
ALTO GARDA SERVIZI S.p.A

Registered Office: Via Ardaro, 27 38066 Riva del Garda, Province of Trento, Italy
Trento Company Register Tax Code and VAT No. 01581060223
Share capital Euro 23,234,016.00, fully paid-up
Closing date 31 December 2030
Management and coordination by the Municipality of Riva del Garda

Draft Financial Statements
at 31.12.2016

20th FY

Corporate bodies

Board of Directors

Chair	Andrea Mora
Director	Manuela La Via
Director	Lara Marcabruni
Director	Marco Merler
Director	Fabrizio Veneri

Board of Statutory Auditors / Internal Control Committee

Chair	Michela Zambotti
Standing auditor	Luigino Di Fabio
Standing auditor	Nicola Lenoci

Independent Auditors

BDO Italia S.p.A.

Report on Operations

Economic context	page 4
Regulatory framework of reference	page 6
Operating performance	page 9
Investments	page 11
Human Resources	page 13
Economic and Financial Results	page 13
Other information	page 17
Transactions with related parties	page 18

Financial Statements

Balance Sheet	page 23
Income Statement	page 25
Statement of Cash Flows	page 27
Statement of changes in shareholders' equity	page 28
Notes to the financial statements	page 29

Report of the Board of Statutory Auditors

Report of the Independent Auditors

Report on Operations

We hereby submit for your approval the financial statements for the year ended 31 December 2016 and the accompanying reports that the Board of Directors have prepared to illustrate the results achieved. This report has been prepared in accordance with the Italian Civil Code and the accounting standards adopted for the preparation of the financial statements were the International Financial Reporting Standards ("IFRS"). The 2016 financial statements are the first to be drawn up in accordance with the IFRS that the company adopted following the listing of the Minibond on 12 December 2016 on the regulated market of the Vienna Stock Exchange. In order to make the 2016 financial statements comparable with the 2015 financial statements, the latter have been reclassified with the same IFRS.

ECONOMIC CONTEXT

During 2016, the world economy, despite the many uncertainties, showed a fair resistance to potentially destabilising events. There were, in fact, many fears about the continuation of the global cyclical recovery and about the dynamics of the European economies and, in particular, of the Italian economy. The risks were mainly dictated by electoral choices in the United States and referendums in the United Kingdom and Italy, but also by the persistence of conflicts in the Middle East and terrorist attacks. GDP and international trade dynamics have been positive over the period: the greater vigour shown in the second half of the year by the main world economies has been matched by signs of recovery and prospects for a slight improvement in trade flows, which remain, however, still rather weak.

In 2016, while Germany recorded higher growth than the Eurozone average, France was below the Eurozone average. Spain has grown to a significantly higher level, but by leveraging on debt, and, in the opinion of many, it will not be able to maintain this trend for long.

In the United Kingdom, despite all the uncertainties related to the way in which the exit from the European Union will take place, the economic recovery has remained robust, disproving the forecasts of a sudden halt in the aftermath of the outcome of the referendum. However, due to the uncertainty generated by the Brexit, it is not excluded that investment and growth may slow down in the coming months.

In Italy, growth has been rather moderate and well below the European average; however, the situation of public finances has improved, both in terms of deficit and debt, and there have been some encouraging signs on the labour market as well as the strengthening of consumption and industrial production. On the other hand, the reduction in the expansion of domestic demand, and in part of exports, was reflected in the already modest growth trend, which, moreover, was accompanied by the continuation of the trend of low inflation. Finally, it should be considered that the more expansionary fiscal policies implemented are expected to support household consumption and expenditure, as well as improvements in business accounts and the implementation of investment projects.

The gross demand for electricity in Italy in 2016 amounted to 310.3 TWh (terawatt-hour TWh = billions of kWh), a decrease of 6.6 TWh (-2.1%) compared to the previous year.

Domestic production, net of pumping, covered 88% of demand, an increase (+2.6%) compared to 2015.

In 2016, net electricity production, up 3.2 TWh, saw a reduction in hydroelectric production of 4.2 TWh (-8.9%), partly offset by higher thermoelectric production of 4.6 TWh (+2.5%).

With regard to other renewable sources, the positive trend of recent years continued, with growth of 2.8 TWh (+6.5%), mainly due to higher production from wind farms (+2.8 TWh; +18.7%), which more than offset the slight decrease in photovoltaic production (-0.1 TWh; -0.2%). The net import balance decreased by 9.4 TWh (-20.2%) due to lower flows from France, while pumping consumption increased by 0.5 TWh (+27%).

With reference to the pricing scenario, at 31 December 2016, the average PUN stood at 42.7 Euro/MWh, a decrease of 18% compared to the previous year (52.3 Euro/MWh). This decrease is due to a significant reduction in thermoelectric generation costs (gas and coal), lower demand for electricity (-2.1% on an annual basis) and large availability of renewable energy from wind sources (+18.7%).

The demand for natural gas in Italy in 2016 recorded an increase of 5.2% over the previous year, amounting to about 70.4 billion cubic meters, with a total increase of about 3.5 billion cubic meters.

This increase is mainly attributable to the thermoelectric sector, which benefited from a sharp reduction in electricity imports and a reduction in hydroelectric production and coal-fired power plants; the consumption of gas plants increased by 2.5 billion cubic meters compared to 2015 (+12.4%).

In 2016, gas prices were 35.5% lower than in 2015, averaging 207.3 Euro/000 scm (standard cubic meters).

COMPANY ACTIVITIES

First of all, it should be noted that starting with the 2016 financial statements, the financial statements of Alto Garda Servizi S.p.A. have been prepared in accordance with the EU IFRS accounting standards in force at the date of approval of the financial statements, with a transition date of 1 January 2015. The effects of this decision are highlighted in the notes, to which reference should be made for further details.

As far as the Company's results are concerned, we confirm that they are positive, improving compared to the previous year considering that in 2015, there was an extraordinary item of about Euro 1.8 million due to the gain from the sale of the subsidiary Shen S.p.A.

Alto Garda Servizi S.p.A. (hereinafter also "AGS" or "AGS S.p.A.") 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;
- 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.

It should be noted that the AGS structure was involved throughout the year in the commissioning of the woodchip cogeneration plant of the subsidiary Ledro Energia S.r.l., which saw the start of production of electricity and thermal energy, and this activity will continue into 2017 with the completion of the investment and the start of production of pellets.

During the year, the sale of the improvements of the water service to the Municipality of Riva del Garda was completed, recording a gain for the Company of approximately Euro 90 thousand and income of Euro 3.4 million.

In December 2016, two important events are remembered:

- listing of the minibond on the Vienna Stock Exchange;
- purchase of treasury shares for a value of Euro 3.2 million.

REGULATORY FRAMEWORK OF REFERENCE

As already mentioned, AGS 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, 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

In this sector, the 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 organise the water cycle.

The two rulings issued by the Constitutional Court on 10 March 2016 and by the Regional Administrative Court of Lombardy on 11 October 2016, which grant the Autonomous Province of Trento primary legislative authority with regard to its own tariff regulation for the integrated water service, should be noted.

It should be noted that with regard to Alto Garda and Ledro, a company, Alto Garda Impianti S.r.l., has been set up by all the municipalities, to which the same municipalities are considering whether to confer by the end of 2017 the management service of the water service.

Natural gas sector

During 2016, the application of the distribution and metering tariffs continued in accordance with the principles introduced for the fourth regulatory period (2014- 2019), partly amended by Resolution 583/2015 of 2 December 2016, which modified the rate of return on invested capital from 6.1% to 6.6%.

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 (A.P.R.I.E.) 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 Autonomous Province of Trento 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 2015, AGS already paid the amount required by the Autonomous Province of Trento as an advance and will be repaid, including interest, by the new concessionaire upon award of the service. With the 2017 budget law, the Autonomous Province of Trento, by virtue of the recognised legislative powers in this sector, extended the date of publication of the call for tenders for the award of the gas distribution service to 31 December 2018.

Electricity sector

In 2016, the regulations governing the electric power distribution sector did not change significantly with respect to the Provincial Plan, the main points of which can be summarized 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 rationalise the distribution service, it will be possible to transfer portions of SET Distribuzione S.p.A. 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 (A.P.R.I.E.), 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 Autonomous Province of Trento 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 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.

With regard to revenues related to this sector, Resolution 654 of 28 December 2015 updated the tariffs applied to end customers and defined the criteria for the new tariff period for the distribution and measurement of electricity that will be in force for 8 years (2016 - 2023), providing for a decrease of about 5%. It should be noted that the same resolution provided for Companies under 100,000 pods a system of recognition of investments made, no longer on an individual basis but on a parametric basis. However, since these parameters are still in the definition phase, the Company has defined 2016 revenues correlating them exclusively to the number of customers as in previous years.

District heating sector

The distribution of heat through the district heating network is carried out in the Riva del Garda area and concerns 270 customers, mainly apartment buildings or hotels. The heat is supplied by Alto Garda Power Srl, a company 20% owned by AGS and 80% by Cartiere del,

At present, there is no specific regulation and it should be noted that since the tariffs are not determined by the public body, business is not considered as a public service activity.

OPERATING PERFORMANCE

Firstly, it should be noted that the financial statements of Alto Garda Servizi are the first to be drawn up in accordance with the international accounting standards (EU IFRS). The adoption of these standards and the consequent changes in the valuation criteria of some items in the financial statements led to a profit of Euro 2,093,090 at the end of 2016.

The following is an overall analysis of the performance of operating costs and revenues, referring to the explanatory notes for further details. The 2015 financial statements were also prepared using the same international accounting standards in order to provide a timely and consistent comparison.

Revenues

The production value indicated in the financial statements amounted to Euro 11.83 million, in line with the previous year. 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	2016	2015	difference %
electricity	3.9	4.1	-4.88%
methane gas	2.5	2.5	-1.19%
water/sewage	1.9	1.5	27.09%
heat	2.9	3.1	-6.45%
Other revenues	0.6	0.6	0.00%
Total	11.8	11.8	-0.21%

	2016 qty. distributed	2015 qty. distributed	difference %
GWh electricity	80.3	80.7	-0.50%
mcm methane gas	42.8	40.1	6.73%
mcm drinking water	1.8	1.8	0.00%
Mwh heat	44,132	42,079	4.88%

Electricity sector

In 2016, the energy that transited in the network has decreased by 0.50% 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 2016, the demand for gas recorded an increase of 6.73% compared to the previous year. This trend is exclusively due to higher industrial consumption for the commissioning of a customer's cogeneration plant. 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 equalisation purposes, the year 2016 benefited from the effect resulting from the replacement of existing meters with other ones more compliant with local regulations.

Water sector

In 2016, the quantities of the water sector were in line with the previous year, while revenues benefited from the tariff increase of sewerage and the sale of improvements to the water service, which resulted in a gain of Euro 90 thousand, in addition to a contingent asset of Euro 185 thousand for the reintroduction of connection contributions connected to the water networks sold.

District heating sector

In 2016, there was an increase in the quantities distributed (4.88%) compared to 2015, mainly due to the weather trend. At the same time, a decrease in turnover (-6.45%) was recorded, partly offset by the lower purchase cost of raw material and the consequent retention of the margin. It should be remembered that district heating tariffs are correlated to the trend in the price of methane gas and therefore, despite the presence of greater quantities distributed, there may be, as in the current financial year, decreases in revenues and in the purchase cost of the raw material.

Other revenues

Other revenues are in line with the previous year and mainly refer to public lighting services, both ordinary and extraordinary maintenance activities. It should be noted that the Company was awarded the contract for the renovation of the public lighting of some of the streets in the Municipality of Riva del Garda for an amount of approximately Euro 130 thousand. Most of the renovation works were carried out in 2016.

Costs

With regard to production costs, their overall trend marks an increase compared to 2015 from Euro 11.0 million to Euro 11.1 million.

This trend was affected, on the one hand, by the increase in operating expenses and service costs incurred for the listing of the Mini Bond (which cannot be capitalised using IFRS), and, on the other hand, by the decrease in the cost of purchasing heat due to the positive trend of the gas price.

Personnel costs decreased compared to 2015, and depreciation costs also decreased, although offset by the increase in costs for the use of third-party assets.

INVESTMENTS

Investments made in 2016 amounted to Euro 1,020 million compared to Euro 1,768 million in the previous year. Investments are detailed in the following table and described by sector.

(values in Euro thousands)

	2016	2015	delta a.v.	delta %
electricity service	639	722	(83)	-11%
gas service	73	255	(182)	-71%
water service	29	159	(130)	-82%
district heating	105	449	(344)	-77%
common services	174	183	(9)	-5%
Total	1,020	1,768	(748)	-42%

Electricity sector

Distribution is performed 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 2016 amounted to Euro 639 thousand compared to Euro 722 thousand in 2015.

In 2016, the Company continued activities to improve the electricity infrastructure through a series of work on medium and low voltage networks and stations. The main interventions on the network concerned the town of Nago with the transfer to the 20KV line of the MV/LV cabins powered by the 6KV network and the

conclusion of the 20KV delivery point at Passo San Giovanni. These investments allowed the dismantling of the aerial power line of the town of Nago.

Electricity network		2016	2015
Medium-voltage networks	km	96	96
Low-voltage networks	km	97	97
Total meters	no.	15,623	15,538

Methane gas sector

Distribution is performed in the Municipalities of Riva del Garda, Arco, Dro and Tenno. Investments in the natural gas sector totalled Euro 73 thousand.

Gas network		2016	2015
Medium-pressure networks	Km	33	33
Low-pressure networks	km	129	124
Total meters	no.	16,312	16,255

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 water intake plant 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.

During 2016, the improvements to the water service made by the company from 1998 to 2016 were sold and consequently, the ownership is entirely of the Municipality of Riva del Garda. As a result of this operation, it was necessary to amend the service contract relating to the management of these infrastructures.

Water network		2016	2015
Network extension	km	103	102
Total meters	no.	10,458	10,384

District heating sector

In 2016, resources were invested for Euro 105 thousand mainly regarding new connections and arrangement of road sections.

District heating network		2016	2015
Network extension	km	25.5	24.2
Total customers	no.	270	261

Joint investments

Joint investments, amounting to Euro 174 thousand, mainly include investments in fibre optics for the extension to the Municipality of Nago-Torbole and extraordinary maintenance work at the sites.

HUMAN RESOURCES

At 31 December 2016, AGS S.p.A. had 50 employees.

The breakdown of personnel by category is as follows:

	C.C.N.L.	AGS			AGS
	applied	31.12.2015	incoming 2016	outgoing 2016	31.12.2016
Managers	Managers	2	-	-	2
White collars	C.C.N.L.E.	30	1	2	29
Blue collars	C.C.N.L.E.	19	-	-	19
Totals		51	1	2	50
of which:					
- part-time		5	-	-	5

Labour costs in 2016 amounted to Euro 3.095 million, an improvement compared to Euro 3.143 million in 2015. As in previous years, regulatory obligations and the Company's constant commitment to ensuring high standards in the performance of its work activities have led to safety training and continuous/recurrent training representing the most significant initiatives in terms of hours provided. Specifically, 12 courses for a total of 532 hours have been provided for workers.

In 2016, there was only one accident that occurred while commuting.

ECONOMIC AND FINANCIAL RESULTS

Alto Garda Servizi S.p.A. closed the year 2016 with a net profit of Euro 2,903,090 compared to Euro 3,864,695 in the previous year.

The 2015 Income Statement was positively affected by the gain of Euro 1.8 million for the sale of the subsidiary Shen S.p.A., net of which it should be noted that the profit for 2016 would be higher than for 2015. In 2016, there was a gain/surplus from the sale of the improvements to the water service for Euro 285 thousand and an increase in revenues from energy production for Euro 40 thousand.

Net operating margin, on the other hand, decreased from Euro 790 thousand in 2015 to Euro 646 thousand in 2016, due to the costs incurred for the listing of the Mini Bond (Euro 75 thousand) and extraordinary items linked to adjustments for gas and energy equalisation and green certificates no longer feasible for a total of Euro 104 thousand.

Financial management reported a profit of Euro 2,356 thousand, with a decrease of Euro 1,082 thousand compared to 2015, which included the gain of Euro 1,804 thousand for the sale of the entire shareholding of AGS S.p.A. in Shen S.p.A.

The pre-tax result thus amounted to Euro 3.0 million, with a decrease of about Euro 1,226 thousand compared to the previous year.

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:

Index	Formula	2016	2015
ROE	Net Result / Equity	7.18%	9.14%
ROI	Operating Result / Total Assets	1.03%	1.27%
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation	2,573,774	2,780,312

ROE (Return On Equity) allows measuring the return for shareholders of the investment made in the Company. In 2016, the index recorded a value of 7.18%, a decrease compared to 2015 (9.14%). 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 S.p.A.

ROI (Return On Investment) allows measuring the return of investments made in the company's core business. In 2016, the index was 1.03%, a decrease compared to 1.27% of 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 2016, by virtue of the considerations mentioned in the first part of this paragraph, is down Euro 206 thousand with respect to as obtained in the previous year.

Income Statement

(values in Euro thousands)

	2016	%	2015	%
production value	11,830	100.00	11,805	100.00
production cost	(6,162)	(52.09)	(5,881)	(49.82)

added value	5,668	47.91	5,924	50.18
personnel cost	(3,095)	(26.16)	(3,143)	(26.62)
gross operating margin	2,573	21.75	2,781	23.56
amortization, depreciation, write-downs and allocations	(1,928)	(16.30)	(1,991)	(16.87)
net operating margin	645	5.45	790	6.69
financial operations	2,356	19.92	3,438	29.12
pre-tax result	3,001	25.37	4,228	35.82
taxes	(98)	(0.83)	(363)	(3.07)
net result	2,903	24.54	3,865	32.74

Balance Sheet

(values in Euro thousands)

	2016	%	2015	%
Fixed assets	55,634	89	54,571	88
Current assets	6,935	11	7,431	12
Invested Capital	62,569	100	62,002	100

	2016	%	2015	%
Shareholders' Equity	42,424	68	43,910	71
Minorities' Capital	20,145	32	18,092	29
Financing Capital	62,569	100	62,002	100

AGS S.p.A. has a solid and balanced financial situation.

Fixed assets account for 89% of Total Assets and are covered by shareholders' equity for 68%.

Liabilities show a decrease in the incidence of shareholders' equity due to the purchase of treasury shares for Euro 3.2 million.

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

Index	Formula	2016	2015
Debt and equity to asset	$(\text{Shareholders' Equity} + \text{Consolidated Liabilities}) / \text{Long-term Capital}$	109.83%	106.0%
Financial autonomy	$(\text{Current Financial Liabilities} + \text{Consolidated Financial Liabilities}) / \text{Shareholders' Equity}$	30.46%	25.1%
Loan rigidity	$\text{Fixed Capital} / \text{Total Assets}$	76.44%	82.2%
Inventory turnover	$\text{Warehouse outgoing} / \text{Warehouse average value}$	1.1	1.0

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 characterised 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 109.83%.

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 30.45%, an increase compared to 25.10% of the previous year.

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 S.p.A. showed a net decrease in value, going from 82.2% in 2015 to 76.44% in 2016, mainly due to the effect of the sale of improvements to the water service. The figure is consistent with the type of activity carried out by the Company, which is based on fixed capital rather than working capital.

The inventory turnover index allows understanding the speed at which the material purchased is used. AGS has had a rotation value of 1.10 in 2016, an improvement compared to the 2015 figure. 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.

OTHER INFORMATION

Dividends

The positive results achieved in 2016, combined with a solid financial structure, make it possible to propose the distribution of a dividend of Euro 1.50 per share for this year as well. The total amount is Euro 630 thousand, which will largely benefit the community.

Audit of the financial statements

The financial statements of AGS S.p.A. are audited by BDO Italia S.p.A., a company appointed by the Shareholders' Meeting in March 2017 to audit the accounts pursuant to Articles 13/16, par. 1, Legislative Decree No. 39 of 27 January 2010, for the period 2016-2024.

Publication of the Financial Statements

These financial statements will be published by the Directors in accordance with the law.

Treasury shares

As provided for in Article as provided for in Article 2428 of the Italian Civil Code, it is specified that at 31 December 2016, the company directly owns 27,058 treasury shares. At 31 December 2016, subsidiaries and associated companies did not hold shares of AGS S.p.A. and did not purchase or sell such shares in 2016. In 2016, there were no issuances of dividend-bearing shares, bonds convertible into shares and other securities or similar instruments.

Outlook

The economic and financial forecasts for the year 2017, approved by the Board of Directors last December, are confirmed and forecast a positive result that is substantially in line with 2016.

Management and coordination activities

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

As required by Article 2497-bis of the Italian 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	31.12.2015	ITEMS	31.12.2015
A - RECEIVABLES FROM SHAREHOLDERS		A - SHAREHOLDERS' EQUITY	152,015,567
B - FIXED ASSETS		B - TRANSFERS	58,073,294
I - Intangible assets	2,836,102		
II - Tangible assets	124,797,983		
III - Financial assets	37,650,943		
C - CURRENT ASSETS		C - PAYABLES	6,856,820
I - Inventories	-		
II - Receivables	40,217,700	D - ACCRUALS AND DEFERRALS	1,401
III - Financial assets	-		
IV - Cash and cash equivalents	11,431,935		
D - ACCRUALS AND DEFERRALS	12,419		
TOTAL ASSETS	216,947,082	TOTAL LIABILITIES	216,947,082

- RECLASSIFIED INCOME STATEMENT -

SUMMARY	
DESCRIPTION	31.12.2015
A - OPERATING INCOME	23,665,740
B - OPERATING COSTS	(23,730,798)
DIFFERENCE	(65,058)
C - INCOME AND EXPENSES FROM SPECIAL AND INVESTEE COMPANIES	412,079
D - FINANCIAL INCOME AND EXPENSES	186,584
E - EXTRAORDINARY INCOME AND EXPENSES	959,870
ECONOMIC RESULT FOR THE YEAR	1,493,475

TRANSACTIONS WITH RELATED PARTIES**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 S.p.A. 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

AGS S.p.A. exercises management and coordination activities over the subsidiary Ledro Energia S.r.l., with which it has a service contract in place for technical and administrative services, as well as a loan. These relations are settled at arm's length.

The Company has availed itself of the provisions of Article 73, last paragraph, Presidential Decree 633/72 (Group VAT) for VAT payments and has opted for the tax consolidation as far as direct taxes are concerned. The associated company Alto Garda Power S.r.l., with registered and operational office in Riva del Garda, supplies to AGS S.p.A. the heat necessary for the supply of district heating to customers connected to the Riva del Garda network. AGS S.p.A. has recognised an interest-bearing loan towards Alto Garda Power S.r.l. under receivables from associated companies. All contracts are stipulated at market conditions.

AGS S.p.A. has a take-or-pay contract concerning the purchase of electricity and heat that defines minimum quantities and price calculation mechanisms for future periods.

The following table shows the key figures for the associated company Alto Garda Power S.r.l.

	At 31 December	
(Euro thousands)	2016	2015
Fixed assets	32,269	36,036
Credits and debits	7,606	9,831
Financial payables	-763	6,070
Equity	25,426	20,135

RISK MANAGEMENT

Risk Management: credit management objectives and policies

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:

Liquidity risk

Liquidity risk is defined as the possibility that available financial resources may be insufficient to meet commitments. The Company has adequate credit lines to meet liquidity needs and has structured medium/long-term credit lines, both in the form of loans and bonds, unsecured and appropriate to the investments made.

The following table analyses financial liabilities (including trade and other payables), which are expected to be repaid within one year, in the period between one and five years and more than five years.

At 31 December 2016			
	Maturity		
	Within 1 year	Between 1 and 5 years	Over 5 years
Trade payables	1,419,557	0	0
Payables to banks and other lenders	2,814,090	3,624,464	6,483,518
Other payables	3,316,438	0	0
TOTAL	7,550,085	3,624,464	6,483,518

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.

Credit risk

The company's customers are mainly wholesalers of electricity and methane gas and, for the part related to district heating/water, retail customers. The long-lasting relationships and the solidity of the major customers induce the Directors to consider remote the credit risk if not in its physiological form.

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.

Occupational health and safety

The Company, which has always been attentive to the protection of the safety and health of its employees (and in general of all those involved in the activities of the company) has as its objective not only the respect

of the regulations in force on the subject, but a set of actions aimed at improving working conditions. For this reason, it is constantly committed to spreading a culture of safety based on the development of risk perception, the promotion of responsible behaviour by all employees and the sharing of responsibilities among all those involved in the Company's activities. Risk assessment documents are updated to reflect the development of the operating structures and conditions and changes in regulations.

It should be noted that the only accident that occurred in the year 2016 occurred while commuting outside working hours.

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 along with the adaptation of the website, reporting regularly to the Board of Directors.

It is noted that pursuant to Article 20, 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 office appointed by 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: the Corruption Prevention Manager drafts the three-year Corruption Prevention 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 organisation, 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: TAGS 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 the planning, control and measurement of performance.

BALANCE SHEET

Assets	Notes	31.12.2016	31.12.2015
Non-current assets			
Property, plant and equipment	7.1	32,017,423	36,302,748
Intangible assets	7.2	201,084	107,625
Equity investments	7.3	15,611,237	14,553,522
Non-current financial receivables	7.4	6,139,496	1,914,952
Deferred tax assets	7.5	1,664,779	1,692,144
Total non-current assets		55,634,019	54,570,991
Current assets			
Inventories	7.6	549,954	547,700
Trade receivables	7.7	4,669,796	4,664,994
Receivables from parent company, associated companies, subsidiaries	7.8	249,873	174,032
Current tax receivables	7.9	280,122	112,858
Other current assets	7.10	728,388	1,463,572
Cash and cash equivalents	7.11	457,310	467,490
Total current assets		6,935,443	7,430,646
Total Assets		62,569,462	62,001,637

Liabilities and Shareholders' Equity	Notes	31.12.2016	31.12.2015
Shareholders' Equity			
Share Capital	7.12	23,234,016	23,234,016
Reserves	7.12	16,316,455	16,811,542
Net result of the year	7.12	2,903,090	3,864,695
Total Shareholders' Equity		42,424,361	43,910,253
Non-current liabilities			
Non-current financial payables	7.13	10,107,982	10,115,352
Employee benefits	7.14	1,410,267	1,424,806
Provisions for risks and charges	7.15	46,417	46,417
Total non-current liabilities		11,564,666	11,586,575
Current liabilities			
Current financial payables	7.13	2,814,090	900,628
Trade payables	7.16	1,419,557	1,408,079
Payables to parent company, associated companies, subsidiaries	7.17	1,461,920	1,097,134
Tax payables	7.18	98,087	151,195
Other current payables	7.19	2,786,781	2,947,773
Total current liabilities		8,580,435	6,504,809
Total Liabilities		20,145,101	18,091,384
Total Liabilities and Shareholders' Equity		62,569,462	62,001,637

INCOME STATEMENT

Figures in Euro	Notes	31.12.2016	31.12.2015
Revenues from sales and services	8.1	9,801,679	9,831,782
Other revenues and income	8.2	1,551,832	1,282,125
Increases in fixed assets for internal work	8.3	474,579	608,481
Change in inventories	8.4	2,254	82,208
Total operating revenues and income		11,830,344	11,804,596
Cost of raw materials, consumables and goods	8.5	(1,968,963)	(2,183,430)
Costs for services	8.6	(2,757,934)	(2,648,808)
Leasehold improvements	8.7	(551,251)	(392,776)
Personnel costs	8.8	(3,094,610)	(3,142,688)
Amortisation/Depreciation of fixed assets	8.9	(1,775,418)	(1,864,651)
Provisions and write-downs	8.10	(152,714)	(125,974)
Other operating expenses	8.11	(883,811)	(656,583)
Total operating costs		(11,184,701)	(11,014,910)
GROSS OPERATING PROFIT/LOSS		645,643	789,686
Income from equity investments	8.12	1,460,868	3,168,118
Financial expenses	8.13	(299,113)	(375,336)
Financial income	8.14	81,996	55,372
Revaluations	8.15	53,672	0

Income and expenses from investments - Equity method	8.16	1,058,200	590,000
--	------	-----------	---------

RESULT BEFORE TAXES		3,001,266	4,227,840
----------------------------	--	------------------	------------------

Current and Deferred Tax	8.17	(98,176)	(363,145)
--------------------------	------	----------	-----------

NET RESULT OF THE YEAR		2,903,090	3,864,695
-------------------------------	--	------------------	------------------

Comprehensive Income Statement		31.12.2016	31.12.2015
---------------------------------------	--	-------------------	-------------------

Result of the Income Statement		2,903,090	3,864,695
--------------------------------	--	-----------	-----------

Amounts that will not be subsequently reclassified to profit/(loss) of the year		-25,830	149,607
---	--	---------	---------

Amounts that will be subsequently reclassified to profit/(loss) for the year		0	0
--	--	---	---

RESULT FOR THE PERIOD		2,877,260	4,014,302
------------------------------	--	------------------	------------------

STATEMENT OF CASH FLOWS

Figures in Euro	FOR THE YEAR ENDED 31 DECEMBER	
	2016	2015
Pre-tax result	3,001,266	4,227,840
Adjustments for:		
Amortization, depreciation, write-downs and provisions	1,928,132	1,990,626
Result of investments valued with the equity method and[illegible]	-1,058,200	-590,000
Financial (Income)/Expenses	217,117	319,964
Employee benefits	-44,464	-44,524
(Gains)/Losses from disposal of assets	-89,000	0
Fair value valuations	-65,044	0
Dividends collected	-1,460,868	-3,168,118
Cash flow from operating activities before changes in working capital	2,428,939	2,735,788
Increase/(Decrease) in employee benefits	-95,232	-151,258
(Increase)/Decrease in inventories	-2,254	-82,208
(Increase)/Decrease in trade receivables	-80,643	-785,304
(Increase)/Decrease in other assets/liabilities and assets/liabilities for	870,262	35,818
Increase/(Decrease) in trade payables	11,478	422,435
Dividends collected	1,460,868	1,364,118
Interest income and other financial income received	81,996	55,372
Interest expense and other financial expenses paid	-299,113	-375,336
Use of provisions for risks and charges	0	0
Taxes paid	-121,289	-122,000
Cash flows from operating activities (a)	1,826,073	361,637
Investments in intangible assets	-137,883	-84,000
Investments in tangible assets	-882,074	-1,684,000
Divestments of tangible assets	3,437,000	0
Net investments in equity investments	0	0
(Increase)/Decrease in other investment activities	-4,224,544	3,677,000
Merger effect AGST Spa	0	527,000
Cash flow from investment/divestment activities (b)	-1,807,501	2,436,000
Financial payables (new issues of long-term loans)	1,905,462	0
Financial payables (repayments and other net changes)	0	-4,566,428
Purchase of treasury shares	-3,150,000	0
Dividends paid	-1,213,153	-625,503
Cash flow from financing activities (c)	-2,457,691	-5,191,931
<i>Increase/(Decrease) in cash and cash equivalents (a+b+c)</i>		
Cash and cash equivalents at the beginning of the year	467,490	125,996
Cash and cash equivalents at the end of the year	457,310	467,490

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Legal reserve	Share premium reserve	Treasury shares reserve	Other reserves and retained earnings	Net result of the year	Total shareholders' equity
BALANCE AT 1 January 2015	23,234,016	867,799	2,937,747	-1,300	13,483,192	0	40,521,454
Transactions with shareholders:							
Dividend distribution					-625,502		-625,502
Total transactions with shareholders	0	0	0	0	-625,502	0	-625,502
Allocation of the result for the year to the reserve	0	58,968	0	0	-58,968	0	0
Comprehensive result of the year:							
Net result	0	0	0	0	0	3,864,695	3,864,695
Actuarial gains/(losses) for employee benefits, net of tax effect	0	0	0	0	149,607	0	149,607
Total comprehensive result of the year	0	0	0	0	149,607	3,864,695	4,014,302
BALANCE AT 31 DECEMBER 2015	23,234,016	926,767	2,937,747	-1,300	12,948,329	3,864,695	43,910,254
Transactions with shareholders:							
Dividend distribution					0	-1,213,153	-1,213,153
Total transactions with shareholders	0	0	0	0	0	-1,213,153	-1,213,153
Allocation of the result for the year to the reserve	0	152,339	0	0	2,499,203	-2,651,542	0
Comprehensive result of the year:							
Net result	0	0	0	-3,150,000	0	2,903,090	-246,910
Actuarial gains/(losses) for employee benefits, net of tax effect	0	0	0	0	-25,830	0	-25,830
Total comprehensive result of the year	0	0	0	-3,150,000	-25,830	2,903,090	-272,740
BALANCE AT 31 December 2016	23,234,016	1,079,106	2,937,747	-3,151,300	15,421,702	2,903,090	42,424,361

1. GENERAL INFORMATION

Alto Garda Servizi S.p.A. is a company incorporated and domiciled in Italy and organised according to the legal system of the Italian Republic, with registered office in Riva del Garda, Via Ardarò 27.

At 31 December 2016, the share capital of the company was held by:

SHAREHOLDER	NO. OF SHARES DUE	%
PUBLIC AUTHORITIES		
MUNICIPALITY OF RIVA DEL GARDA	253,017	56.628%
MUNICIPALITY OF NAGO-TORBOLE	6,806	1.523%
MUNICIPALITY OF ARCO	200	0.045%
MUNICIPALITY OF DRO	120	0.027%
MUNICIPALITY OF LEDRO	120	0.027%
MUNICIPALITY OF TENNO	100	0.022%
MUNICIPALITY OF DRENA	20	0.004%
PRIVATE ENTITIES		
DOLOMITI ENERGIA HOLDING S.P.A.	89,362	20.000%
ISTITUTO ATEINO DI SVILUPPO S.P.A.	53,508	11.976%
F.LLI BONORA S.N.C.	6,683	1.496%
CASSA RURALE ALTO GARDA	4,616	1.033%
CASSA CENTRALE CASSE RURALI	3,616	0.809%
EL.MA S.R.L.	1,582	0.354%
TREASURY SHARES	27,058	6.056%
TOTAL	446,808	100.00%

2. SUMMARY OF THE ACCOUNTING STANDARDS ADOPTED

The main accounting criteria and standards applied in the preparation of the Company's financial statements are shown below. These accounting standards have been applied on a consistent basis for all the years presented in this document.

2.1 Basis of preparation

European Regulation no. 1606/2002 of 19 July 2002 introduced the obligation, with effect from 2005, to apply the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and adopted by the European Union for the preparation of financial statements of companies with equity and/or debt securities listed on one of the regulated markets of the European

Community. As a result of the listing on the Vienna Stock Exchange on 12 December 2016 of a Euro 5 million mini-bond, the Company was required to prepare its financial statements in accordance with IFRS.

The company had already prepared the financial statements for the year ended 31 December 2015 in accordance with the accounting standards issued by the National Council of Chartered Accountants and Bookkeepers.

Note 13 "First-time application of IFRS" contains the disclosures required for the purposes of IFRS 1 concerning the first-time application of the EU IFRS.

The financial statements have been prepared in accordance with the EU IFRS in force at the date of application without reservations on compliance.

The financial statements have been prepared on a going concern basis and on the basis of the conventional historical cost method, with the exception of a number of accounting items that are recognised at fair value at the date of the financial statements in accordance with the provisions of international accounting standards.

These financial statements have been drawn up on the basis of the best knowledge of the IFRS and taking into account the best theory on the subject; any future orientations and interpretative updates will be reflected in subsequent years, in accordance with the procedures established from time to time by the reference accounting standards.

These draft financial statements were approved by the company's Board of Directors on 16 May 2017.

2.2 Form and content of the financial statements

The Company has made the following choices with regard to the form and content of the financial statements:

- The statement of financial position presents current and non-current assets separately and similarly represents current and non-current liabilities;
- The statement of comprehensive income for the year includes not only the result for the year, but also the changes in shareholders' equity relating to items of an economic nature which, in accordance with international accounting standards, are recorded among the components of shareholders' equity;
- The cash flow statement for the year is presented using the indirect method

the formats used are those that best represent the economic, equity and financial situation of the Company.

These financial statements have been prepared in Euro, the company's functional currency.

The financial statements are audited by the independent auditors BDO Italia S.p.A..

2.3 Accounting standards and valuation criteria

Intangible assets

Concessions and other intangible assets consist of non-monetary elements, which can be identified as such and are not physically significant, controllable and capable of generating future economic benefits.

Concessions and other intangible assets are recognised at purchase and/or production cost, including directly attributable expenses for preparing the asset for use, net of accumulated amortisation and any impairment losses.

Amortisation of intangible assets begins when the asset is available for use and is systematically allocated in relation to its residual useful life, i.e. on the basis of its estimated useful life.

IFRIC 12 "Service Concession Arrangements" states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognised as intangible assets if the operator has the right to receive a payment from the customer for the service provided, or as a financial asset if the operator has the right to receive payment from the public sector entity.

In particular, IFRIC 12 applies to service concession arrangements from public to private if the concessionaire:

- controls or regulates which services the concessionaire is to provide with the infrastructure, to whom it is to provide them and at what price;
- controls, through ownership or otherwise, any significant residual interest in the infrastructure at the end of the term of the agreement.

In order to assess the applicability of these provisions for the Company, the management carried out a careful analysis of the concession for the distribution of electricity and methane gas. On the basis of these analyses, the application conditions provided for by the interpretation in question do not appear to be met, as the concessionaire has full control of the infrastructure.

Property, plant and equipment

Tangible assets are valued at purchase and/or production cost, net of accumulated depreciation and any impairment losses. The cost includes the costs directly incurred to make their use possible, as well as the costs incurred for ordinary and cyclical maintenance and repairs are directly charged to the income statement when incurred.

Operating properties are measured at fair value. Depreciation is charged on a straight-line basis at rates that allow the assets to be depreciated until their useful life is exhausted.

DESCRIPTION		DESCRIPTION	
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 PIPES	4.00%	SOFTWARE	3 YEARS
		STUDIES AND RESEARCH	3 YEARS
TANKS	2.00%	CONCESSIONS, LICENSES CED	5 YEARS
LIFTING SYSTEMS	6.67%		
AQUEDUCT PIPES/SEWERAGE	2.50%		
DISTRICT HEATING NETWORK	3.33%		
METERING INSTRUMENTS	5.00%	THIRD-PARTY ASSETS – HQ OFFICES	RESIDUAL YEARS LEASE
METERING INSTRUMENTS DISTRICT HEATING	6.67%		

Equity investments

Investments in subsidiaries and other companies are valued at purchase cost, while investments in associated companies are valued using the equity method. Dividends from equity investments are recognised in the income statement when the shareholders' right to receive payment is established.

Trade receivables and other current and non-current assets

Trade receivables and other current and non-current assets are financial instruments, mainly relating to trade receivables, which are non-derivative and not listed on an active market, from which fixed or determinable payments are expected to flow. Trade receivables and other receivables are classified as current assets in the balance sheet, except for those with a contractual maturity of more than 12 months with respect to the reporting date, which are classified as non-current assets.

Trade receivables and other current and non-current assets are recorded at amortised cost taking into account the time factor. Impairment losses on receivables are recognised in the income statement when there is objective evidence that the Company will not be able to recover the receivable on the basis of the contractual terms. The amount of the write-down is measured as the difference between the carrying amount of the asset and the present value of expected future cash flows. The value of receivables is shown in the financial statements net of the related provision for doubtful accounts.

Inventories

Inventories of raw and ancillary materials, consumables and goods are valued at the lower of their weighted average cost and market value at the reporting date.

The weighted average cost is determined by reference period for each inventory code. The weighted average cost includes direct material and labour costs and indirect costs (variable and fixed). Inventories

are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the income statement.

Cash and cash equivalents

These include bank current accounts and other short-term, highly liquid financial investments that can be readily converted into cash.

Treasury shares

Repurchases of treasury shares are deducted from the capital as they represent contributed capital. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or derecognition of equity instruments. The amount paid or received is recognised directly in equity. The amount of treasury shares held is shown separately in the notes, in accordance with IAS 1 presentation of the financial statements.

Financial liabilities trade payables and other payables

Financial liabilities, trade payables and other payables are initially recognised in the income statement at fair value, net of directly attributable incidental costs, and subsequently measured at amortised cost, applying the effective interest rate method. If there is an estimable change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the present value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified as current liabilities, unless the company has an unconditional right to defer their payment for at least 12 months after the reference date. Financial liabilities are derecognised when they are settled and when the Company has transferred all the risks and charges relating to them. The valuation at nominal value approximates the fair value.

Provisions for risks and charges

Provisions for risks and charges are recognised for losses and charges of a specific nature, whose existence is certain or probable, but whose amount and/or date of occurrence cannot be determined. Provisions are recognised only when there is a current obligation (legal or implicit) for a future outflow of economic resources as a result of past events and it is probable that such outflow will be required to settle the obligation. This amount represents the best estimate of the cost of settling the obligation. The rate used to determine the present value of the liability reflects current market values and takes into account the specific risk associated with each liability. The increase in the value of the provision due to a change in the cost of money over time is recorded as a financial expense. The risks for which the occurrence of a liability

is only possible are highlighted in the specific information section on contingent liabilities and no provision is allocated for them.

Personnel provisions

Personnel provisions include defined contribution plans and defined benefit plans. With reference to defined contribution plans, costs relating to such plans are recognised in the income statement when incurred. With reference to defined benefit plans, the company's net liabilities are determined separately for each plan by estimating the present value of the future benefits that employees have accrued in the current year and in previous years and deducting the fair value of any assets at the service of the plan. The present value of obligations is based on the use of actuarial techniques that attribute the benefit deriving from the plan to the periods in which the obligation to disburse it arises (projected unit credit method) and is based on actuarial assumptions that are objective and compatible with each other. Plan assets are recognised and measured at fair value. If such calculation results in a contingent asset, the amount to be recognised is limited to the present value of any economic benefits available in the form of future refunds or reductions in future contributions to the plan. The components of the cost of defined benefits are recognised as follows:

- costs relating to the provision of services are recognised in the income statement under personnel costs;
- net financial expenses on a defined benefit liability or asset are recognised in the income statement as financial income/expense, and determined by multiplying the net asset/liability value by the rate used to discount the obligations taking into account contribution and benefit payments made during the period.
- the components used to measure the net liability, which include actuarial gains and losses, the return on assets, excluding interest income recognised in the income statement and any changes in the limit on assets, are immediately recognised in the statement of comprehensive income, among changes in shareholders' equity relating to items of an economic nature. Such components shall not be reclassified to profit or loss at a later period.

Revenue recognition

Revenues from the sale of goods are recognised in the comprehensive income statement at the time of transfer to the customer of the risks and rewards relating to the product sold, which normally coincides with the delivery or shipment of the goods to the customer; those for services are recognised in the accounting period in which the services are rendered. Revenues are recorded at fair value of the amount received. The Company recognises revenues when their amount can be reliably estimated and it is probable that the related future economic benefits will be recognised. Depending on the type of transaction, revenues are recognised on the basis of the following specific criteria:

- revenues from the sale and distribution of electricity, thermal energy, gas and water are recognised at the time of transfer of ownership, which essentially takes place at the time of supply or service, even if not invoiced, and are determined by integrating with appropriate estimates those recorded by reading consumption.

Revenues from services are recorded at the time they are provided or in accordance with the terms of the contract.

Cost recognition

Costs are recognised at the time of acquisition of the good or service.

Tax

Current taxes are calculated based on the taxable income for the period, applying the prevailing tax rates at the reporting date. Prepaid and deferred tax are calculated on the basis of all the differences that emerge between the tax value of an asset or liability and its book value. Deferred tax assets, including those relating to previous tax losses, are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax liabilities and assets are determined using the tax rates that are expected to be applicable in the years in which the differences will be realised or settled, on the basis of the tax rates in force or substantially in force at the reporting date. Current taxes and deferred tax liabilities and assets are recorded in the income statement, with the exception of those relating to items directly debited or credited to shareholders' equity, in which case the related tax effect is also recognised directly in shareholders' equity.

3. ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires the application by the Directors of accounting standards and methods which, in certain circumstances, are based on valuations and estimates based on historical experience and on assumptions that are from time to time considered reasonable and realistic in relation to the relative circumstances. The application of these estimates and assumptions influences the amounts recognised in the financial statements, as well as the information provided. The final results of the items of the financial statements for which said estimates and assumptions were used may differ from those in the financial statements that show the effects of the occurrence of the event subject of the estimate due to the uncertainty that characterises the assumptions and conditions on which the estimates are based. The following is a brief list of the items that, in relation to the Company, require the greatest subjectivity on the part of the Directors in making estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the Company's financial results.

- a) **Impairment test:** the book value of tangible and intangible assets is reviewed periodically and whenever circumstances or events require more frequent review. If it is considered that the carrying amount of a group of non-current assets is impaired, the group is written down to its recoverable amount which is estimated with reference to its use or future disposal, depending on the Group's latest plans. Management is of the opinion that the estimates of such recoverable amounts are reasonable, although possible changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements.
- b) **Deferred tax assets:** deferred tax assets are accounted for on the basis of expectations of taxable income in future years in order to recover them. The valuation of expected taxable income for the purposes of accounting for deferred tax assets depends on factors that may vary over time and have significant effects on the recoverability of receivables for deferred tax assets.
- c) **Provisions for risks and charges:** for legal risks, provisions are made to cover the risk of a negative outcome. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the Directors. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact with respect to the current estimates made by Directors for the preparation of the Company's financial statements.
- d) **Provision for doubtful accounts:** for legal risks on failure to collect trade receivables, provisions are made to cover the risk. The value of the provisions recorded in the financial statements relating to these risks represents the best estimate at the date made by the Directors. Such an estimate entails making assumptions that depend on factors that may change over time and which could therefore have a material impact with respect to the current estimates made by Directors for the preparation of the Company's financial statements.

4. ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS ISSUED BY THE IASB AND APPROVED BY THE EU, TO BE ADOPTED COMPULSORILY AS FROM THE FINANCIAL STATEMENTS OF THE YEARS BEGINNING ON 1 JANUARY 2016

The accounting standards, valuation criteria and estimates adopted are the same as those used for the preparation of the financial statements at 31 December 2015 presented for comparative purposes, with the exception of those set out in the standards and amendments below, as they have become mandatory following the completion of the related approval procedures by the competent authorities. These standards and amendments have had no significant effects on the financial statements of the Company.

Document title	Issue date	Effective date	Approval date	EU Regulation and publication date
Defined benefit plans: employee contributions (amendments to IAS 19)	November 2013	1 February 2015 (for the IASB: 1 July 2014)	17 December 2014	(EU) 2015/29 9 January 2015
Improvements to International Financial Reporting Standards (2010-2012 cycle)	December 2013	1 February 2015 (for the IASB: 1 July 2014)	17 December 2014	(EU) 2015/28 9 January 2015
Agriculture: fruit plants (amendments to IAS 16 and IAS 41)	June 2014	1 January 2016	23 November 2015	(EU) 2015/2113 24 November 2015
Accounting for Acquisitions of Interests in Jointly Controlled Entities (Amendments to IFRS 11)	May 2014	1 January 2016	24 November 2015	(EU) 2015/2173 25 November 2015
Clarification of Acceptable Depreciation Methods (Amendments to IAS 16 and IAS 38)	May 2014	1 January 2016	2 December 2015	(EU) 2015/2231 3 December 2015
Annual cycle of improvements to IFRS 2012-2014	September 2014	1 January 2016	15 December 2015	(EU) 2015/2343 16 December 2015
Disclosure Initiative (Amendments to IAS 1)	December 2014	1 January 2016	18 December 2015	(EU) 2015/2406 19 December 2015
Equity Method in Separate Financial Statements (Amendments to IAS 27)	August 2014	1 January 2016	18 December 2015	(EU) 2015/2441 23 December 2015
Investment entities: application of the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	December 2014	1 January 2016	22 September 2016	(EU) 2016/1703 23 September 2016

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPLICABLE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

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

Document title	Issue date	Effective date	Approval date	EU Regulation and publication date
IFRS 15 - Revenue from Contracts with Customers	May 2014	1 January 2018	22 September 2016	(EU) 2016/1905 29 October 2016
IFRS 9 - Financial instruments	July 2014	1 January 2018	22 November 2016	(EU) 2016/2067 29 November 2016

None of the accounting standards and/or interpretations have been adopted in advance whose application would be compulsory for annual periods beginning on or after 31 December 2016.

5. ACCOUNTING STANDARDS NOT YET APPROVED BY THE EUROPEAN UNION

IAS/IFRS and related IFRIC interpretations applicable to financial statements for years beginning after 1 January 2016.

Document title	Date issued by the IASB	Effective date of the IASB document
Standards		
IFRS 14 Regulatory Deferral Accounts	January 2014	The IFRS came into force on 1 January 2016, but the European Commission decided to suspend the endorsement process pending the new accounting standard on "rate-regulated activities"
IFRS 17 Insurance Contracts	May 2017	1 January 2021
IFRS 16 Leases	January 2016	1 January 2019
Amendments		
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	September 2014	Deferred until completion of the IASB project on the equity method
Amendment to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	January 2016	1 January 2017
Amendment to IAS 7: Disclosure Initiative	January 2016	1 January 2017
Clarifications to IFRS 15 Revenue from Contracts with Customers	April 2016	1 January 2018
Amendment to IFRS 2: Classification and Measurement of Share-based Payment Transactions	June 2016	1 January 2018
Amendment to IFRS 4: Regarding the implementation of IFRS 9 Financial Instruments	September 2016	1 January 2018
Amendments to IAS 40: relating to transfers of investment property	December 2016	1 January 2018
Annual Improvements 2014-2016	December 2016	01 January 2018
IFRIC 22 Foreign currency transactions and advance consideration	December 2016	1 January 2018

At the date of preparation of this document, the Company is analysing the implications deriving from the application of the new accounting standards reported above, assessing whether their adoption will have a significant impact on its financial statements in the future.

ESTIMATION OF FAIR VALUE

In relation to financial instruments measured at fair value, the following table shows the information on the method chosen for the determination of the fair value. The applicable methodologies are divided into the following levels, based on the source of the available information, as described below:

- Level 1: fair value determined with regard to quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair value determined using valuation techniques, based on inputs that are observable in active markets;
- Level 3: fair value determined using valuation techniques, based on market inputs that are not observable.

The table below shows the assets measured at fair value at 31 December 2016.

At 31 December 2016			
	Level 1	Level 2	Level 3
Electrical cabins and instrumental buildings/land	0	3,873,900	0
Investment Alto Garda Power	0	5,084,715	0
TOTAL	0	8,958,615	0

6. NOTES TO THE STATEMENT OF FINANCIAL POSITION

7.1 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	TOTAL
Balance as at 31 December 2015	4,067,688	29,878,284	2,176,970	179,806	36,302,748
Of which:					
Historical cost	5,111,030	46,481,361	3,554,238	1,139,396	56,286,025
Accumulated amortisation	-1,043,342	-16,603,077	-1,377,268	-959,590	-19,983,277
Purchases	187,577	618,287	96,662	33,220	935,746
Disposals	0	-4,645,631	-7,713	-9,267	-4,662,611
Derecognition of accumulated depreciation	0	1,276,467	7,425	9,267	1,293,159
Write-down of assets	0	-127,621	6,996	0	-120,625
Amortisation	-109,699	-1,358,424	-206,421	-56,450	-1,730,994
Balance as at 31 December 2016	4,145,566	25,641,362	2,073,919	156,576	32,017,423
Of which:					
Historical cost	5,298,607	42,326,396	3,650,183	1,163,349	52,438,535
Accumulated amortisation	-1,153,041	-16,685,034	-1,576,264	-1,006,773	-20,421,112

With regard to tangible assets, it should be noted that costs for services provided by internal personnel have been capitalised for Euro 146,086. It should be noted that from 2015, the amortisation of the gas networks has been suspended because the net book value is certainly lower than the value that will be recognised to the Company by the incoming operator at the time of the award of the tender, the announcement of which will be published by the end of 2018. The decrease in the item "Plants and machinery" is due to the transfer of water service improvements to the Municipality of Riva del Garda. Pursuant to IFRS 1.30, the net book value of the item "Land and Buildings" of Euro 3,702 thousand at 31 December 2014 was positively adjusted for Euro 85 thousand.

7.2 INTANGIBLE ASSETS

	Industrial patents and intellectual property rights	Concessions	Other intangible assets	TOTAL
Balance as at 31 December 2015	15,957	1,172	90,496	107,625
Of which:				
Historical cost	966,476	540,712	274,477	1,781,665
Accumulated amortisation	-950,519	-539,540	-183,981	-1,674,040
Increases	55,541	0	82,342	137,883
Amortisation	-29,047	-1,172	-14,205	-44,424

Balance as at 31 December 2016	42,451	0	158,633	201,084
Of which:				
Historical cost	1,022,017	540,712	356,819	1,919,548
Accumulated amortisation	-979,566	-540,712	-198,186	-1,718,464

The item "Other intangible assets" includes capitalized improvements to the headquarters in Riva del Garda, Via Ardaro 27 rented from the Municipality of Riva del Garda.

Note 7.3. EQUITY INVESTMENTS

The breakdown of the item "Equity investments" is shown below:

At 31 December		
	2016	2015
Investments in subsidiaries	100,000	100,000
Investments in associated companies	5,084,715	4,027,000
Investments in other companies	10,426,522	10,426,522
TOTAL EQUITY INVESTMENTS	15,611,237	14,553,522

Pursuant to Article 2427, paragraph 5, of the Italian Civil Code, the following table summarises the main information relating to investee companies:

Subsidiaries	HQ	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Ledro Energia S.r.l.	Via Giacomo Cis 38067 Ledro	100,000	-123,111	-192,846	100	100,000
TOTAL						100,000

Associated companies		Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Alto Garda Power S.r.l.	Viale Rovereto 38066 Riva del Garda	1,750,000	25,426,000	4,777,000	20	5,084,715
TOTAL						5,084,715

Other companies	HQ	Share Capital	Shareholders' equity	Profit/ (loss) for the year	% Investment	Book value
Dolomiti Energia Hol. S.p.A.	Via Manzoni, 24 38068 Rovereto	411,496,169	501,642,754	46,710,985	1.18	5,381,324
Dolomiti Energia S.p.A.	Via Fersina, 23 38121 Trento	20,200,000	103,200,647	26,927,406	4.54	2,562,000
SET Distribuzione S.p.A.	Via Manzoni, 24 38068 Rovereto	112,241,777	161,062,168	10,696,150	2.14	2,400,358
Primiero Energia S.p.A.	Via Guadagnini, 31 38054 S.Martino	9,938,990	42,286,593	1,287,201	0.81	81,840
Distretto Tecnologico	Via Filzi 38068 Rovereto	282,000	418,459	44,714	0.35	1,000

TOTAL	10,426,522
--------------	-------------------

Pursuant to IFRS 1.31, the value of investments in associated companies was positively adjusted for Euro 1,945 thousand.

With regard to the equity investment in Ledro Energia S.r.l., it should be noted that on 30 March 2017, the share capital increase of Euro 1.1 million was subscribed and paid up in order to provide the company with the necessary equity.

7.4 NON-CURRENT FINANCIAL RECEIVABLES

"Non-current financial receivables" at 31 December 2016 and 2015 are detailed below.

At 31 December		
	2016	2015
Interest-bearing loan subsidiary Ledro Energia Srl	5,200,000	1,010,000
Interest-bearing loan associate Alto Garda Power Srl	939,289	899,921
Other receivables	207	5,031
Total	6,139,496	1,914,952

7.5 DEFERRED TAX ASSETS

The following table breaks down deferred tax assets by type of temporary difference at 31 December 2016 and 2015.

Receivables for deferred tax assets IRES	Deferred tax assets 2015		Reabsorptions 2016		Increases 2016		Total deferred tax assets	
	Tax	Tax	Tax	Tax	Tax	Tax	Tax	Tax
Deductible differences								
Contributions connection users	1,351,060	324,254	-320,710	-76,970	0	0	1,030,350	247,284
Allocation provision for write-down of inventories	164,462	39,471	0	0	0	0	164,462	39,471
Statutory amortization exceeding tax	3,654,799	877,152	-10,677	-2,562	249,791	59,950	3,893,913	934,539
Allocation doubtful accounts provision	228,194	54,767	0	0	0	0	228,194	54,767
Other employee benefits	834,693	200,445	-3,406	-817	0	0	831,287	199,776
Provisions for Risks	46,417	11,140	0	0	0	0	46,417	11,140
Provision for write-down of tangible assets	6,998	1,679	-6,998	-1,680	127,621	30,629	127,621	30,629
Total	6,286,623	1,508,908	-341,791	-82,030	377,412	90,579	6,322,244	1,517,605

Receivables for deferred tax assets IRAP	Deferred tax assets 2015		Reabsorptions 2016		Increases 2016		Total deferred tax assets	
	Tax	Tax	Tax	Tax	Tax	Tax	Tax	Tax
Deductible differences								
Contributions connection users	1,351,060	56,274	-320,710	-11,353	11,376	4	1,041,726	44,925
Capitalisation of labour	2,622,141	92,258	-932,394	-33,007	124,340	4,402	1,814,087	63,653
Allocation provision for write-down of inventories	164,462	5,822	0	0	0	0	164,462	5,822
Provisions for Risks	46,417	1,643	0	0	0	0	46,417	1,643
Provision for write-down of tangible assets	6,998	248	-6,998	-248	127,621	4,518	127,621	4,518
Statutory amortization exceeding tax	762,452	26,991	-10,677	-378	0	0	751,775	26,613
Total	4,953,530	183,236	-1,270,779	-44,986	263,337	8,923	3,946,088	147,174

Total receivables for deferred tax assets		1,692,144		-127,015		99,502		1,664,779
---	--	-----------	--	----------	--	--------	--	-----------

Receivables for Deferred tax assets were recalculated on the basis of the adjustments that emerged during the transition.

7.6 INVENTORIES

The breakdown of the item "Inventories" at 31 December 2016 and 2015 is provided below.

At 31 December		
	2016	2015
Raw and ancillary materials and consumables	549,954	547,700
TOTAL	549,954	547,700

7.7 TRADE RECEIVABLES

The breakdown of "Trade receivables" at 31 December 2016 and 2015 is provided below.

At 31 December		
	2016	2015
Receivables from customers	4,948,993	4,944,608
Provision for doubtful accounts	-279,197	-279,614
TOTAL	4,669,796	4,664,994

Trade receivables, shown net of the related provision for doubtful accounts, mainly includes trade receivables and provisions for invoices to be issued for the distribution of energy and gas and the sale of heat and water at their estimated realisable value. Receivables refer entirely to the geographical area of Italy.

The provision for doubtful accounts showed the following changes in 2016 and 2015:

Provision for doubtful accounts	
At 1 January 2015	261,402
Allocations	125,976
Utilisations	-107,764
At 31 December 2015	279,614
Allocations	25,093
Utilisations	-25,510
At 31 December 2016	279,197

7.8 RECEIVABLES FROM PARENT, SUBSIDIARY AND ASSOCIATED COMPANIES

The breakdown of the item "Receivables from parent, subsidiary and associated companies" at 31 December 2016 and 2015 is provided below.

At 31 December

	2016	2015
Receivables from parent company	102,139	148,357
Receivables from subsidiaries	145,238	18,187
Receivables from associated companies	2,496	7,488
TOTAL	249,873	174,032

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. Receivables from subsidiaries refer to technical/administrative services provided for Ledro Energia S.r.l., governed by a specific service contract.

7.9 CURRENT TAX RECEIVABLES

The breakdown of the item "Current tax receivables" at 31 December 2016 and 2015 is provided below.

	At 31 December	
	2016	2015
VAT	82,791	1,461
IRES reimbursement 2007- 2011	111,397	111,397
IRES	85,934	0
Total	280,122	112,858

7.10 OTHER CURRENT ASSETS

The breakdown of the item "Other current assets" at 31 December 2016 and 2015 is provided below.

	At 31 December	
	2016	2015
PAT - road cutting depot	54,831	52,249
Gas revenues equalisation fund	60,000	22,824
Energy revenues equalisation fund	286,402	248,441
Gas Safety Premium Adjustment Fund	0	86,104
PAT – advance gas tender costs	43,081	43,081
PAT - district heating network contributions	39,559	756,483
Equalization fund 6th two-month period 2015	58,221	79,421
INAIL	1,700	6,273
Sundry	140,928	113,321
Accrued and deferred assets	43,666	55,375
Total	728,388	1,463,572

It should be noted that in 2016, the Company collected most of the receivables for contributions granted by the Autonomous Province of Trento for the construction of the district heating network. During 2017, the remaining part will be collected.

7.11 CASH AND CASH EQUIVALENTS

The breakdown of the item "Cash and cash equivalents" at 31 December 2016 and 2015 is provided below.

At 31 December

	2016	2015
Bank and postal deposits	456,060	466,186
Cash-in-hand and cash equivalents	1,250	1,304
TOTAL	457,310	467,490

This item includes cash on hand and bank deposits actually available.

SHAREHOLDERS' EQUITY

7.12 SHAREHOLDERS' EQUITY

Changes in shareholders' equity reserves are reported in the schemes of these financial statements. At 31 December 2016, the Company's share capital amounted to Euro 23,234,016 and consisted of 446,808 ordinary shares with a nominal value of Euro 52 each. The breakdown of shareholders' equity is shown below:

	31/12/2016	31/12/2015
Share capital	23,234,016	23,234,016
Legal reserve	1,079,106	926,767
Share premium reserve	2,937,747	2,937,747
Reserve for portfolio treasury shares	-3,151,300	-1,300
Extraordinary reserve	12,889,910	11,189,651
FTA reserve	1,589,614	1,589,614
IAS 19 reserve	124,263	149,607
Retained earnings reserve	817,915	19,456
Profit/ (loss) for the year	2,903,090	3,864,695
TOTAL SHAREHOLDERS' EQUITY	42,424,361	43,910,253

First-time adoption (FTA) reserve

The FTA reserve includes the equity effect of the transition to IFRS, determined at the transition date of 1 January 2015. Below is the detail of the "FTA reserve" set up following the conversion to international accounting standards at the aforementioned date.

FTA reserve	
Property appraisal value adjustment to <i>fair value</i>	85,524
Valuation of affiliated companies using the equity method	1,945,000
Discounting of employee benefits and severance pay	-834,693
Discounting of deferred liabilities	262,332
Adjustment of deferred tax assets	131,451
Total	1,589,614

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

Description	amount	possibility of units	use available	Summary of utilisations made in the three previous financial years	
				for loss coverage	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	1,079,106	B	1,079,106	-	-
- reserve for portfolio treasury shares	(3,151,300)			-	-
- statutory reserves	-			-	-
- extraordinary reserve	12,889,909	A,B,C	12,889,909	-	587,650
- FTA reserve	1,589,614		-	-	-
- IAS 19 reserve	124,263		-	-	-
- retained earnings or losses	817,915	A,B,C	-	-	-
Totals	39,521,270		16,906,762	-	587,650
Non-distributable portion			(4,016,853)		
Residual distributable portion			12,889,909		

A: for capital increase

B: for loss coverage

C: for distribution to shareholders

7.13 CURRENT AND NON-CURRENT FINANCIAL PAYABLES

The table below shows current and non-current financial payables at 31 December 2016 and 2015.

	At 31 December		At 31 December	
	2016		2015	
	Current	Non-current	Current	Non-current
Payables to banks	2,814,090	5,107,982	900,628	5,115,352
Bond	0	5,000,000	0	5,000,000
TOTAL	2,814,090	10,107,982	900,628	10,115,352

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 and is currently listed on the Vienna Stock Exchange: the price on the date of admission was 100 and at the end of the year, there were no deviations.

7.14 EMPLOYEE BENEFITS

The Company provides employees (including retired employees) with both post-employment and other benefits. These benefits include "employee severance indemnities", additional monthly payments for reaching age limits or for accrual of the right to retirement pension, loyalty bonuses for reaching certain seniority requirements at the company and discounts on the price of electricity consumed for domestic use. Changes in the Employee Severance Indemnity and other employee benefits for the years ended 31 December 2016 and 31 December 2015 are shown below:

At 31 December 2015

	TFR	Loyalty Bonuses	Monthly salaries Additional	Energy discounts	Total
Liabilities at the start of the period	871,693	69,702	183,996	495,197	1,620,588
Current cost of the service	36,926	5,160	10,591	4,283	56,960
Interest from discounting	12,059	1,007	2,760	7,428	23,254
Benefits paid	-91,305	0	-13,965	-21,119	-126,389
Actuarial losses/(gains)	-100,304	-6,276	-23,835	-19,192	-149,607
Liabilities at the end of the period	729,069	69,593	159,547	466,597	1,424,806

At 31 December 2016

	TFR	Loyalty Bonuses	Monthly salaries Additional	Energy discounts	Total
Liabilities at the start of the period	729,069	69,593	159,547	466,597	1,424,806
Current cost of the service	69,112	4,883	10,084	3,282	87,361
Interest from discounting	13,834	1,410	3,239	9,472	27,955
Benefits paid	-76,984	0	-7,686	-19,762	-104,432
Actuarial losses/(gains)	-4,654	754	9,132	-30,655	-25,423
Liabilities at the end of the period	730,377	76,640	174,316	428,934	1,410,267

The following is a breakdown of the assumptions used in the actuarial valuations:

At 31 December

	2016	2015
Discount rate/discount	1.31%	2.03%
Inflation rate	1.50%	1.75%
Overall salary increase rate	2.50%	2.75%
Annual TFR increase rate	2.63%	2.63%

Under the terms of IAS 19.145, the sensitivity analysis shows a maximum differential of Euro 18 thousand. The analysis was carried out by changing the turnover rate by +/- 1%, the inflation rate by +/- 0.25% and the discount rate by +/- 0.25%.

7.15 PROVISIONS FOR RISKS AND CHARGES

The item "Provisions for risks and charges" amounted to Euro as at 31 December 2016 and is broken down as follows:

At 31 December

	2016	2015
Provisions for risks and charges	46,417	46,417

TOTAL	46,417	46,417
--------------	---------------	---------------

It refers exclusively to the allocation for the equalisation components, which have been estimated in the absence of reliable data to determine them.

7.16 TRADE PAYABLES

The table below shows "Trade payables", which include payables for the supply of goods and provision of services, at 31 December 2016 and 31 December 2015. Payables refer entirely to the geographical area of Italy.

	31.12.2016	31.12.2015
Suppliers of goods and services	1,419,557	1,408,079
Total	1,419,557	1,408,079

7.17 PAYABLES TO PARENT COMPANY, ASSOCIATED COMPANIES, SUBSIDIARIES

The table below shows "Payables to parent, associated and subsidiary companies" at 31 December 2016 and 31 December 2015. Payables refer entirely to the geographical area of Italy.

	At 31 December	
	2016	2015
Payables to parent company	245,411	6,083
Payables to subsidiaries	1,093,286	914,452
Payables to associated companies	123,223	176,599
TOTAL	1,461,920	1,097,134

They refer mainly to payables to the parent entity, the Municipality of Riva del Garda, for "Municipal Concessions" and other commercial items connected with concessions for electricity, gas, drinking water/sewerage and electricity production services, which are governed by specific service contracts. 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. Payables to parent company include the purification component that refers to the billing portion for the water service performed by AGS S.p.A. at 31 December 2016 to end customers and that is then turned over to the Municipality of Riva del Garda.

Payables to subsidiaries are due to the transfer by the subsidiary Ledro Energia S.r.l. Of some of its receivables from the tax authorities for direct and indirect taxes to the parent company in relation to the adhesion of Group VAT and the tax consolidation.

7.18 TAX PAYABLES

The table below shows "Tax payables" at 31 December 2016 and 31 December 2015.

	31.12.2016	31.12.2015
Tax liabilities IRES	0	53,368
Tax liabilities IRAP	977	2,669
Withholding taxes on employees and collaborators IRPEF	95,616	94,063
Virtual stamp duty	1,494	1,095
Total	98,087	151,195

Payables for IRPEF relate to withholdings for December paid in January 2017.

7.19 OTHER CURRENT PAYABLES

The table below shows "Other current payables" at 31 December 2016 and 31 December 2015.

	2016	2015
Payables to pension and social security institutions Social	234,516	209,900
Payables to employees	253,526	260,975
Other payables	2,522	1,474
Payables to the Equalisation Fund	1,265,867	1,094,641
Accrued and deferred liabilities	1,030,350	1,357,058
TOTAL	2,786,781	2,924,048

Payables to social security institutions refer to charges and withholdings from employees paid in the following month. Payables to employees include productivity bonuses (Euro 146 thousand) and holidays accrued but not taken (Euro 85 thousand).

Deferred liabilities refer to user connection contributions made up to 2007, as from 2008 these contributions were recognised directly in the income statement. These deferrals were discounted at a rate of 3.4% and the difference was recognised in the FTA reserve.

Amounts due to the Equalisation Fund refer to items invoiced in the 6th two-month period of 2017 and paid in February 2017.

7. NOTES TO THE INCOME STATEMENT

8.1 REVENUES FROM SALES AND SERVICES

Revenues from sales and services, net of discounts, allowances and bonuses, are broken down as follows:

	31.12.2016	31.12.2015
Revenues from electricity transmission	2,690,781	2,560,413
Revenues from electricity generation	202,685	161,262
Revenues from gas transmission	2,135,675	2,128,265
Revenues from water service management	1,308,483	1,236,601
Heat revenues	2,887,431	3,051,138
Other revenues	576,624	694,103
Total	9,801,679	9,831,782

8.2 OTHER REVENUES AND INCOME

A breakdown of the item "Other revenues and income" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Services provided to subsidiaries	101,520	10,000
Contributions from equalisation systems	286,402	487,787
Revenues from management of aqueduct plants	175,951	176,395
Revenues from public lighting services	90,570	105,828
Operating contingent assets	113,479	128,838
Capital gain on sale of water network improvements	143,960	0
Reintroduction of contributions to water networks	195,389	0
Revenues from other services provided to third parties	444,561	373,277
Total	1,551,832	1,282,125

8.3 INCREASES IN FIXED ASSETS FOR INTERNAL WORK

	31.12.2016	31.12.2015
material capitalisation	328,493	432,300
capitalisation of internal labour	146,086	176,181
Total	474,579	608,481

8.4 CHANGE IN INVENTORIES

The breakdown of the item "Change in inventories" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Raw and ancillary materials and consumables	2,254	82,208
Total	2,254	82,208

8.5 COSTS OF RAW MATERIALS, CONSUMABLES AND GOODS

The breakdown of the item "Costs for raw materials, consumables and goods" for the year ended 31 December 2016 and 2015 is shown below.

	31.12.2016	31.12.2015
Purchase of drinking water	5,626	1,400
Purchase of electricity	215,531	171,230
Purchase of heat	1,140,547	1,248,920
Purchase of warehouse material	504,033	647,831
Purchase of other materials	103,226	114,049
Total	1,968,963	2,183,430

8.6 COSTS FOR SERVICES

The breakdown of the item "Costs for services" for the year ended 31 December 2016 and 2015 is shown below.

	31.12.2016	31.12.2015
Electricity transport fees	943,771	951,170
Insurance	168,694	152,459
Bank charges and fees	58,956	46,958
Administrative consultancy	188,865	112,738
Network maintenance costs	587,775	497,760
Electricity, gas and water costs	121,385	126,521
Software fees	167,332	164,056
Employee training costs	26,566	27,432
Meter reading costs	101,898	84,628
Other costs	392,693	485,086
Total	2,757,935	2,648,808

The increase in administrative consultancy is due to the costs incurred for the listing of the Mini Bond on the regulated market of the Vienna Stock Exchange for Euro 75 thousand.

8.7 COSTS FOR THE USE OF THIRD-PARTY ASSETS

The breakdown of the item "Costs for the use of third-party assets" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Rental expenses	101,003	99,592
Concession fees	450,248	293,184
Total	551,251	392,776

The increase in concession fees is due to the fee on electricity production signed in 2016 and to the new service contracts for the management of the water service.

8.8 PERSONNEL COSTS

The breakdown of the item "Personnel costs" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Wages and salaries	2,160,053	2,222,219
Social security costs	720,527	704,460
Employee severance indemnity (TFR)	148,291	149,707
Other costs	65,739	66,302
Total	3,094,610	3,142,688

8.9 AMORTISATION/DEPRECIATION OF FIXED ASSETS

The breakdown of the item "Amortisation, depreciation, provisions and write-downs" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Depreciation of Intangible assets	44,424	51,873
Depreciation of Tangible assets	1,730,994	1,812,778
Total	1,775,418	1,864,651

The decrease in depreciation for tangible assets is due to the sale of improvements to the water service.

8.10 PROVISIONS AND WRITE-DOWNS

The breakdown of the item "Provisions and write-downs" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Provision for doubtful accounts	25,093	125,975
Write-downs of tangible assets	127,621	0
Total	152,714	125,975

8.11 OTHER OPERATING EXPENSES

The breakdown of the item "Operating expenses" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Gas equalisation costs	382,859	318,004
Losses on ordinary operations	69,025	11,850
Charges on common conventions	103,590	77,200
Operating contingent liabilities	125,000	14,322
Other operating expenses	203,338	235,206
Total	883,812	656,582

Contingent liabilities refer to adjustments of the gas and energy equalisation for 2015 and to the adjustment of green certificates relating to the production of electricity.

8.12 INCOME FROM EQUITY INVESTMENTS

The breakdown of the item "Income from equity investments" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Capital gain on sale of subsidiary	0	1,803,962
Income from investments in subsidiaries	0	100,000
Income from investments in other companies	1,460,868	1,264,156
Total	1,460,868	3,168,118

8.13 FINANCIAL EXPENSES

The breakdown of the item "Financial expenses" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Bank interest expense	2,905	55,103
Interest expense on bond	179,407	190,575
Interest expense on mortgages	88,844	106,404
Interest from discounting	27,957	23,254
Total	299,113	375,336

8.14 FINANCIAL INCOME

The breakdown of the item "Financial income" for the year ended 31 December 2016 and 2015 is provided below.

	31.12.2016	31.12.2015
Interest income from subsidiaries	36,215	5,985
Interest income from associated companies	39,368	41,042
Other financial income	6,413	8,345
Total	81,996	55,372

8.15 REVALUATIONS

This item relates to the revaluation resulting from the assessment at *fair value* of the purchase of an electrical substation.

8.16 INCOME AND EXPENSES FROM INVESTMENTS - EQUITY METHOD

These refer to 20% of the result of the year of the associated company Alto Garda Power S.r.l.

	31.12.2016	31.12.2015
Alto Garda Power S.r.l.	1,056,000	590,000
Total	1,056,000	590,000

8.17 CURRENT AND DEFERRED TAX

The taxes for the year recorded in the income statement of these consolidated financial statements for a total of Euro 98,176 are as follows:

	31.12.2016	31.12.2015
Current taxes	117,198	179,778
Deferred taxes	-19,022	183,367
Total	98,176	363,145

8. GUARANTEES AND COMMITMENTS

The breakdown of guarantees undertaken by the Company at 31 December 2016 and 2015 is provided below.

	At 31 December	
	2016	2015
Guarantees issued to third parties	704,285	354,285
Guarantees issued to subsidiaries	1,950,000	1,950,000

TOTAL	2,654,285	2,304,285
--------------	------------------	------------------

The main contractual obligations relate to take-or-pay contracts on the basis of which AGS S.p.A. is obliged to withdraw minimum volumes of thermal and electrical energy from Alto Garda Power S.r.l. The amounts due were calculated on the basis of the gas purchase and electricity sales price assumptions for 2016.

Take-or-pay purchase commitments	2017	2018	2019	2020	2021	After	Total
Thermal energy	794,055	794,055	794,055	794,055	794,055	1,588,110	5,558,385
Electricity differential	215,531	215,531	215,531	215,531	215,531	431,062	1,508,717
Total	1,009,586	1,009,586	1,009,586	1,009,586	1,009,586	2,019,172	7,067,102

9. FEES TO DIRECTORS AND STATUTORY AUDITORS

The following is the breakdown of fees to the Company's Directors and Statutory Auditors for the years ended 31 December 2016 and 2015.

	At 31 December	
	2016	2015
Directors' fees	49,347	67,165
Board of Auditors' fees	27,444	44,841
TOTAL	76,791	112,006

10. FEES OF THE INDEPENDENT AUDITORS.

The table below shows the fees received by the independent auditors BDO Italia S.p.A. for the years ended 31 December 2016 and 2015.

	At 31 December	
	2016	2015
Statutory audit of annual accounts	12,475	17,480
Other consultancy services provided	0	0
Tax advisory services	0	0
Non-audit services	0	0
TOTAL	12,475	17,480

11. SIGNIFICANT EVENTS THAT OCCURRED AFTER THE END OF THE YEAR

No significant events occurred after the end of the 2016 financial year.

12. PROPOSAL FOR THE ALLOCATION OF PROFITS OR COVERAGE OF LOSSES

It is hereby proposed to the Meeting to allocate the profit for the year of Euro 2,903,090 as follows:

- Euro 145,155 equal to 5% to the legal reserve;

- Euro 1,058,200 to the non-distributable reserve, being related to the result for the year of the associated company Alto Garda Power S.r.l., valued using the equity method, and not being a dividend paid.
- Euro 629,625 ordinary dividend to shareholders corresponding to Euro 1.50 per share, also proposing that the payment be made as from 30 September 2017;
- Euro 1,070,110 to the extraordinary reserve.

13. ALTO GARDA SERVIZI SPA FIRST APPLICATION OF IFRS

These notes contain the information required by IFRS 1 and, in particular, a description of the impact that the transition to the EU IFRS has had on the balance sheet and income statement of the Company. The following have been prepared for this purpose:

- The reconciliation statement between the comprehensive income statement for the year ended 31 December 2015 prepared in accordance with Italian accounting standards and that prepared in accordance with the EU IFRS;
- The reconciliation statement of the total net result for the entire year ended 31 December 2015, determined according to Italian accounting standards with the same result determined according to the EU IFRS;
- The notes relating to the adjustments and reclassifications included in the aforementioned reconciliation statements, which describe the significant effects of the transaction with the EU IFRS, both with regard to the classification of the various items of the financial statements and their different valuation and, therefore, the consequent effects on the equity, financial and economic situation;
- The effect on cash flows of the first application of the EU IFRS is attributable only to the change in the valuation of investments in associates.

The balance sheet and financial position as of the Transition Date to the EU IFRS (1 January 2015) have been prepared in accordance with the following criteria:

- all assets and liabilities whose recognition is required by the EU IFRS have been recognised;
- assets and liabilities whose recognition is not permitted by the EU IFRS have not been recognised;
- the EU IFRS have been applied in the valuation of all assets and liabilities recognised.

The international accounting standards require retrospective application of all standards in force at the date of the first financial statements prepared in accordance with the EU IFRS. IFRS 1 provides for mandatory and optional exemptions to such retrospective adoption for companies that adopt EU IFRS for the first time. The applicable exemptions are set out below.

OPTIONAL EXEMPTION TO FULL RETROSPECTIVE ADOPTION OF EU IFRS

The Company has not retrospectively applied the provisions of IFRS 3 with reference to business combinations carried out prior to the Transition Date. Therefore, the accounting methods for business combinations that took place before 1 January 2015 have not been changed. The other optional exemptions required by IFRS 3 have not been applied, as they are not applicable to the Company.

MANDATORY EXEMPTIONS TO FULL RETROSPECTIVE ADOPTION OF EU IFRS

The mandatory exemption applicable to the Company concerns the valuation estimates used in the re-elaboration of the information at the Transition Date that is in line with the information used in the preparation of the relative financial statements according to the previous accounting standards (after the adjustments necessary to reflect any differences in the accounting standards).

The other mandatory exemptions required by IFRS 1 have not been applied, as they are not applicable to the Company.

ACCOUNTING TREATMENTS CHOSEN FROM AMONG THE OPTIONS PROVIDED BY THE IFRS

The only accounting treatment chosen in the context of the options provided by the IFRS is:

- valuation of tangible and intangible assets: subsequent to initial recognition at cost, IAS 16 and IAS 38 provide that such assets may be valued at cost, net of depreciation and amortisation, or at fair value. The Company has chosen to adopt the cost method except for the valuation of instrumental buildings (Electrical substations and buildings/land) for which it was decided to use the fair value method.

BALANCE SHEET AND FINANCIAL POSITION AT 31 DECEMBER 2015

Below is a reconciliation between the Company's balance sheet and financial position at 31 December 2015, prepared in accordance with Italian Accounting Standards and reclassified on the basis of the classification criteria chosen by the Company for the EU IFRS financial statements, and the balance sheet and financial position prepared in accordance with EU IFRS.

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

Below is a reconciliation between the Company's comprehensive income statement for the year ended 31 December 2015, prepared in accordance with Italian Accounting Standards and reclassified on the basis of the classification criteria chosen by the Company for the EU IFRS financial statements, and the comprehensive income statement prepared in accordance with EU IFRS.

SHAREHOLDERS' EQUITY AT 1 JANUARY 2015 AND 31 DECEMBER 2015 AND TOTAL NET RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

Below are the reconciliations between the Company's shareholders' equity at 1 January 2015 and 31 December 2015 and the total net result for the year ended 31 December 2015 prepared in accordance with Italian Accounting Standards with the corresponding values prepared in accordance with the EU IFRS.

		Shareholders' Equity 1 January 2015	Net result of the year as at 31 December 2015	Other components of the Income statement	Other changes	Shareholders' Equity 31 December 2015
Financial Statements Alto Garda Servizi S.p.A. - Italian Accounting Standards		38,405,655	3,046,781	0	-98,018	41,354,418
Valuation Fair value Electrical cabins and buildings	A	85,524	-5,439			80,085
Shareholders' Equity valuation of affiliated companies	B	1,945,000	590,000			2,535,000
Treasury shares	C	-1,300				-1,300
Employee severance indemnity (TFR) and other employee benefits	D	-703,243	-24,534	149,607		-578,170
Start-up and expansion costs	E		-21,508			-21,508
Discounting of deferred liabilities	F	262,332				262,332
Suspension of depreciation of gas networks	G		279,396			279,396
Financial Statements Alto Garda Servizi Spa - EU IFRS		39,993,968	3,864,696	149,607	-98,018	43,910,253

NOTES TO THE RECONCILIATION STATEMENT OF SHAREHOLDERS' EQUITY AT 1 JANUARY 2015 AND 31 DECEMBER 2015 AND OF THE TOTAL NET RESULT FOR THE YEAR ENDED 31 DECEMBER 2015

A) FAIR VALUE MEASUREMENT OF ELECTRICAL SUBSTATIONS AND INSTRUMENTAL BUILDINGS/LAND

Electrical substations and instrumental buildings/land have been the subject of an estimate appraisal that has established their *fair value* and recalculated depreciation.

B) VALUATION OF ASSOCIATED COMPANIES USING THE EQUITY METHOD

The company Alto Garda Power S.r.l. is accounted for using the equity method.

C) TREASURY SHARES

The application of the international accounting standard IAS 32 has required the reclassification of treasury shares held by the Company in a specific shareholders' equity reserve.

D) EMPLOYEE SEVERANCE INDEMNITY (TFR) AND OTHER EMPLOYEE BENEFITS

In accordance with IAS 19, post-employment benefits are divided into "defined contribution" and "defined benefit" plans.

The Employee Severance Indemnity is similar to a defined-benefit plan up to 31 December 2006, to be assessed on the basis of statistical and demographic assumptions, as well as actuarial valuation methods. As a result of the amendment made by the legislature, the severance indemnity accrued as

from 1 January 2007 was assimilated to a defined-contribution plan, if the conditions provided for by the amendments in the legislation were met.

In addition to the severance indemnity, the Company provides its employees with other benefits, which include additional monthly salaries due to the achievement of age limits or the accrual of retirement benefits, loyalty bonuses and discounts on the price at which electricity is supplied for domestic use, limited to certain former employees during their retirement period. Also for these benefits, the liability is valued on the basis of statistical and demographic assumptions, as well as actuarial valuation methods. At the Transition Date, the value of these provisions and the related cost for each year were therefore restated. In particular, actuarial gains and losses have been recorded under other components of the comprehensive income statement, the service cost has been recorded under the item "Personnel costs" and the interest cost has been recorded under the item "Financial expenses".

E) DERECOGNITION OF START-UP AND EXPANSION COSTS

Start-up and expansion costs capitalised in accordance with Italian Accounting Standards do not meet the capitalisation requirements of IAS 38. Therefore, these costs have been reversed from the assets of the balance sheet and financial position prepared in accordance with the EU IFRS.

F) DISCOUNTING OF DEFERRED LIABILITIES

Deferred liabilities linked to connection contributions paid by users were discounted.

G) SUSPENSION OF DEPRECIATION OF GAS NETWORKS

The Company has decided to suspend the depreciation of the gas networks because the net book value is greater than the value that will be recognised in the call for tenders.

H) DEFERRED TAX ASSETS

Deferred tax assets have been recalculated on the basis of the adjustments that emerged during the transition.

Balance sheet and financial position as at 31 December 2015 prepared in accordance with Italian GAAP and presented in accordance with the EU IFRS format	EU IFRS adjustments					Other minor	Balance Sheet and Financial position as at 31 December 2015 after EU IFRS adjustments
	Fair value electrical substation Build./land	Suspension of depreciation of gas networks	Shareholders' Equity valuation of associated companies	Employee severance indemnity (TFR) and other employee benefits			
ASSETS							
Non-current assets							
Other intangible assets	129,133					-21,508	107,625
Property, Plant and Equipment	35,943,267	85,524	273,957				36,302,748
Investments valued with the equity method and other companies	12,526,522			2,027,000			14,553,522
Deferred tax assets	1,553,767					138,376	1,692,143
Other non-current financial assets	1,914,952						1,914,952
Total non-current assets	52,067,641	85,524	273,957	2,027,000	0	116,868	54,570,990
Current assets							
Trade receivables	4,664,994						4,664,994
Subsidiaries, associated and parent companies	174,032						174,032
Inventories	547,700						547,700
Cash and cash equivalents	467,490						467,490
Income Tax Credits	112,858						112,858
Other current assets	1,463,572						1,463,572
Total current assets	7,430,646	0	0	0	0	0	7,430,646
Assets held for sale and discontinued operations	0	0	0	0	0	0	0
TOTAL ASSETS	59,498,287	85,524	273,957	2,027,000	0	116,868	62,001,636
SHAREHOLDERS' EQUITY							
Share capital	23,234,016						23,234,016
Reserves	15,580,321	85,524		1,945,000	-834,693	-114,217	16,661,935
OCI reserve					149,607		149,607
Net result of the year	3,046,781	-5,432	279,388	590,000	-24,534	-21,508	3,864,695
Total shareholders' equity	41,861,118	80,092	279,388	2,535,000	-709,620	-135,725	43,910,253
LIABILITIES							
Non-current liabilities							
Provisions for risks and non-current charges	46,417						46,417
Employee benefits	708,260				716,546		1,424,806
Deferred tax liabilities	0						0
Non-current financial liabilities	10,115,352						10,115,352
Other non-current liabilities	1,613,392					-262,332	1,351,060
Total non-current liabilities	12,483,421	0	0	0	716,546	-262,332	12,937,635
Current liabilities							
Trade payables	1,408,079						1,408,079
Subsidiaries, associated and parent companies	1,097,134						1,097,134
Current financial liabilities	900,628						900,628
Tax payables	151,197						151,197
Other current liabilities	1,596,710						1,596,710
Total current liabilities	5,153,748	0	0	0	0	0	5,153,748
Liabilities held for sale and discontinued operations	0	0	0	0	0	0	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	59,498,287	80,092	279,388	2,535,000	6,926	-398,057	62,001,636

	Statement of comprehensive income for the year ended 31 December 2015 drafted in accordance with Italian accounting standards and prepared in accordance with the EU IFRS format					Statement of comprehensive income for the year ended 31 December 2015 prepared in accordance with EU IFRS standards
		Fair value	Employee benefits	Valuation using the equity method	Other minor	
Revenues	9,831,782					9,831,782
Increases in fixed assets for internal work	608,481					608,481
Change in inventories	82,208					82,208
Other revenues and income	1,284,130					1,284,130
Total revenues and other income	11,806,601	0	0	0	0	11,806,601
Cost of raw materials, consumables and goods	-2,183,430					-2,183,430
Costs for services	-2,627,300				-21,508	-2,648,808
Leasehold improvements	-392,776					-392,776
Personnel costs	-3,120,815		-21,873			-3,142,688
Amortisation, depreciation, provisions and write-downs	-1,990,627					-1,990,627
Other operating expenses	-658,587					-658,587
Total costs	-10,973,535	0	-21,873	0	-21,508	-11,016,916
Operating result	833,066	0	-21,873	0	-21,508	789,685
Income from equity investments	3,168,118					3,168,118
Result from investments valued using the equity method	0			590,000		590,000
Financial income	55,372					55,372
Financial expenses	-352,082		-23,254			-375,336
Pre-tax result	3,704,474	0	-45,127	590,000	-21,508	4,227,839
Taxes	-383,738				20,594	-363,144
Net result of the year (A) from continuing operations	3,320,736					3,864,695
Discontinuing operation	0					
Net result of the year (B) from discontinuing operations	0					
Period profit/(loss)	3,320,736					3,864,695
Components of the statement of comprehensive income that will not be subsequently reclassified to the income statement						
Actuarial gains/(losses) on employee benefits	0		149,607			149,607
Total Components of the statement of comprehensive income statement that will not be subsequently reclassified to the income statement (C1)	0	0	149,607	0	0	149,607
Components of the statement of comprehensive income that may be subsequently reclassified to the income statement						
	0	0	0	0	0	0
Total other comprehensive income (loss) net of tax effect (C) = (C1)+(C2)	0	0	149,607	0	0	149,607
Total comprehensive result of the year (A)+(B)+(C)	3,320,736	0	149,607	0	0	4,014,302

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

To the shareholders' meeting of Alto Garda Servizi SpA

Dear Shareholders: This report was approved collectively and in time for filing at the Company's registered office within the terms of the law.

The Board of Directors has approved and made available the draft financial statements for the year ended 31 December 2016 and the accompanying reports on 16 May 2017, making use of the extended deadline of 180 days from the end of the financial year to convene the Shareholders' Meeting for the approval of the financial statements, as provided for and permitted by Art. 2364(2) of the Italian Civil Code and Article 10.2 of the Articles of Association.

The approach of this report is inspired by the law and the Standards of conduct of the Board of Statutory Auditors recommended by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (Italian Professional Order of Tax Advisors).

In particular, we report the following:

- we monitored compliance with the law, the Articles of Association and regulations;
- we have attended two ordinary Shareholders' Meetings and 10 meetings of the Board of Directors, which were held in accordance with the laws, articles of association and regulations governing their operation. The resolutions passed complied with the law and the articles of association and were not manifestly imprudent or such as to compromise the integrity of the company's assets;
- we have periodically obtained from the Directors information on the general performance of the Company's business and its foreseeable evolution, as well as on the most significant transactions, in terms of size or characteristics, carried out also by the wholly-owned subsidiary. To this end, we can reasonably assure you that the actions taken comply with the law and the articles of association and do not appear manifestly imprudent, reckless, or likely to compromise the integrity of the company's assets;
- BDO Italia SpA was granted the nine-year audit assignment, 2016 - 2024 of AGS SpA, now a Public Interest Entity;
- we have periodically met with BDO Italia SpA in accordance with the law. During the meetings, no relevant data or information emerged that needs to be highlighted in this report;
- we have monitored the independence of the auditing firm and ascertained the absence of critical aspects;

- on 1 June 2017, the Independent Auditing firm has confirmed to the Board of Statutory Auditors, as the body identified to perform the role of Internal Audit Committee, that: *“In the period from 1 January 2016 to the date hereof, no situations have been found that have compromised our independence or that represented causes of incompatibility under Articles 10 and 17 of Legislative Decree. 39/2010 and its implementing provisions, as well as, to the extent applicable, the provisions of European Regulation 537/2014”*;
- we have monitored the adequacy of the organisational and functional structure of the company and any changes to it with respect to the minimum requirements posed by the operating performance. No specific comments are made on the adequacy of the Company's organisational structure, nor on the adequacy of the administrative and accounting system, nor on the reliability of the latter in correctly representing management events;
- we have supervised the extraordinary transactions carried out by the Company as adequately described in the notes;
- we did not detect any atypical and/or unusual transactions with related parties or third parties;
- with regard to transactions with related parties, these are adequately described in the notes to the financial statements and we refer you to them with regard to their characteristics and economic significance. The above transactions are congruous and in the interest of the Company.
In particular, we would like to point out the assignment of improvement activities on the water service network to the Municipality of Riva del Garda carried out by the Company from 1998 to 2016 and the consequent amendment of the service contract relating to the management of these infrastructure;
- the Company, which is controlled by public bodies, complies with the expenditure containment measures set out in the Memorandum of Understanding signed on 20.09.2012 by the President of the Autonomous Province of Trento, the Councillor for Local Authorities and the President of the Autonomous Communities.
- during 2016, the Company has acquired treasury shares in the amount of Euro 3,150,000, which is a negative adjustment to shareholders' equity;
- in the course of supervisory activities, as described above, no significant facts have emerged that would be worthy of note in this report.
- no action had to be taken due to omissions by the Board of Directors pursuant to Article 2406 of the Italian Civil Code;
- no complaints were reported under Article 2408 of the Italian civil code;
- no complaints have been made pursuant to Article 2409, paragraph 7, of the Italian Civil Code;

- we have issued a favourable opinion pursuant to Article 2389 paragraph 3 of the Italian Civil Code with regard to the resolution on the remuneration of all directors;
- relations with the Supervisory Board are also ensured by the participation of a member of the Board of Statutory Auditors in said Board. A periodic report was submitted to the Board of Directors in a timely manner, from which no critical issues have emerged. The Organisational Model has been updated;
- The Company has appointed a Transparency Officer, who has periodically reported back to the Board of Directors in accordance with the law.
- The Company has taken steps to publish on its institutional website in the “Transparent Company” section the declarations made pursuant to Legislative Decree no. 33/2013 and Legislative Decree no. 39/2013;
- the Company has appointed a Corruption Prevention Officer who prepared the three-year corruption prevention plan and has periodically reported to the Board in accordance with the law.

The activities carried out by the Board of Statutory Auditors have covered, in terms of time, the entire financial year and during the year 7 meetings were duly held pursuant to Article 2404 of the Italian Civil Code, and minutes of those meetings were duly signed for unanimous approval.

Comments on the financial statements and their approval

We have examined the draft balance sheet as at 31.12.2016, which can be summarised as follows

BALANCE SHEET	31.12.2016	31.12.2015
Non-current assets	55,634,018	54,570,990
Current assets	6,935,443	7,430,646
Total Assets	62,569,461	62,001,636
Non-current liabilities	11,564,666	11,586,575
Current liabilities	8,580,435	6,504,808
Shareholders' equity including net period profit/(loss)	42,424,360	43,910,253
	62,569,461	62,001,636
INCOME STATEMENT		
Total operating revenues and income	11,830,344	11,804,597
Total operating costs	- 11,184,701 -	11,014,910
Gross operating profit/(loss)	645,643	789,687
Income from equity investments	1,460,868	3,168,118
Charges net of financial income	- 217,117 -	319,965
Revaluations	53,672	-
Income and expenses from investments using the equity method	1,058,200	590,000
Pre-tax profit/(loss)	3,001,266	4,227,840
Current and Deferred Tax	- 98,176 -	363,145
Net result of the year	2,903,090	3,864,695
Amounts that will not be reclassified to period profit/(loss)	- 25,830	149,607
Amounts that will be reclassified to period profit/(loss)	-	-
Period profit/(loss)	2,877,260	4,014,302

The Company AGS SpA, following the listing of the minibond on the Second Regulated Market of the Vienna Stock Exchange on 12.12.2016, has taken the status of Public Interest Entity, and prepared the financial statements and the report to the financial statements in compliance with the IAS/IFRS international accounting standards adopted in accordance with EC Regulation No. 1606/2002 and endorsed by EC Regulation No. 1725/2003 as amended.

The accounting standards, measurement criteria and estimates, as necessary, adopted are consistent with those used for the preparation of the financial statements as at 31.12.2015 presented for comparative purposes.

The “first time adoption” activity with alignment of the financial statements balances as at 31 December 2015 and the 2014 balance sheet figures, as also shared with the Independent Auditing firm BDO Italia SpA with the adoption of the IFRS-IAS international standards and adequately illustrated in the Report on Operations, was duly carried out.

The independent audit has been entrusted to the auditing firm BDO Italia SpA, which on 1 June 2017 has prepared its report pursuant to Articles 14 and 16 of Legislative Decree no. 39, of 27 January 2010, report does not highlight any remarks to either the financial statements or the Report on Operations. It also certifies that it has reviewed Note 13 as reported by the Directors that outlines the effects of the transition to International Financial Reporting Standards as adopted by the European Union.

Since we are not entrusted with the statutory audit of the accounts, we have audited the general layout of the financial statements, their general compliance with the law with regard to their formation and structure and in this regard we have no particular observations to report.

The Board of Directors, in preparing the financial statements, has not made any exceptions to the law pursuant to Article 5 of Legislative Decree no. 38/2005.

With regard to the Board of Directors' proposal on the allocation of the net profit for the year as set forth in the Report on Operations, the Board has nothing to report, noting, however, that the decision on this matter is up to the Shareholders' Meeting.

Financial period profit/(loss)

The net result ascertained by the Board of Directors for the financial year ended 31 December 2016, as is also evident from a reading of the financial statements, is a profit of Euro 2,903,090=.

Conclusions

On the basis of the foregoing, to the best of the knowledge of the Board of Statutory Auditors and ascertained from the periodic audits carried out, it is unanimously deemed that there are no reasons to prevent you from approving the draft financial statements for the year ended 31 December 2016 as prepared and proposed to you by the Board of Directors.

The Board of Statutory Auditors, whose term of office is expiring, thanks the Shareholders for their trust, the Board of Directors and the administrative structure for their transparent cooperation.

Arco, 1 June 2017

The Board of Statutory Auditors

Michela Zambotti

Luigino Di Fabrio

Nicola Francesco Lenoci

**REPORT OF THE INDEPENDENT AUDITORS PURSUANT TO ARTICLES 14 AND 16 OF
LEGISLATIVE DECREE N.39/2010**

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

Report on the financial statements

We have audited the accompanying financial statements of Alto Garda Servizi S.p.A., which comprise the balance sheet as at 31 December 2016, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the year then ended, a summary of significant accounting policies and other notes to the financial statements.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards adopted by the European Union, as well as the measures issued in implementation of Article 9 of Legislative Decree No. 38/2005.

Fees of the independent auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit in accordance with International Standards on Auditing (ISA Italia) issued pursuant to Article 11 of Legislative Decree 39/2010. These standards require compliance with ethical standards and the planning and conduct of the audit in order to obtain reasonable assurance that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence to support the amounts and disclosures shown in the financial statements. The procedures chosen depend on the auditor's professional judgement, including the assessment of the risks of material misstatements of the financial statements due to fraud or errors. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial statements that give a true and fair view in order to define audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes assessing the appropriateness of the accounting standards adopted, the reasonableness of the accounting estimates made by the Directors, and an evaluation of the presentation of the financial statements as a whole.

We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

Opinion

We believe that the annual financial statements provide a true and fair view of the equity and financial position of Alto Garda Servizi S.p.A. at 31 December 2016, of the economic result and the cash flows for the year ended at said date, in compliance with the International Financial Reporting Standards adopted by the European Union and with the provisions issued in implementation of Article 9 of Italian Legislative Decree no. 38/2005.

Call for information

Without altering our opinion, we draw attention to what the Directors have stated in Note 13 which illustrates the effects of the transition to the International Financial Reporting Standards adopted by the European Union. The information presented in the Notes to the financial statements regarding the changes and reclassifications made to the prior year financial statements has been reviewed by us for the purpose of expressing our opinion on the financial statements for the year ended 31 December 2016.

Other aspects

Alto Garda Servizi S.p.A., as required by law, has included in the Report on Operations the essential data of the last financial statements of the entity exercising management and coordination activities over it. The opinion on the financial statements of Alto Garda Servizi S.p.A. does not extend to such data.

Report on other legal and regulatory provisions

Opinion on the consistency of the Report on Operations with the financial statements

We have performed the procedures specified in auditing standard (SA Italy) No. 720B in order to express, as required by law, an opinion on the consistency of the Report on Operations, the responsibility for which lies with the directors of Alto Garda Servizi S.p.A., with the financial statements of Alto Garda Servizi S.p.A. as at 31 December 2016. In our opinion, the report on operations is consistent with the financial statements of Alto Garda Servizi S.p.A. as at 31 December 2016.

Verona, 1 June 2017

BDO Italia S.p.A.

/Signature/

Carlo Boyancé
Shareholder