consent of the Board of Auditors.

Depreciation and amortisation is on the basis of their economic life and therefore the period of time during which the costs in question show their usefulness.

Start-up and expansion costs and research and development costs are amortised over the estimated useful life not exceeding five years.

Costs for the application software under permanent license and for the related implementation are capitalized and amortised over three years.

Concession costs refer to the investment incurred for the acquisition of application software licenses, related both to the corporate information system and to the network of personal computers. The amortisation of these expenses is over five years.

Costs incurred for improvements and gains on assets under concession or lease are capitalized and recognized under "Intangible assets" if they cannot be separated from assets or under "Tangible assets" in the specific category of belonging. The amortisation of said costs is made in the shorter of the useful life of the costs incurred and the residual period of the lease or concession.

### **Tangible assets**

They are recognized at the value of transfer in 1998 by the former Municipal AMSEA, at the cost of purchase or production, including any directly attributable ancillary expenses.

The amount shown in the Balance Sheet is calculated by deducting accumulated amortisation and depreciation from the value defined above.

If incurred, maintenance expenses were recognized in the income statement, excluding those of an extraordinary nature that increase the production capacity and the useful life of the asset, in which case they are capitalized and amortised at the applicable rate.

Depreciation is calculated with reference to the cost, based on economic-technical rates determined in relation to the estimated useful life of assets and their residual useful life. Depreciation rates reflect the actual degree of deterioration of the same.

The hourly cost of capitalized labour is the ratio between the cost incurred for the direct labour and the average number of hours worked during the year.

### **Financial assets**

Equity investments are recognized and valued according to the purchase method. The cost is reduced if the investee companies recorded impairment losses and profits sufficient to eliminate the reasons for

the loss are therefore not expected in the near future. If the reasons that had led, in previous years, to the reduction of the carrying value of the investee companies could be regarded as superseded, as a consequence of positive results recorded in the meantime, the value of the investments would be subsequently recovered up to the amount of the purchase cost.

**Inventories**

Inventories of ancillary supplies and consumables are valued according to the weighted average cost method. Inventories of obsolete or slow-moving items are written down, taking into account the future possibility of use or sale, from appropriate obsolescence provision.

**Receivables**

Receivables are recognized at their estimated realizable value. Receivables include invoices to be issued related to provisions for the year ended 31 December 2015.

**Provisions for risks and charges**

They are set aside to cover determined losses or liabilities that are certain or probable, however for which the amount or date of occurrence at year-end cannot be determined precisely.

The allocations reflect the best possible estimate based on the information available.

Risks for which the emergence of a liability is only possible, did not generate any allocations to the provision for risks and charges and are indicated in the notes of the provisions.

**Employee severance indemnity (TFR)**

The amount of the employee severance provision was adjusted in accordance with the law and current CCNL (national collective bargaining agreement).

**Payables**

Payables are recognized in the financial statements at the nominal value.

**Accruals and deferrals**

The accrual principle is achieved by means of the entries of accrued and deferred assets and liabilities.

**Risks, commitments and guarantees**

Risks, commitments and guarantees provided are indicated in the memorandum accounts.

**Accounting of revenues and costs**

Revenues and income are recognized net of returns, discounts and rebates, taxes directly associated with the sale of products and the provision of services.

In particular:

- revenues related to the distribution of electricity, gas and drinking water/sewer are identified and recognized at the time of delivery;
- revenues for the provision of services are recognized when the service is provided and in accordance with the related contracts. Revenues related to contract work in progress are recognized in proportion to the progress of the work;
- revenues related to user connection services are entirely recognized in the income statement;
- costs are accounted on an accruals basis;
- financial income and expenses are assessed based on the accrual basis.

**Income taxes for the year**

Current taxes are allocated under tax payables and determined in accordance with the rates and regulations in force based on the determination of taxable income. Also highlighted are eventual deferred tax assets and liabilities due to temporary differences between statutory results and taxable income.

## **DETAILS OF THE MAIN ITEMS OF THE FINANCIAL STATEMENTS**

The following are details of the most significant Balance Sheet and Income Statement items.

# Assets

## B) FIXED ASSETS

### B. I–II) INTANGIBLE AND TANGIBLE ASSETS

Investments for the year amounted to Euro 1,768,341 and are mainly related to enhancements of the electricity, methane gas, district heating networks and the aqueduct. The following is an analysis of the most significant changes.

#### **Intangible assets**

Concession costs include the costs incurred for the acquisition of application software licenses and particularly refer to the module SAP ISU, which provides for the management of customers under the information system of Dolomiti Energia. The item also includes the costs of rebuilding the entrance of the office.

#### **Tangible assets**

The investments of greatest importance relate to the electricity sector. For a detailed description of the investments made in 2015, reference is made to point 2.5 “Investments” of the Report on Operations.

#### **Land/Buildings (Stations)**

In the electricity sector, interventions were carried out for the acquisition, renewal and completion of equipment situated in the energy receiving and transformation stations.

#### **Plants and Machinery (Technological networks)**

In the electricity sector, the interventions realized concern the process of restructuring, enhancement and rationalization of both the medium and low-voltage electricity network.

In the aqueduct sector, work was realized for the renewal and enhancement of the municipal aqueduct and user derivations.

In the methane gas sector, the interventions realized concerned the restructuring of some sections of the network, the realization of new user derivations with the laying of new pipes and risers in the Municipalities of Riva del Garda, Arco, Dro and Tenno.



## Other tangible assets

It is noted that in the period 2008-2012, the company replaced all the electric meters currently installed at customer sites as required by resolution no. 292/06 of the Authority. In 2014, the company also replaced part of the gas meters to adjust to the Authority's directives.

### NET VALUE OF INTANGIBLE AND TANGIBLE ASSETS

Investment grouping	value 01.01.2015	increases for merger	increases for the period	decreases for the period	total 31.12.2015
Start-up and expansion costs	-	-	26,885	(5,377)	21,508
Research costs	-	-	-	-	-
Industrial patents and intellectual property rights	11,800	-	16,259	(12,102)	15,957
Concessions, licences, trademarks and similar rights	17,000	8,464	-	(24,292)	1,172
Goodwill	-	-	-	-	-
Assets in progress and advances	-	-	-	-	-
Other intangible assets	59,200	-	41,399	(10,103)	90,496
<b>Total intangible assets</b>	<b>88,000</b>	<b>8,464</b>	<b>84,543</b>	<b>(51,874)</b>	<b>129,133</b>
Land and buildings	4,026,889	-	62,153	(101,445)	3,987,597
Plants and machinery	16,059,118	13,930,002	1,335,107	(1,725,330)	29,598,897
Industrial and commercial equipment	1,823,886	351,108	200,993	(199,019)	2,176,968
Other assets	180,320	-	60,425	(60,940)	179,805
Assets in progress and advances	-	-	-	-	-
<b>Total tangible assets</b>	<b>22,090,213</b>	<b>14,281,110</b>	<b>1,658,678</b>	<b>(2,086,734)</b>	<b>35,943,267</b>
<b>Total intangible and tangible assets</b>	<b>22,178,213</b>	<b>14,289,574</b>	<b>1,743,221</b>	<b>(2,138,608)</b>	<b>36,072,400</b>

- increases include contributions, transfers from other item
- decreases include depreciation and amortisation, transfers to other item, disposals

### HISTORICAL COST OF INTANGIBLE AND TANGIBLE ASSETS

Investment grouping	value 01.01.2015	increase for merger	increases for the period	decreases for the period	total 31.12.2015
Start-up and expansion costs	166,716	16,734	26,885	-	210,335
Research costs	-	-	-	-	-
Industrial patents and intellectual property rights	950,217	-	16,259	-	966,476
Concessions, licences, trademarks and similar rights	504,253	36,459	-	-	540,712
Goodwill	1,083,537	-	-	-	1,083,537
Assets in progress and advances	-	-	-	-	-
Other intangible assets	233,079	-	41,399	-	274,477
<b>Total intangible assets</b>	<b>2,937,802</b>	<b>53,193</b>	<b>84,542</b>	<b>-</b>	<b>3,075,537</b>
Land and buildings	4,963,354	-	62,153	-	5,025,506
Plants and machinery	28,130,595	16,780,394	1,355,871	(64,887)	46,201,973
Industrial and commercial equipment	2,906,477	546,839	205,351	(64,791)	3,593,875
Other assets	1,078,969	-	60,425	-	1,139,394
Assets in progress and advances	-	-	-	-	-
<b>Total tangible assets</b>	<b>37,079,395</b>	<b>17,327,233</b>	<b>1,683,799</b>	<b>(129,678)</b>	<b>55,960,749</b>
<b>Total intangible and tangible assets</b>	<b>40,017,197</b>	<b>17,380,426</b>	<b>1,768,341</b>	<b>(129,678)</b>	<b>59,036,285</b>

**ACCUMULATED DEPRECIATION AND AMORTISATION**

<b>Investment grouping</b>	<b>value 01.01.2015</b>	<b>increases for merger</b>	<b>increases for the period</b>	<b>decreases for the period</b>	<b>total 31.12.2015</b>
Start-up and expansion costs	166,716	16,734	5,377	-	<b>188,827</b>
Research costs	-	-	-	-	-
Industrial patents and intellectual property rights	938,417	-	12,102	-	<b>950,519</b>
Concessions, licences, trademarks and similar rights	487,253	27,995	24,292	-	<b>539,540</b>
Goodwill	1,083,537	-	-	-	<b>1,083,537</b>
Other intangible assets	173,878	-	10,103	-	<b>183,981</b>
<b>Total intangible assets</b>	<b>2,849,801</b>	<b>44,729</b>	<b>51,874</b>	-	<b>2,946,404</b>
Land and buildings	936,466	-	101,445	-	<b>1,037,911</b>
Plants and machinery	12,071,477	2,850,392	1,725,330	(44,123)	<b>16,603,076</b>
Industrial and commercial equipment	1,082,590	195,731	199,019	(35,249)	<b>1,442,092</b>
Other assets	898,650	-	60,940	-	<b>959,590</b>
Assets in progress and advances	-	-	-	-	-
<b>Total tangible assets</b>	<b>14,989,182</b>	<b>3,046,124</b>	<b>2,086,734</b>	<b>(79,372)</b>	<b>20,042,669</b>
<b>Total intangible and tangible assets</b>	<b>17,838,983</b>	<b>3,090,853</b>	<b>2,138,608</b>	<b>(79,372)</b>	<b>22,989,073</b>

**DEPRECIATION AND AMORTISATION RATES APPLIED**

<u>DESCRIPTION</u>		<u>DESCRIPTION</u>	
INDUSTRIAL BUILDINGS AND LAND	2.50%	REMOTE CONTROL	4.0%
GENERAL PLANTS	6.67%		
TRANSFORMATION STATIONS	3.50%	TECHNICAL/OPERATIONAL EQUIPMENT	8.33%
SUB-STATIONS	3.50%	TRUCKS	14.29%
TRANSFORMERS	3.50%	VEHICLES	14.29%
ELECTRICITY DISTRIBUTION LINES	4.00%	MECCANOGRAPH CENTRE	14.29%
DATA TRANSMISSION NETWORKS	10.00%	FURNITURE	8.33%
		OFFICE MACHINES AND EQUIPMENT	14.29%
1ST REDUCTION STATIONS METHANE GAS	5.00%	START-UP/EXPANSION COSTS	5 YEARS
METHANE GAS CONDUCTOR	4.00%	SOFTWARE	3 YEARS
		STUDIES AND RESEARCH	3 YEARS
TANKS	2.00%	CONCESSIONS, LICENSES CED	5 YEARS
LIFTING SYSTEMS	6.67%		
CONDUCTOR AQUEDUCT/SEWERAGE	2.50%	GOODWILL	RESIDUAL YEARS
DISTRICT HEATING NETWORK	3.33%		CONCESSION
METERING INSTRUMENTS	5.00%		
METERING INSTRUMENTS DISTRICT HEATING	6.67%	THIRD-PARTY ASSETS — HQ OFFICES	RESIDUAL YEARS LEASE

**B.III) FINANCIAL ASSETS****1) EQUITY INVESTMENTS**

Equity investments are valued using the methodology described in these Notes under the heading "Valuation criteria". At 31 December 2015, the equity investments of AGS SpA showed a balance of Euro 12.526 million compared to Euro 19.441 million in the previous year. The changes reflect the merger by incorporation of 100% ownership of AGS T SpA as well as the sale of the investment in Shen SpA. Due to the merger with AGS T, direct control has been acquired of the company Ledro Energia Srl and 20% of the investment in Alto Garda Power Srl.

## changes in equity investments

description investment	values at	decreases in the year	increases in the year	values at
	01.01.2015	2015	2015	31.12.2015
SHEN spa	2,624,472	(2,624,472)	-	-
Alto Garda Servizi Teleriscaldamento Spa	6,390,896	(6,390,896)	-	-
Alto Garda Power Srl	-	-	2,000,000	2,000,000
Ledro Energia Srl	-	-	100,000	100,000
Distretto Tecnologico	1,000	-	-	1,000
Dolomiti Energia Spa	5,381,324	-	-	5,381,324
Trenta Spa	2,562,000	-	-	2,562,000
Primiero Energia spa	81,840	-	-	81,840
Società Elettrica Trentina spa	2,400,358	-	-	2,400,358
<b>Totals</b>	<b>19,441,890</b>	<b>(9,015,368)</b>	<b>2,100,000</b>	<b>12,526,522</b>

## investments in subsidiaries

company name	net equity	results of the year	% portion of ownership 2015	net equity portion pertaining to AGS	values attributed in financial statements
<b>Ledro Energia Srl</b> Via Cis 38067 Ledro	69,735	-27,857 (1)	<b>100.00</b>	69,735	100,000
<b>Total investments in subsidiaries</b>				<b>69,735</b>	<b>100,000</b>

## investments in subsidiaries

company name	net equity	results of the year	% portion of ownership 2015	net equity portion pertaining to AGS	values attributed in financial statements
<b>Alto Garda Power Srl</b> Viale Rovereto Riva del Garda (TN)	18,684,564	3,175,692 (2)	<b>20.00</b>	3,736,913	2,000,000
<b>Total investments in subsidiaries</b>				<b>3,736,913</b>	<b>2,000,000</b>

## investments in other companies

company name	net equity	results of the year	% portion of ownership 2015	net equity portion pertaining to AGS	values attributed in financial statements
<b>Dolomiti Energia Spa</b> Via Grazioli, 24 Trento (TN)	631,211,047	67,917,158 (2)	<b>1.18</b>	7,448,290	5,381,324
<b>Primiero Energia spa</b> Via Guadagnini 31 Fiera di Primiero (TN)	45,193,649	5,688,164 (2)	<b>0.81</b>	366,069	81,840
<b>Trenta spa</b> Via Fersina 23 Trento (TN)	71,014,825	12,452,379 (2)	<b>5.30</b>	3,763,786	2,562,000
<b>SET Distribuzione SpA</b> Via Manzoni 24 Rovereto (TN)	153,832,451	21,741,574 (2)	<b>2.14</b>	3,292,014	2,400,358
<b>Distretto Tecnologico Trentino S.c.a.r.l.</b> Via F. Zeni, 8 Rovereto (TN)	234,967	0 (1)	<b>0.35</b>	833	1,000
<b>Total investments in other companies</b>			<b>Total</b>	<b>14,870,992</b>	<b>10,426,522</b>

<b>Total investments</b>	<b>18,677,640</b>	<b>12,526,522</b>
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(1) - The Shareholders' Equity and Result for the year are updated at 31.12.2015

(2) - The Shareholders' Equity and Result for the year are updated at 31.12.2014

We highlight that the difference between the carrying value of the investment in Ledro Energia Srl and the corresponding portion of equity is attributable to the start-up phase of the company.

## 2) RECEIVABLES

Receivables from subsidiaries include an interest-bearing loan with maturity 31/12/2016 issued to the subsidiary Ledro Energia Srl to meet its cash requirements. Receivables from associated companies include the interest-bearing loan to the associated company Alto Garda Power Srl with maturity 31/12/2020.

description of the receivable	Balance at 31.12.2015	Balance at 31.12.2014	difference
Loan to subsidiaries	1,010,000	2,270,000	-1,260,000
Loan to associated companies	899,921	0	899,921
Security deposits municipal entities	5,031	5,031	0
<b>Total</b>	<b>1,914,952</b>	<b>2,275,031</b>	<b>0</b>

## 4) TREASURY SHARES

At 31 December 2015, the company held 20 treasury shares recognized in the financial statements for Euro 1.300. Among the items of shareholders' equity, "treasury share reserve" of the same amount was established.

## C) CURRENT ASSETS

### I 1) INVENTORIES

The inventory of products in stock is related to the management characteristics of network services, their territorial dimensions and is intended for maintenance and formation of company assets.

description of changes	partial amounts	total amounts
<b>Inventories at 01.01.2015</b>		
- tangible assets		629,953
<b>Provision for write-down of tangible assets at 01.01.2015</b>		(164,462)
<b>Net general balance at 01.01.2015</b>		<b>465,491</b>
<b>Purchases in the year</b>		
- tangible assets	647,831	
- value adjustments	-	
		<b>647,831</b>
<b>Use of tangible assets</b>		
- in maintenance account	(133,323)	
- in equity account	(432,300)	
		<b>(565,623)</b>
<b>Inventories at 31.12.2015</b>		
- tangible assets		712,161
<b>Provision for obsolescence of tangible assets at 31.12.2015</b>		(164,461)
<b>Net general balance at 31.12.2015</b>		<b>547,700</b>

**II RECEIVABLES****1) RECEIVABLES FROM CUSTOMERS**

The amount of said item is entirely due within one year and is represented by receivables from Italian counterparties. It consists of receivables for the distribution of electricity, methane gas, heat, water/sewer and provision of service to customers.

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Receivables for services	4,129,373	2,774,271	1,355,102
Invoices to be issued	822,722	870,499	-47,776
<b>Total receivables from customers</b>	<b>4,952,095</b>	<b>3,644,769</b>	<b>1,307,326</b>
Provision for doubtful accounts	-279,614	-153,848	-125,766
<b>Total receivables from customers net of the provision</b>	<b>4,672,482</b>	<b>3,490,922</b>	<b>1,181,560</b>

In the year, the provision for doubtful accounts changed as follows:

<b>Description</b>	<b>31.12.2014</b>	<b>increase due to merger</b>	<b>allocations</b>	<b>uses</b>	<b>31.12.2015</b>
Provision for risks on receivables	153,848	107,554	125,975	(107,764)	279,613

**2) RECEIVABLES FROM SUBSIDIARIES**

They refer to the receivables from the subsidiary Ledro Energia Srl for technical/administrative services provided in 2015. The decrease compared to 2014 is due to the sale of Shen SpA and incorporation by merger of AGS T SpA and thus at the end of the respective service contracts with AGS.

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Invoices issued	18,187	236,613	(218,426)
Invoices to be issued	-	195,798	(195,798)
<b>Total</b>	<b>18,187</b>	<b>432,411</b>	<b>(414,224)</b>

**3) RECEIVABLES FROM PARENT COMPANIES**

They mainly relate to receivables from the Municipality of Riva del Garda for routine and non-routine maintenance of public lighting systems and for the management of the Consortium Aqueduct.

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Receivables for invoices	118,566	130,528	(11,962)
Receivables for invoices to be issued	29,791	125,300	(95,509)
<b>Total</b>	<b>148,357</b>	<b>255,828</b>	<b>(107,471)</b>

**4-BIS) TAX RECEIVABLES**

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Virtual stamp duty	-	924	(924)
Tax authorities IRAP	-	9,587	(9,587)
Tax authorities IRES	-	134,807	(134,807)
Tax authorities VAT	1,461	-	1,461
Tax authorities IRES reimbursement 2007-2011	111,397	111,397	-
<b>Total</b>	<b>112,858</b>	<b>256,715</b>	<b>(143,857)</b>

**4-TER) RECEIVABLES FOR DEFERRED TAX ASSETS**

They refer to receivables from the tax authorities for deferred tax assets, IRES and IRAP, deriving from temporary differences between statutory results and taxable income.

The breakdown between the long-term and short-term receivable for deferred tax assets is given by the evaluation of the moment in which the receivable is likely to be charged to the income statement. As for their formation, reference is made to a following paragraph at the end of these Notes.

**5) OTHER RECEIVABLES**

They mainly refer to the receivable from the Equalization Fund for equalizations of tariff revenues of the electricity service and gas service. The receivable for the 2014 equalization was collected in 2015. It is noted that due to the merger with AGS T, contribution were acquired for Euro 756 thousand with respect to the Autonomous Province of Trento for the construction of the district heating network yet to be collected.

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
PAT - street cutting deposits	52,249	38,997	13,252
Gas revenues equalization fund	22,824	189,818	(166,995)
Energy revenues equalization fund	248,441	364,714	(116,274)
Gas safety premiums equalization fund 2013-2014	86,104	-	86,104
Advance PAT gas tender costs	43,081	-	43,081
Contributions PAT District heating network	756,483	-	756,483
Equalization fund 6th two-month period 2015	79,421	74,585	4,836
INAIL receivables	6,273	8,543	(2,270)
Sundry	113,321	171,717	(58,396)
<b>Total</b>	<b>1,408,197</b>	<b>848,375</b>	<b>559,822</b>

There were no receivables beyond five years.

**IV CASH AND CASH EQUIVALENTS**

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Bank and postal deposits	466,186	110,534	355,652
Cash and cash equivalents	1,304	1,088	216
<b>Totals</b>	<b>467,490</b>	<b>111,622</b>	<b>355,868</b>

**D) ACCRUALS AND DEFERRALS**

Deferred assets refer to various costs, such as, by way of example, insurance, subscriptions, maintenance, leases and instalments recognized in 2015 but relating also to 2016 or subsequent years.

<b>description of the receivable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Annual deferred assets	13,541	2,554	10,987
Long-term deferred assets	41,833	5,833	36,000
<b>Total</b>	<b>55,375</b>	<b>8,387</b>	<b>46,988</b>

# Liabilities

## A) SHAREHOLDERS' EQUITY

The share capital is equal to Euro 23,234,016 nominal and consists of 446,808 shares with a nominal value of Euro 52,00 each, effectively subscribed and paid in.

In 2015, dividends were distributed for Euro 625,503 as resolved upon by the Shareholders' Meeting of 16 July 2015.

Due to the merger with AGS T SpA, a merger surplus reserve was established for Euro 527,485.

Changes in accounting shareholders' equity resulting from the financial statements at 31 December 2015 during the year are represented in the following tables, which also highlight the allocation of the 2014 profit.

A	net equity	amount 01.01.2015	changes in increases	occurred decreases	amount 31.12.2015
I	capital	23,234,016	-	-	23,234,016
II	share premium reserve	2,937,747	-	-	2,937,747
III	revaluation reserves	-	-	-	-
IV	legal reserve	867,799	58,968	-	926,767
V	reserve for portfolio treasury shares	1,300	-	-	1,300
VI	statutory reserves	-	-	-	-
VII	other reserves				
	- extraordinary reserve	10,693,436	494,885	-	11,188,321
	- merger surplus reserve	-	527,485	-	527,485
	- future capital increase reserve	-	-	-	-
VIII	profits (losses) carried forward	-	-	-	-
IX	profit (loss):				
	- for the previous year	1,179,357	-	(1,179,357)	-
	- for the year	-	3,046,781	-	3,046,781
<b>Total</b>		<b>38,913,654</b>	<b>4,128,120</b>	<b>(1,179,357)</b>	<b>41,862,417</b>

	Share capital	Share premium reserve	Legal reserve	Treasury share reserve	Merger reserve	Extraordinary reserve	FY result	Net equity
<b>Balance at 31.12.2013</b>	<b>23,234,016</b>	<b>2,937,747</b>	<b>805,577</b>	<b>1,300</b>	<b>0</b>	<b>10,136,727</b>	<b>1,244,434</b>	<b>38,359,801</b>
Allocation of the result for the year								
- Allocation of dividends							-625,503	
- Other allocations			62,222			556,709	-618,931	
Other changes								
Result of the previous year							1,179,357	
<b>Balance at 31.12.2014</b>	<b>23,234,016</b>	<b>2,937,747</b>	<b>867,799</b>	<b>1,300</b>	<b>0</b>	<b>10,693,436</b>	<b>1,179,357</b>	<b>38,913,655</b>
Allocation of the result for the year								
- Allocation of dividends								
- Other allocations			58,968			494,885	-1,179,357	
Other changes					527,485			
Result of the current year							3,046,781	
<b>Balance at 31.12.2015</b>	<b>23,234,016</b>	<b>2,937,747</b>	<b>926,767</b>	<b>1,300</b>	<b>527,485</b>	<b>11,188,321</b>	<b>3,046,781</b>	<b>41,862,418</b>

The following table provides the analysis of equity under the profiles of availability and distributability.



Description	amount	possibility of use	portions available	Summary of uses made in the three previous years	
				for coverage losses	for other reasons
Share capital	23,234,016		-	-	-
Capital reserves					
- share premium reserve	2,937,747	A,B	2,937,747	-	-
Profit reserves					
- revaluation reserves	-	-	-	-	-
- legal reserve	926,767	B	926,767	-	-
- reserve for portfolio treasury shares	1,300	B	1,300	-	-
- statutory reserves	-	-	-	-	-
- extraordinary reserve	11,188,321	A,B,C	11,188,321	-	-
- merger surplus reserve	527,485	A,B,C	527,485	-	-
- future capital increase reserve	-	-	-	-	-
- profits carried forward	-	-	-	-	-
<b>Total</b>	<b>38,815,636</b>		<b>15,581,620</b>	-	-
<b>Non-distributable portion</b>			<b>(3,865,814)</b>		
<b>Residual distributable portion</b>			<b>11,715,806</b>		

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

Pursuant to article 2431 Civil Code, the share premium reserve can only be distributed if the legal reserve has reached the limit established by article 2430 Civil Code.

## B) PROVISIONS FOR RISKS AND CHARGES

The provision for risks and charges amounted to Euro 46,417 and refers exclusively to the allocation for the equalization components, which have been estimated in the absence of reliable data to be able to determine them.

The provision did not change in the year.

Description	01.01.2015	allocations	uses	31.12.2015
Electricity measurement equalization	46,417	-	-	46,417
<b>Total risks provision</b>	<b>46,417</b>	<b>-</b>	<b>-</b>	<b>46,417</b>

## C) EMPLOYEE SEVERANCE INDEMNITY (TFR)

It corresponds to the total value of employee severance indemnity accrued by personnel in service at 31 December 2015, net of advances and the amount paid to supplementary funds and the INPS Treasury. This liability is subject to revaluations as required by current regulations.

In the year, the employee severance indemnity provision changed as follows:

Description	01.01.2015	increase due to merger	allocations	uses	31.12.2015
Employee severance indemnity (TFR)	785,895	26,940	46,983	(151,558)	708,260

**D) PAYABLES****1) BONDS**

On 15 July 2014, the company issued a bond for Euro 5 million with payment of semi-annual coupons and repayment in a lump sum at 30 June 2023. The loan was fully subscribed.

**4) PAYABLES TO BANKS**

Reference is made to the report on operations for a detailed analysis of the financial situation.

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Account overdrafts			
- within one year	3,917	1,449,552	(1,445,635)
Mortgages			
- within one year	867,283	-	867,283
- beyond one year	5,144,780	-	5,144,780
- of which beyond 5 years	1,840,738	-	1,840,738
<b>Total</b>	<b>6,015,980</b>	<b>1,449,552</b>	<b>4,566,428</b>

**7) PAYABLES TO SUPPLIERS**

Payables at 31.12.2015 are operational and related entirely to the Company's core business, refer to Italian counterparties and the geographical breakdown is not significant.

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Suppliers	901,456	576,886	324,570
Suppliers for invoices to be received	506,623	408,758	97,865
<b>Totals</b>	<b>1,408,079</b>	<b>985,644</b>	<b>422,435</b>

**9) PAYABLES TO SUBSIDIARIES**

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Invoices	6,083	8,459	(2,376)
<b>Total</b>	<b>6,083</b>	<b>8,459</b>	<b>(2,376)</b>

**10) PAYABLES TO ASSOCIATED COMPANIES**

They refer to the supply of heat for the district heating network, business acquired following the merger of the company AGS T SpA.

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Invoices	176,599	-	176,599
<b>Total</b>	<b>176,599</b>	<b>-</b>	<b>176,599</b>

**11) PAYABLES TO PARENT COMPANIES**

They refer to payables for "Municipal concessions" and other commercial items connected with the concessions of electricity, gas and drinking water/sewerage services and are related to contracts for the entrustment of distribution services to the Municipality of Riva del Garda. Trade payables consist of the portion of the water cycle tariff that the Company pays to the Municipality of Riva del Garda to cover the costs incurred by the Municipality for the water network. The purification component refers to the billing portion for the water service performed by AGS 31.12.2015 to end customers and that is then turned over to the Municipality of Riva del Garda.

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Invoices to be received			
- Municipal concessions	151,626	121,568	30,058
- Other trade payables	77,200	72,461	4,739
- Water purification	685,626	586,611	99,015
<b>Total</b>	<b>914,452</b>	<b>780,640</b>	<b>133,812</b>

**12) TAX PAYABLES**

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Tax authorities			
- IRES	53,368	-	53,368
- IRAP	2,669	-	2,669
- IRPEF (personnel and freelance)	94,063	76,403	17,660
- Virtual stamp duty	1,096	-	1,096
- VAT	-	78,626	(78,626)
<b>Total</b>	<b>151,195</b>	<b>155,029</b>	<b>(3,834)</b>

**13) PAYABLES TO PENSION AND SOCIAL SECURITY INSTITUTIONS**

They refer to the Company's debt position with respect to Pension and Social Security Institutions for December 2015 or annual adjustments to be settled and are in line with the previous year.

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
- Payables to INPS	87,115	77,808	9,307
- Payables to INPS separate management	1,684	1,577	107
- Payables to INPDAP	25,444	29,800	(4,356)
- Payables to supplementary pension institutes	46,159	43,250	2,908
- Contributions on remuneration to be paid	49,498	67,877	(18,379)
<b>Total</b>	<b>209,900</b>	<b>220,312</b>	<b>(10,412)</b>

**14) OTHER PAYABLES**

They mainly consist of the payable to the Equalization Fund for the electricity and gas sector for the 6th two-month period in 2015. Payables to employees refer to amounts for December 2015 and the 2015 performance bonus that will be paid in 2016 and are in line with the previous year.

<b>description of the payable</b>	<b>Balance at 31.12.2015</b>	<b>Balance at 31.12.2014</b>	<b>difference</b>
Electricity and Gas Sector Equalization Fund	1,094,641	1,059,470	35,171
Employees	260,974	298,958	(37,984)
Other payables	1,474	805	669
<b>Total</b>	<b>1,357,089</b>	<b>1,359,233</b>	<b>(2,144)</b>

There were no payables beyond five years.

**E) ACCRUALS AND DEFERRALS**

They consist of residual deferred liabilities of revenue for user connection fees up to 2007 for Euro 2,243,830 and which fell to Euro 1,589,670 at the end of 2014. Since 2008, these contributions have been recognized in the Income Statement.

The table below shows the evolution of the relevant accounting entry.

<b>changes in the period</b>	<b>Accruals</b>	<b>Deferrals</b>	<b>totals</b>
<b>value at 01.01.2015</b>	-	<b>1,720,502</b>	<b>1,720,502</b>
of which beyond 5 years	-	935,511	<b>935,511</b>
increases in the year	-	-	-
uses in the year	-	(130,832)	<b>(130,832)</b>
<b>values at 31.12.2015</b>	-	<b>1,589,670</b>	<b>1,589,670</b>

## Memorandum accounts

At 31.12.2015, the Company provided the following sureties in favour of subsidiaries:

	value 31.12.2015	value 31.12.2014	differences
Guarantee mortgage of Shen Spa	-	4,021,800	(4,021,800)
Guarantee overdraft Ledro Energia	1,950,000	-	1,950,000
Guarantee mortgage of AGST Spa	-	3,751,206	(3,751,206)
Guarantees concessions overdrafts account of Shen and Agst	-	7,950,000	(7,950,000)
<b>Total</b>	<b>1,950,000</b>	<b>15,723,006</b>	<b>(13,773,006)</b>

# Income Statement

## A) PRODUCTION VALUE

The production value consists of the following items:

	2015	2014
<b>Revenues from sales and services</b>		
• electricity delivery	2,560,413	2,473,264
• electricity production	161,262	240,045
• gas delivery	2,128,265	1,954,363
• water cycle delivery	1,236,601	1,145,242
• heat sales	3,051,138	0
• sundry revenues	694,103	550,666
<b>Total</b>	<b>9,831,782</b>	<b>6,363,580</b>
<b>Increases in fixed assets for internal works</b>		
• capitalization of warehouse material	432,300	597,884
• capitalization of internal labour	176,181	141,494
<b>Total</b>	<b>608,481</b>	<b>739,378</b>
<b>Other revenues and income</b>		
• provisions to subsidiaries	10,000	195,798
• contributions from equalization systems	483,787	578,197
• contingent assets operations	128,838	33,143
• management of aqueduct plants	176,395	189,416
• public lighting works	105,828	67,697
• other provisions	377,278	470,424
<b>Total</b>	<b>1,282,126</b>	<b>1,534,675</b>
<b>Total production value</b>	<b>11,722,389</b>	<b>8,637,634</b>

## B) PRODUCTION COSTS

Production costs consist of the following items:

	2015	2014
<b>purchase of raw and ancillary materials and goods</b>		
• purchase of drinking water	1,400	1,790
• purchase of electricity	171,230	0
• purchase of heat	1,248,920	0
• purchase of warehouse material	647,831	734,523
• purchase of other materials	114,049	122,401
<b>Total</b>	<b>2,183,430</b>	<b>858,714</b>

**expenses for provision of services rendered by third parties**

• directors' fees	67,165	52,304
• board of auditors' fees	44,841	28,243
• electricity transport fees	951,170	885,862
• insurance, bank fees	199,417	177,267
• audit of financial statements	17,480	17,771
• other general costs	1,347,227	1,274,188
<b>Total</b>	<b>2,627,300</b>	<b>2,435,635</b>

**costs for rents and leases**

• rental expense	99,592	97,070
• concession and license fees	293,184	262,571
<b>Total</b>	<b>392,776</b>	<b>359,641</b>

**expenses for employees**

• wages and salaries	2,200,346	2,074,536
• social security charges	704,460	677,451
• employee severance indemnity (TFR)	149,707	138,109
• other personnel costs	66,302	65,510
<b>Total</b>	<b>3,120,815</b>	<b>2,955,606</b>

Employees at 31.12.2015 totalled 49 and the breakdown is as follows:

	<b>C.C.N.L. applied</b>	<b>AGS 31.12.2014</b>	<b>AGS T 31.12.2014</b>	<b>Proforma 31.12.2014</b>	<b>incoming 2015</b>	<b>outgoing 2015</b>	<b>AGS 31.12.2015</b>
Managers	Managers	2	-	2	-	-	2
White collars	C.C.N.L.E.	26	3	29	1	-	30
Blue collars	C.C.N.L.E.	21	-	21	1	3	19
<b>Totals</b>		<b>49</b>	<b>3</b>	<b>52</b>	<b>2</b>	<b>3</b>	<b>51</b>
of which:							
- part-time		5	-	5	-	-	5

The average of employees is 49.

**depreciation/amortisation of fixed assets**

• intangible assets	51,873	117,824
• tangible assets	2,086,734	1,336,505
<b>Total</b>	<b>2,138,607</b>	<b>1,454,329</b>

**write-down of receivables**

**125,975      77,080**

<b>closing inventories</b>	<b>(82,208)</b>	<b>31,213</b>
<b>allocations to risks provision</b>	<b>0</b>	<b>0</b>
<b>other operating expenses</b>		
• gas distribution costs equalization fund	318,004	171,135
• sundry expenses	342,256	272,511
<b>Total</b>	<b>642,260</b>	<b>443,646</b>
<b>Total production costs</b>	<b>11,148,956</b>	<b>8,615,863</b>

The **Difference between Production Value and Costs** amounts to **573,433** **21,771**

### C) FINANCIAL INCOME AND EXPENSES

The following is the breakdown highlighting that other income from subsidiaries also includes the gain on the sale of Shen SpA mentioned in the report on operations.

	2015	2014
<b>Financial income</b>		
• income from investments		
- in subsidiaries	100,000	100,000
- in other companies	1,264,156	1,185,336
• interest income from subsidiaries	5,985	46,564
• interest income from associated companies	41,041	0
• other income from subsidiaries	0	20,356
• other interest income	8,346	4,879
• other income from subsidiaries	1,803,962	20,356
<b>Total</b>	<b>3,223,490</b>	<b>1,357,135</b>
<b>Financial expenses</b>		
• bank account interest expenses	(55,103)	(7,140)
• interest expenses on mortgages	(106,405)	0
• interest expenses on bond loan	(190,575)	(92,603)
<b>Total</b>	<b>(352,083)</b>	<b>(99,743)</b>
<b>Total financial income and expenses</b>	<b>2,871,407</b>	<b>1,257,393</b>



**E) EXTRAORDINARY INCOME AND EXPENSES**

Breakdown:	2015	2014
• contingent assets	2,005	4,566
• contingent liabilities	(16,327)	(27,154)
<b>Total extraordinary income and expenses</b>	<b>(14,322)</b>	<b>(22,588)</b>

**INCOME TAXES**

The breakdown of income taxes is as follows:	2015	2014
current	(179,778)	(125,030)
deferred	(203,960)	47,811
<b>Total taxes for the year</b>	<b>(383,738)</b>	<b>(77,219)</b>

**MANAGEMENT AND COORDINATION**

The Company is subject to management and coordination by the Municipality of Riva del Garda.

As required by article 2497-bis of the Civil Code, the table below shows the key figures of the last approved financial statements.

**MUNICIPALITY OF RIVA DEL GARDA**  
**- BALANCE SHEET -**

SUMMARY			
ASSETS		LIABILITIES	
ITEMS	31.12.2014	ITEMS	31.12.2014
A - RECEIVABLES FROM SHAREHOLDERS		A - SHAREHOLDERS' EQUITY	150,522,091
B - FIXED ASSETS		B - TRANSFERS	60,889,159
I - Intangible assets	3,327,747		
II - Tangible assets	126,818,274		
III - Financial assets	37,297,847		
C - CURRENT ASSETS		C - PAYABLES	7,363,877
I - Inventory	-		
II - Receivables	42,642,577	D - ACCRUALS AND DEFERRALS	1,113
III - Financial assets	-		
IV - Cash and cash equivalents	8,635,833		
D - ACCRUALS AND DEFERRALS	53,962		
<b>TOTAL ASSETS</b>	<b>218,776,240</b>	<b>TOTAL LIABILITIES</b>	<b>218,776,240</b>

**- RECLASSIFIED INCOME STATEMENT -**

SUMMARY	
DESCRIPTION	31.12.2013
A - OPERATING INCOME	26,901,178
B - OPERATING COSTS	(26,513,443)
DIFFERENCE	387,735
C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES	402,215
D - FINANCIAL INCOME AND EXPENSES	204,217
E - EXTRAORDINARY INCOME AND EXPENSES	1,809,369
ECONOMIC RESULT FOR THE YEAR	2,803,536

## OTHER INFORMATION

### Financial leases

The Company has no outstanding financial leases.

**Amount of financial expenses recognized during the year at the values recognized in the Balance Sheet assets**

No financial expenses were charged during the year on the amounts recognized in the Balance Sheet assets.

**Amount of income from investments, as indicated in article 2425, no. 15 of the Civil Code, other than dividends**

There is no income from investments other than dividends.

**Company shareholder loans**

It is noted that there were no loans made by shareholders to the company pursuant to article 2427, no. 19-bis of the Civil Code.

**Assets allocated to a specific business pursuant to letter a), first paragraph, article 2447-bis of the Civil Code**

There were no assets and/or relations referred to in the third paragraph of article 2447-septies of the Civil Code in relation to the assets intended for a specific business pursuant to letter a), first paragraph of article 2447-bis of the Civil Code.

**Allocation of income and constraints relating to loans intended for a specific business pursuant to article 2447-decies of the Civil Code**

There were no income and constraints related to the assets provided by the eighth paragraph of article 2447-decies of the Civil Code.

**Transactions with related parties**

Pursuant to article 2427, paragraph 1, no. 22-bis of the Civil Code, it is highlighted that the Company did not enter into significant transactions with related parties under conditions different from normal market conditions.

**Off-balance sheet transactions**

Pursuant to article 2427, paragraph 1, no. 22-ter of the Civil Code, it is highlighted that the Company has no "off-balance sheet" transactions.

**PROFIT FOR THE YEAR**

	2015	2014
<b>Profit for the year</b>	<b>3,046,781</b>	<b>1,179,357</b>

The document herewith, comprising the Balance Sheet, Income Statement and Notes, provides a true and fair view of the equity and financial situation and the economic result for the year and corresponds to the obligatory accounting records.

Riva del Garda, 29 March 2016

For the Board of Directors

**The Chairman**

*Floriano Migliorini*

Reconciliation statement between tax expense from financial statements and theoretical tax expense			
Description	Amount	IRES 27.5%	% expense
Pre-tax result	3,430,519		
Theoretical tax expense		1,097,766	27.50
PERMANENT INCREASES			
Costs of motor transport means - cars for mixed use	20,314		
Costs related to telephony	6,619		
IMU	7,981		
Non-deductible management fees	31,343		
Non-deductible amortisation	10,698		
Sundry	42,705		
<b>Total permanent increases</b>	<b>119,660</b>		
PERMANENT DECREASES			
Income from equity investments	1,295,948		
Income from gains on disposal of investments	1,713,764		
Deduction for Allowance for Corporate Equity	195,153		
Deduction for contribution pension funds	5,154		
Deduction for IRAP personnel portion	86,613		
Deduction for 10% IRAP	8,908		
<b>Total permanent decreases</b>	<b>3,305,540</b>		
TEMPORARY INCREASES			
Allocation to the provision for doubtful accounts	100,000		
Amortisation and depreciation	400,298		
<b>Total temporary increases</b>	<b>500,298</b>		
TEMPORARY DECREASES			
Connection contributions	130,832		
Provision for write-downs of tangible assets	25,186		
Tax loss AGST 2014	184,492		
Provision for risks on receivables	84,153		
<b>Total temporary decreases</b>	<b>424,663</b>		
<b>Taxable amount</b>	<b>320,274</b>	88,075	2.57

Reconciliation statement between tax expense from financial statements and theoretical tax expense			
Description	Amount	IRAP 2.60%	% expense
Net production value	3,820,225		
Theoretical tax expense		99,326	2.60
PERMANENT INCREASES			
Fees for legal bodies and coordinated and continuous collaborators	72,570		
Property municipal tax	7,981		
Sundry	40,659		
<b>Total permanent increases</b>	<b>121,210</b>		
PERMANENT DECREASES			
Tax wedge	120,365		
Regional deductions	138,010		
<b>Total permanent decreases</b>	<b>258,375</b>		
TEMPORARY INCREASES			
<b>Total temporary increases</b>	<b>0</b>		
TEMPORARY DECREASES			
Connection contributions	130,832		
Provision for write-downs of tangible assets	25,186		
<b>Total temporary decreases</b>	<b>156,018</b>		
<b>Taxable amount</b>	<b>3,527,042</b>	91,703	2.40

# STATEMENTS REFERRED TO IN POINT 14) OF ARTICLE 2427: DESCRIPTION OF THE TEMPORARY DIFFERENCES THAT LED TO THE RECOGNITION OF TAX ASSETS AND LIABILITIES

Receivables for deferred tax assets IRES	Deferred tax assets 2014			Reabsorptions 2015			Increases 2015			Adjustments	Total deferred tax assets		
	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (c)	Tax (d)	Taxable amount	Rate	Tax (a-b+c+d)
<b>Deductible differences</b>													
Contributions for connection of users	1,720,501	27.50%	473,138	-130,832	27.50%	-35,979	0	24.00%	0	-55,638	1,589,669	24.00%	381,521
Allocation to the provision for write-down of inventories	164,462	27.50%	45,227	0	27.50%	0	0	24.00%	0	-5,756	164,462	24.00%	39,471
Statutory amortization exceeding tax	3,288,240	27.50%	904,266	-13,739	27.50%	-3,778	400,298	24.00%	96,071	-114,607	3,674,799	24.00%	881,952
Allocation to the doubtful accounts provision	212,347	27.50%	58,395	-84,153	27.50%	-23,142	100,000	24.00%	24,000	-4,486	228,194	24.00%	54,767
Loss for FY 2014	243,155	27.50%	66,868	-243,155	27.50%	-66,868	0	24.00%	0	0	0	24.00%	0
Allocation risks provision	46,417	27.50%	12,765	0	27.50%	0	0	24.00%	0	-1,625	46,417	24.00%	11,140
Provision for write-down of tangible assets	32,184	27.50%	8,851	-25,186	27.50%	-6,926	0	24.00%	0	-245	6,998	24.00%	1,679
<b>Total</b>	<b>5,707,306</b>		<b>1,569,509</b>	<b>-497,065</b>		<b>-136,693</b>	<b>500,298</b>		<b>120,071</b>	<b>-182,357</b>	<b>5,710,539</b>		<b>1,370,529</b>

Receivables for deferred tax assets IRAP	Deferred tax assets 2014			Reabsorptions 2015			Increases 2015			Adjustments	Total deferred tax assets		
	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (b)	Taxable amount	Rate	Tax (c)	Tax (d)	Taxable amount	Rate	Tax (a-b+c+d)
<b>Deductible differences</b>													
Contributions for connection of users	1,720,501	3.54%	60,906	-130,832	3.54%	-4,631	0	3.54%	0	0	1,589,669	3.54%	56,274
Labour capitalization	2,593,119	3.54%	91,230	-147,160	3.54%	-5,209	176,182	3.54%	6,237	0	2,622,141	3.54%	92,258
Allocation to the provision for write-down of inventories	164,462	3.54%	5,822	0	3.54%	0	0	3.54%	0	0	164,462	3.54%	5,822
Allocation to the risks provision	46,417	3.54%	1,643	0	3.54%	0	0	3.54%	0	0	46,417	3.54%	1,643
Provision for write-down of tangible assets	32,184	3.54%	1,139	-25,186	3.54%	-892	0	3.54%	0	0	6,998	3.54%	248
Statutory amortization exceeding tax	776,191	3.54%	27,477	-13,739	3.54%	-486	0	3.54%	0	0	762,452	3.54%	26,991
<b>Total</b>	<b>5,332,874</b>		<b>188,218</b>	<b>-316,917</b>		<b>-11,219</b>	<b>176,182</b>		<b>6,237</b>	<b>0</b>	<b>5,192,139</b>		<b>183,236</b>

<b>Total receivables for deferred tax assets</b>			<b>1,757,727</b>			<b>-147,912</b>			<b>126,308</b>	<b>-182,357</b>			<b>1,553,765</b>
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## REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 PREPARED PURSUANT TO ARTICLE 2429, PARAGRAPH 2, CIVIL CODE.

This report was approved by a Board and in due time for the filing thereof at the company headquarters, in the 15 days preceding the date of the first call of the Shareholders' Meeting to approve the financial statements under review.

The Board of Directors thus made available the following documents approved on 29 March 2016, for the year ended 31 December 2015:

- draft Financial Statements, complete with Notes;
- Report on Operations.

The format of this report refers to the provisions of law and Rule no. 7.1. of the "Rules of Conduct of the Board of Auditors - Principles of Conduct of the Board of Auditors of unlisted companies", issued by the CNDCEC and in force as of 30 September 2015.

*The Board of Auditors noted that the Board took into account the obligation of drafting of the notes through the use of the so-called "XBRL taxonomy", needed to standardize said document and make it available for digital treatment: in fact, this is a requirement of the Companies Register managed by the Chamber of Commerce in execution of article 5, paragraph 4, of Prime Ministerial Decree no. 304 of 10 December 2008.*

### **Knowledge of the company, risk assessment and report on assignments entrusted**

Considering the established knowledge that the Board of Auditors claims to have regarding the company and with regard to:

- i) the nature of the activity conducted;
- ii) its organizational and accounting structure;

also taking into account the size and the problems of the company, it is reiterated that the "planning" phase of supervisory activities - during which it is necessary to assess the inherent risks and critical issues with respect to the two parameters mentioned above - has been implemented by means of the positive feedback with respect to as already known based on the information acquired over time.

The Board of Auditors monitored the two major corporate transactions undertaken by the company in 2015: the merger with accounting effect from 1.1.2015 of AGST SpA in AGS SpA and the sale in July 2015 of the entire shareholding in the company Shen SpA.

The Board of Auditors noted that the Report on Operations in the section "Significant events subsequent to year-end", it is informed that in February 2016, an appeal was submitted to the TAR (Regional Administrative Court) against the Municipality of Ledro and PAT for the administrative deeds issued for the projects of the 100% subsidiary Ledro Energia Srl. The Board of Directors did not consider it appropriate to propose - to the subsidiary - a suspension of the construction site (it assessed that the appeal does not preclude and does not involve delays in investments).

It was therefore possible to confirm that:

- the typical activities carried out by the company did not change in 2015, albeit impacted by the merger of AGST SpA company, and are consistent with as envisaged in the corporate purpose;
- the organizational and IT structures remained substantially unchanged;
- human resources that make up the "workforce" did not substantially change;
- in order to better understand the performance in 2015 compared to 2014, the Report on Operations contains proforma financial statements that aggregate the figures of AGS SpA and AGST SpA;
- it is also possible to note that in 2015, the company operated in terms comparable with the previous year and, consequently, our audits were conducted on these assumptions having verified the substantial comparability of values and results with those of the previous year with the consolidated financial statements.

This report therefore summarizes the activities concerning the information envisaged by article 2429,

paragraph 2, Civil Code, and more precisely:

- the results of the financial year;
- the activities carried out in the performance of duties provided for by law;
- the observations and proposals regarding the financial statements, with particular reference to the possible use by of the Board of the derogation referred to in article 2423, paragraph 4, Civil Code;
- the possible receipt of complaints from shareholders under article 2408 Civil Code.

However, we are completely available to discuss any further aspect during the meeting debate.

The activities carried out by the Board concerned, under the aspect of time, the entire year and during the financial year, the meetings of article 2404 Civil Code were regularly held and the related minutes were drafted and duly signed for unanimous approval.

### **Activities**

During the periodic audits, the Board took note of the evolution of the activities performed by the company, paying particular attention to contingent and/or extraordinary problems in order to identify the economic and financial impact thereof on the result of the year and on the equity structure, as well as any risks, such as those also deriving from losses on receivables, monitored with constant frequency.

Therefore, the Board regularly assessed the adequacy of the organizational and functional structure of the company and eventual changes with respect to the minimum requirements postulated by the operating performance.

Relationships with people that operate at the aforementioned structure - directors, employees and consultants - were inspired by mutual collaboration while respecting the roles entrusted to each one, having clarified those of the Board of Auditors.

For the entire year, it was ascertained that:

- the internal administrative personnel in charge of reporting company operations did not substantially change over the previous year;
- the level of its technical preparation remains adequate with respect to the type of ordinary company operations to be reported and can boast sufficient knowledge of business issues;
- external consultants and professionals entrusted with accounting, tax, corporate and labour law assistance have not changed and therefore have historical knowledge of the activities performed and managerial problems (also extraordinary) that have affected the results of the financial statements.

Given the relative simplicity of the management organization chart, the information required by article 2381, paragraph 5, Civil Code, was provided by the Managing Director periodically even above the minimum of 6 months both on the occasion of the scheduled meetings, and on the occasion of individual accesses of the members of the Board of Statutory Auditors at the company's headquarters and also by means of telephone and computer information contacts/flows with the members of the Board of Directors: from the foregoing, it derives that the executive directors have, in substance and in form, respected their obligations in accordance with the aforementioned regulations.

In conclusion, regarding the findings of the activities carried out, the Board of Auditors can state that:

- the decisions taken by the shareholders and the Board were in compliance with the law and the by-laws and were not manifestly imprudent or such as to definitely affect the integrity of corporate assets;
- sufficient information was acquired regarding the general performance of operations and outlook and the most significant transactions for their size or nature, carried out by the company;
- the transactions performed were also in compliance with the law and by-laws and are not in potential contrast with the resolutions passed by the Shareholders' Meeting, or such to affect the integrity of corporate assets;
- there are no specific observations regarding the adequacy of the company's organizational structure, nor regarding the adequacy of the administrative and accounting system and its reliability in correctly representing operations;
- during the supervision activities described above, there were no other significant events that



require mentioning in this report;

- it was not necessary to intervene for omissions of the Board pursuant to article 2406 Civil Code;
- no complaints were received pursuant to article 2408 Civil Code;
- no complaints were made pursuant to article 2409, paragraph 7, Civil Code.

### **Observations and proposals regarding the financial statements and their approval**

The draft financial statements for the year ended 31 December 2015 were approved by the Board and consist of the balance sheet, income statement and notes.

Moreover:

- the Board of Directors also prepared the Report on Operations pursuant to article 2428 of the Civil Code;
- these documents were submitted to the Board of Auditors in due time for filing at the headquarters of the company accompanied by this report, regardless of the term set out in article 2429, paragraph 1, Civil Code;
- the statutory audit is entrusted to the auditing company BDO Italia SpA, which prepared its report pursuant to article 14 Legislative Decree no. 39 of 27 January 2010; said report does not include any findings of significant deviations or negative opinions or inability to express an opinion or requests for information and the opinion issued is therefore positive.

The draft financial statements were further examined, regarding which the following additional information is also provided:

- the valuation criteria of assets and liabilities subject to this mandatory requirement were checked and were not substantially different from those adopted in previous years, in accordance with the provisions of Art. 2426 Civil Code;
- attention was paid to the format of the draft financial statements, overall compliance thereof with the law as regards the formation and structure thereof and in this regard, there are no observations that require mentioning in this report;
- compliance was verified with the rules of law governing the drafting of the report on operations and in this regard, there are no particular observations that require mentioning in this report;
- the Board, in drafting the financial statements, did not derogate from the rules of law pursuant to Art. 2423, paragraph 4, Civil Code;
- it has been verified that the financial statements correspond with the facts and information acquired following the fulfilment of the typical duties of the Board of Auditors and in this respect, no further observations are highlighted;
- pursuant to Art. 2426, paragraph 5, Civil Code, the significant values recognized in points B) I - 1) and B) I - 2) of the balance sheet assets were the subject of our specific audit with consequent consent to the recognition thereof; it is noted, for mere reference, that it will not be possible to distribute dividends by resorting to the profits reserves over the net amount of said item capitalized as an asset;
- pursuant to article 2426, no. 6, Civil Code, the Board of Auditors noted that there is no longer any goodwill value recognized under the item B-I-5) of the balance sheet assets;
- the correctness of the information contained in the notes was verified as regards the absence of asset and liability and passive financial and monetary positions arising originally in currencies other than the Euro;
- the system of "memorandum accounts and guarantees provided" has been exhaustively illustrated;
- information has been acquired from the supervisory body and note has been taken of the reports prepared by the same; in consideration of the extraordinary transactions carried out by AGS SpA in 2015, it was necessary to update some models and documents and the organizational model is in

the process of adaptation for subsequent approval of the Board of Directors;

- regarding the proposal of the Board relating to the allocation of the net result for the year shown at the end of the report on operations, the Board of Auditors has no observations, however, noting that the decision in regard is the responsibility of the Shareholders' Meeting.

**Result of the financial year**

The net result ascertained by the Board related to the year ended 31 December 2015, as also evident from the reading of the financial statements is positive for Euro 3,046,781.

**Conclusions**

Based on the foregoing and as has been brought to the attention of the Board of Auditors and as has been revealed by the periodic audits carried out, it is believed unanimously that there are no reasons against approval on your part of the draft financial statements for the year ended 31 December 2015 as drafted and proposed by the Board.

Arco, 14 April 2016

The Board of Statutory Auditors

Michela Zambotti

Luigino Di Fabio

Nicola Francesco Lenoci



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## INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ART. 14 OF LEGISLATIVE DECREE NO. 39 OF JANUARY 27<sup>th</sup>, 2010

To the Shareholders of  
 Alto Garda Servizi S.p.A.

### Report of the financial statements

We have audited the accompanying financial statements of Alto Garda Servizi S.p.A., which comprise the statement of financial position as of December 31, 2015, the income statement and other explanatory notes.

#### *Directors' responsibility for the financial statements*

The Directors are responsible for the preparation of financial statements that give a true and fair view in compliance with the Italian regulations and accounting principles governing financial statements.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to art. 11, paragraph 3 of Legislative Decree NO. 39/2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Aosta, Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Novara, Padova, Palermo, Pescara, Potenza, Roma, Torino, Treviso, Trieste, Verona, Vicenza

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Iscritta al Registro dei revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013

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***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of Alto Garda Servizi S.p.A. as of December 31, 2015 and of the result of its operations for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.

***Other matters***

The financial statements for the year ended December 31, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on June 10, 2015.

**Report on compliance with other laws and regulation*****Opinion on the consistency of the financial statements with the report on operations***

We have performed the procedures required by auditing standard (SA Italia) NO. 720B in order to express an opinion, as required by law, on the consistency of the report on operations, which are the responsibility of the Directors of Alto Garda Servizi S.p.A., with the financial statements of Alto Garda Servizi S.p.A. as of December 31, 2015. In our opinion, the report on operations is consistent with the financial statements of Alto Garda Servizi S.p.A as of December 31, 2015.

Verona, April 14, 2016

BDO Italia S.p.A.

Signed by  
Carlo Boyancé  
Partner

*This report has been translated into English from the Italian original solely for the convenience of international readers*