

A.I.M. Vicenza S.p.A.

One-man company subject to management and coordination by the CITY OF VICENZA

Registered office: Contrà Pedemuro S. Biagio 72 – 36100 VICENZA (VI)
Share capital Euro 71,293,000 fully paid in
Vicenza Companies Register registration number
and Tax Identification Number 95007660244

CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2016

Assets		2016	2016
A	Due from shareholders for shares subscribed but not called	-	-
B	Non-current assets		
B I)	Intangible assets	69,585,018	75,945,624
B I1)	Formation and expansion costs	1,317,205	1,585,878
B I2)	Research, development and advertising costs	16,932	39,981
B I3)	Industrial patent and intellectual property user rights	-	-
B I4)	Concessions, licenses, trademarks, and similar rights	49,184,470	52,235,752
B I5) a)	Goodwill	1,850,461	2,081,770
B I5) b)	Consolidation difference	16,192	24,287
B I6)	Intangible assets in progress and advances	386,774	558,827
B I7)	Other	16,812,984	19,419,129
B II)	Property, plant and equipment	234,239,807	240,462,606
B II1)	Land and buildings	36,999,943	36,671,260
B II2)	Plant and machinery	173,081,684	177,896,033
B II3)	Industrial and commercial equipment	9,845,858	10,015,035
B II4)	Other assets	5,572,801	6,768,660
B II5)	Work in progress and advances	8,739,521	9,111,618
B III)	Long-term investments	23,625,078	12,264,638
B III1)	Equity investments	11,852,651	7,032,173
	- subsidiaries	32,154	32,153
	- associates	10,234,463	5,494,403
	- parent companies	-	-
	- undertakings controlled by the parent companies	-	-
	- other companies	1,586,034	1,505,617
B III2)	Receivables	5,806,923	5,227,856
	from subsidiaries	68,000	68,000
	from associates	1,175,004	460,000
	from parent companies	2,612,239	2,612,239
	from others	1,951,680	2,087,617
B III3)	Other securities	5,965,504	4,609
B III4)	Derivative financial instrument assets	-	-

		Total B	327,449,903	328,672,868
C	Current assets			
C I)	Inventories	2,292,153	3,361,507	
C I1)	Raw materials, supplies, and consumables	2,230,272	3,145,843	
C I2)	Work in progress and semi-finished products	-	-	
C I3)	Contract work in progress	-	-	
C I4)	Finished products and merchandise	61,881	215,664	
C I5)	Advances	-	-	
C II)	Current receivables	139,413,723	159,445,504	
C II1)	Trade receivables	85,537,349	95,685,535	
	- due within 12 months	85,537,349	95,685,535	
	- due after 12 months	-	-	
C II2)	Receivables from subsidiaries	-	-	
	- due within 12 months	-	-	
	- due after 12 months	-	-	
C II3)	Receivables from associates	5,679,353	2,882,510	
	- due within 12 months	5,679,353	2,882,510	
	- due after 12 months	-	-	
C II4)	Receivables from parent companies	14,648,980	28,386,522	
	- due within 12 months	14,648,980	28,386,522	
	- due after 12 months	-	-	
C II5)	Receivables from undertakings controlled by the parent companies	-	125,491	
	- due within 12 months	-	125,491	
	- due after 12 months	-	-	
C II5bis)	Tax receivables	1,670,192	1,916,550	
	- due within 12 months	1,670,192	1,916,550	
	- due after 12 months	-	-	
C II5ter)	Deferred tax assets	14,472,104	14,900,101	
C II5quater)	Other receivables	17,405,745	15,548,795	
	- due within 12 months	17,400,002	15,543,052	
	- due after 12 months	5,743	5,743	
C III)	Financial assets not held as non-current assets	37,000	37,000	
C III1)	Investments in subsidiaries	-	-	
C III2)	Investments in associates	-	-	
C III3)	Investments in parent companies	-	-	
C III3bis)	Investments in undertakings controlled by the parent companies	-	-	
C III4)	Other equity investments	-	-	
C III5)	Derivative financial instrument assets	-	-	
C III6)	Other securities	37,000	37,000	
C IV)	Cash and cash equivalents	52,577,457	46,001,662	
C IV1)	Bank and postal accounts	52,382,862	45,541,131	
C IV2)	Checks	144,746	400,244	
C IV3)	Cash and cash on hand	49,849	60,287	
Total C		194,320,333	208,845,673	
D	Accrued income and prepaid expenses			
AD1)	Accrued income	2,605	311	
AD2)	Prepaid expenses	1,247,233	1,498,200	

	Total D	1,249,838	1,498,511
ASSETS		523,020,074	539,017,052

Liabilities and Shareholders' Equity		2016	2014
A	Shareholders' equity		
	Group shareholders' equity	176,665,452	170,366,369
AI)	Share capital	71,293,000	71,293,000
AII)	Additional paid-in capital	-	-
AIII)	Revaluation reserve	-	-
AIV)	Legal reserve	680,723	549,526
AV)	Statutory reserves	30,568	30,568
AVI)	Other reserves	64,250,008	63,867,275
AIV)	Reserve for hedging of forecast cash flows	(117,041)	-
AVIII)	Retained earnings (losses)	31,500,090	27,255,687
AIX)	Profit (loss) for the year	9,028,104	7,370,313
AX)	Negative reserve for treasury shares (held in portfolio)	-	-
	Minority interests	1,895,235	2,522,217
AX)	Minority interests share capital and reserves	1,855,661	2,229,135
AXI)	Minority interests	39,574	293,082
	Total A	178,560,687	172,888,586
B	Provisions for liabilities and charges		
B1)	Provision for employee pensions and similar obligations	158,515	158,515
B2)	Provisions for taxes, including deferred tax liabilities	5,527,294	5,840,699
B3)	Provision for derivative financial instruments liabilities	117,041	-
B4)	Other provisions for liabilities	26,370,334	17,974,185
	Total B	32,173,184	23,973,399
C	Employee severance indemnities	10,437,088	15,842,973
D	Payables		
D1)	Bonds	-	-
	- due within 12 months	-	-
	- due after 12 months	-	-
D2)	Convertible bonds	-	-
	- due within 12 months	-	-
	- due after 12 months	-	-
D3)	Payables to shareholders for loans	323,899	323,899
	- due within 12 months	-	-
	- due after 12 months	323,899	323,899
D4)	Bank borrowings	145,814,678	153,364,365
	- due within 12 months	49,293,126	55,724,685
	- due after 12 months	96,521,552	97,639,680
D5)	Payables to other lenders	2,577,162	2,945,228

	- due within 12 months	351,411	335,095
	- due after 12 months	2,225,751	2,610,133
D6)	Advances	3,692,169	3,690,880
	- due within 12 months	3,692,169	3,690,880
	- due after 12 months	-	-
D7)	Trade payables	48,754,782	49,593,772
	- due within 12 months	48,754,782	49,593,772
	- due after 12 months	-	-
D8)	Notes payable	-	-
	- due within 12 months	-	-
	- due after 12 months	-	-
D9)	Payables to subsidiaries	-	-
	- due within 12 months	-	-
	- due after 12 months	-	-
D10)	Payables to associates	17,028,194	19,114,976
	- due within 12 months	17,028,194	19,114,976
	- due after 12 months	-	-
D10bis)	Payables to undertakings controlled by the parent companies	144,607	398,443
	- due within 12 months	144,607	398,443
	- due after 12 months	-	-
D11)	Payables to parent companies	22,048,707	24,801,939
	- due within 12 months	22,048,707	24,801,939
	- due after 12 months	-	-
D12)	Tax payables	14,602,191	17,923,004
	- due within 12 months	14,602,191	17,923,004
	- due after 12 months	-	-
D13)	Payables to social security and welfare institutions	1,780,834	2,279,460
	- due within 12 months	1,780,834	2,279,460
	- due after 12 months	-	-
D14)	Other payables	9,058,039	12,724,590
	- due within 12 months	9,058,039	12,681,046
	- due after 12 months	-	43,543
	Total D	265,825,262	287,160,556
E	Accrued expenses and deferred income		
E1)	Accrued expenses	251,102	275,160
E2)	Deferred income	35,772,750	38,876,378
	Total E	36,023,852	39,151,538
	LIABILITIES	523,020,074	539,017,052

Income Statement		2016	2015
A	Value of production		
A1)	Revenue from sales and services	233,768,405	264,169,157
A2)	Change in work in progress, semi-finished and finished products inventories	(153,783)	76,163
A3)	Change in contract work in progress	-	(13,137)
A4)	Additions to internally produced non-current assets	10,067,028	10,598,320
A5)	Other revenue and income	21,488,175	29,156,991
a)	Grants for current expenses	12,569,158	16,504,800
b)	Others	8,342,698	10,398,328
c)	Non-recurring income	576,319	2,253,863
	Total A	265,169,825	303,987,494
B	Costs of production		
B6)	Raw materials, supplies and merchandise	81,450,279	108,242,946
B7)	Services	80,605,030	82,986,323
B8)	Leases and rentals	4,813,126	4,184,638
B9)	Employees	35,450,235	44,228,430
a)	Wages and salaries	24,890,975	31,373,011
b)	Social security and welfare contributions	8,128,689	10,062,925
c)	Employee severance indemnities	1,794,872	2,245,072
d)	Employee pensions and similar obligations	246,557	301,991
e)	Other costs	389,142	245,431
B10)	Amortisation, depreciation, and impairment	26,677,867	28,294,793
a)	Amortisation	9,362,779	9,071,427
b)	Depreciation	14,796,012	15,624,478
c)	Other impairment of non-current assets	-	-
d)	Impairment of receivables among current assets	2,519,076	3,598,888
B11)	Change in raw materials, supplies and merchandise inventories	181,279	49,144
B12)	Provisions for liabilities	-	160,000
B13)	Other provisions	2,771,575	4,502,245
B14)	Other operating costs	13,068,720	10,736,265
	Total B	245,018,111	283,384,784
	Difference between value and costs of production	20,151,714	20,602,710
C	Financial income and expenses		
C15)	Income from equity investments	288	288
a)	Income from equity investments in subsidiaries	-	-
b)	Income from equity investments in associates	-	-
c)	Income from equity investments in undertakings controlled by the parent companies	-	-
d)	Income from equity investments in other companies	288	230
C16)	Other financial income	328,354	408,550
a)	from receivables among non-current assets	803	1,384
	Interest income from loans to subsidiaries	-	-
	Interest income from loans to associates	803	1,384
			-

	Interest income from loans to parent companies	-	-
	Interest income from loans to other companies	-	-
b)	from securities held as non-current assets other than equity investments	-	-
c)	from securities held as current assets other than equity investments	-	-
d)	Income other than the preceding	327,551	407,166
	Other financial income other than the preceding from subsidiaries	-	-
	Other financial income other than the preceding from associates	28,104	12,641
	Other financial income other than undertakings controlled by the parent companies	-	-
	Other financial income other than the preceding from parent companies	-	-
	Other financial income other than the preceding from others	299,447	394,525
C17)	Interests and other financial expenses	5,320,638	6,015,484
a)	Interests and other financial expenses paid to subsidiaries	145,958	-
b)	Interests and other financial expenses paid to associates	-	-
c)	Interests and other financial expenses paid to parent companies	-	41,089
d)	Interests and other financial expenses paid to undertakings controlled by the parent companies	-	8,419
e)	Other interests and other financial expenses	5,174,680	5,965,976
C17 bis)	Foreign exchange gains and losses	-	-
	Total C	(4,991,996)	(5,606,646)
D	Adjustments to financial assets and liabilities		
D18)	Revaluations	681,982	687,508
a)	Revaluation of equity investment	681,982	687,508
b)	Revaluation of non-current financial assets other than equity investments	-	-
c)	Revaluation of securities among current assets other than equity investments	-	-
d)	Revaluation of derivative financial instruments	-	-
D19)	Impairment	31,089	-
a)	Impairment of equity investments	31,089	-
b)	Impairment of non-current financial assets other than equity investments	-	-
c)	Impairment of securities among current assets other than equity investments	-	-
	Impairment of derivative financial instruments	-	-
	Total D	650,893	687,508
	Pre-tax income (loss)	15,810,611	15,683,572
R20)	Income tax for the year	6,742,933	8,020,177
a)	Current taxes	8,368,795	8,853,196
b)	Non-recurring expenses taxes for previous years	8,619	168,591
c)	Deferred (prepaid) taxes	(1,634,481)	(1,001,610)
d)	Income from tax consolidation		

Profit (loss) for the year	9,067,678	7,663,395
Minority interests	39,574	293,082
Profit (loss) of Group shareholders	9,028,104	7,370,313

Statement of Cash Flow	2016	2015
A. Cash flow from operating activity (indirect method)		
Profit (loss) for the year	9,067,677	7,663,395
Income tax	6,742,933	8,081,497
Interest expenses/(interest income)	4,992,286	5,606,934
(Dividends)	(288)	(288)
(Gains)/losses deriving from the sale of assets	384,345	756,785
1. Profit (loss) for the year before income tax, interest, dividends and gains/losses from disposal	21,186,953	22,108,323
Accruals to provisions	4,566,447	6,907,317
Amortisation and depreciation	24,158,791	24,695,905
Impairment	-	-
Other adjustments for non-monetary elements	-	-
2. Cash flow before changes in working capital	49,912,191	53,711,545
(Increases)/decreases in inventories	1,069,354	(13,878)
(Increases)/decreases in trade receivables	19,349,492	(3,349,092)
Increases/(decreases) in trade payables	(9,704,583)	2,499,877
Increases/(decreases) in assets not held as non-current assets	-	(20,000)
Increases/(decreases) in accrued income and prepaid expenses	248,673	120,497
Increases/(decreases) in accrued expenses and deferred income	(3,127,686)	4,133,355
Other changes in net working capital	536,206	3,695,793
3. Cash flow after changes in working capital	58,283,647	60,778,097
Interest received/(paid)	(4,787,990)	(5,212,985)
(Income tax paid)	(9,033,260)	(3,360,289)
Dividends received	244,165	288
(Use of provisions)	(3,166,134)	(3,676,622)
4. Cash flow after the other adjustments	41,540,428	48,528,489
Cash flow from operating activity (A)	41,540,428	48,528,489
B. Cash flow from investment activity		
Property, plant and equipment (Capital expenditure)	15,831,127	16,763,555
Disposal price of disinvestments	1,677,182	3,314,104
Intangible assets		

(Capital expenditure)	3,509,895	2,428,176
Disposal price of disinvestments	23,146	79,453
Longterm investments		
(Capital expenditure) (1)	2,843,545	6,472,408
Disposal price of disinvestments (1)	(3,344,440)	(7,269,704)
Change in scope of consolidation / Non-recurring transactions:		
- Property, plant and equipment	-	6,075,877
- Intangible	88,378	(2,328,546)
- Financial	(102,000)	2,451,648
- Others	-	-
Other changes in non-current assets:		
- Property, plant and equipment	(26,448,405)	(44,372,818)
- Intangible	(6,623,592)	(3,762,713)
- Financial	(5,262,285)	(3,817,820)
- Others	(5,843,854)	-
Cash flow from investment activity (B)	(23,651,303)	(23,966,380)
Financial activity		
Third party financing		
Increases/(decreases) in bond loans	-	-
Increases/(decreases) in other financial payables	(368,066)	(73,285)
Increases/(decreases) in bank borrowings due after 12 months	8,280,528	46,768,267
(2)		
Increases/(decreases) in minority interests	(666,556)	505,852
Increases/(decreases) in equity attributable to owners of the Group	(2,729,021)	(832,275)
Cash flow from financing activity (C)	4,516,885	46,368,559
Increases/(decreases) in cash and cash equivalents	22,406,010	70,930,668
Cash and cash equivalents at the beginning of the year (3)	21,094,665	(49,836,002)
Cash and cash equivalents at the end of the year (3)	43,500,675	21,094,665

NOTES TO THE FINANCIAL STATEMENTS

(1): These consist mainly of movements connected with intercompany loans.

(2): The 2015 figure reflects the consolidation of bank borrowings and has to be interpreted together with the change in cash and cash equivalents.

(3): The balance reflects the cash and cash equivalents net of negative current accounts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2016

Introduction

Criteria for preparation

The consolidated financial statements, comprised by the balance sheet, income statement, and notes to the consolidated financial statements, have been prepared in accordance with the provisions of Article 29 of Legislative Decree 127/91, as documented by these notes to the consolidated financial statements, which have been prepared in accordance with Article 38 of that same decree. The accounting standards issued by the “*Consiglio Nazionale dei Dottori Commercialisti e Ragionieri*” (Italian Board of Business Experts and Accountants) and, failing these, the accounting standards recommended by the IASB and cited by Consob have been applied.

The policies used to prepare and evaluate the financial statements at 31/12/2016 reflect the changes introduced in Italian law by Legislative Decree 139/2015, by which Directive 2013/34/EU was implemented. The OIC (Italian Accounting Organisation) GAAP were modified in consequence of Legislative Decree 139/2015.

In relation to the application of the new accounting standards, there have been no effects deriving from the change in the accounting principle that could alter the opening net amount of shareholders' equity.

In addition to the appendices mandated by law, these notes also present the statements for reconciliation of net profit (loss) and shareholders' equity of the parent company and the respective values resulting from the consolidated financial statements.

The amounts are shown in Euro.

Scope and methods of consolidation

The following list shows the companies that have been consolidated line-by-line and whose own financial statement end date is also 31/12/2016:

COMPANY	registered office	Share capital	% Equity investments
Direct Control			
AIM Vicenza S.p.A.	Vicenza	71,293,000	Parent Company
Servizi a Rete S.r.l.	Vicenza	29,164,000	100%
AIM Mobilità S.r.l.	Vicenza	1,529,000	100%
AIM Energy S.r.l.	Vicenza	6,500,000	100%
Valore Ambiente S.r.l.	Vicenza	1,012,000	100%
Valore Città Amcps S.r.l.	Vicenza	2,310,000	100%
SIT Società Igiene Territorio S.p.A.	Vicenza	2,600,000	75%

COMPANY	Registered office	Share capital	% Equity investments
Indirect Control			
CogasPiùEnergie S.r.l.	Ortona (CH)	200,000	51%
S.I.A. S.r.l.	Grumolo delle Abbadesse - VI	10,994	49%

The aforementioned companies, which are controlled by AIM Energy S.r.l. and Valore Ambiente S.r.l., respectively, are consolidated line-by-line in the Group financial statements, with recognition of minority interests.

The following changes occurred in the scope of consolidation from the previous year:

- x AIM Ecoenergy S.r.l.: the shares of the company were sold in 2016 to the minority shareholder that exercised its pre-emptive right: the transaction is consequent to the provisions governing the reorganisation of equity investments in companies;
- x AIM Mobilità S.r.l.: while remaining wholly owned, the company transferred the “Trasporto Pubblico Locale” (Local Public Transport) business unit to the associate S.V.T. S.r.l. The company has been operating the car park service alone since 1 March 2016.

Aside from SIT, the companies included in the scope of line-by-line consolidation at 31/12/2016 are the following:

COMPANY	Registered office	Share capital	t% Equity investments
Indirect Control			
TRE V Ambiente S.r.l.	Vicenza	15,000	100%
BLUEOIL S.r.l.	Bolzano Vic.no (VI)	60,000	54.12% *

*percentage of SIT S.p.A., 75% controlled by AIM S.p.A.

No changes in the SIT Group occurred in 2016.

As in the previous year, the company Torretta Rijeka d.o.o., with registered office in Rijeka, Croatia and share capital of HRK 75,000 (Croatian Kuna), 100% controlled, and the company Rasha S.r.l. (owned by Blueoil), have not been included in the scope of line-by-line consolidation, since they are not operational and show immaterial values. Moreover, the Rasha company is being wound up. The Torretta Rijeka equity interest is recognised at cost, while the equity investment in Rasha has been fully written down for the previously indicated reasons.

No exclusions have been made due to heterogeneity.

No companies have been consolidated with the proportional method.

The reporting date of the consolidated financial statements coincides with the closing date of the separate financial statements of the parent company and the consolidated companies.

Reference is made specifically to the report on operations in regard to information about the nature of the activity of the firm, its relations with the controlling entity, and the significant events which occurred after the end of the financial year.

Significant events after the end of the financial year

With Agenda 31/2016, the Vicenza City Council issued instructions on 15/09/2016 to "...pursue a path by January 2017 leading to merger with other local public service companies operating within the province and in neighbouring provinces".

With the same agenda, the City Council also instructed that the following principles had to be followed, regardless of the path chosen for business combination:

1. Guarantee of employment levels.
2. Improvement in operating efficiency through economies of scale, in order to pursue rate and service improvements for users and benefits for citizens.
3. Opening the market, with the City retaining a strategic role through its equity interest.
4. Capacity to function as a magnet for other neighbouring entities, capable of further reinforcing the specific characteristics of the territory.
5. Guarantee to maintain the quality and efficiency of the currently provided services.

In compliance with this guidance, AIM Vicenza S.p.A. has undertaken a process to examine and study a possible combination with the multi-utility AGSM Verona S.p.A..

A Memorandum of Understanding has been prepared together with that company, in which the Parties have stated the core principles on which a business combination process would be based, aiming at the creation of a leading firm at the national level, capable of seizing the growth opportunities deriving from the regulatory and market context and representing a possible pole of attraction for other neighbouring entities.

This document, which was signed on 30/12/2016, defined the targets and key points of the Combination between the two corporate groups.

In January 2017 and February 2017, the two parties designated the Industrial Advisor (jointly designated), Financial Advisor, and Legal Advisor.

The negotiations between the parties, which unfolded in a series of meetings with the support of their advisors, developed around a series of particularly important themes, such as:

- definition of the scope of the transaction;
- mechanism and procedures for adjusting the exchange of shares;
- level of mutual guarantees;

- permitted distributions (dividends and grants);
- interim period and permitted non-recurring transactions;
- governance structure and relevant delegations of authority;
- principles applying to the future logistic reorganisation of the newco.

Repeated meetings and exchanges of information and views between the Parties led to definition of the final drafts of the Protocol for Merger and the By-Laws. These drafts incorporate the guidelines issued by the Sole Shareholder and represent a balanced equity investment of the two Groups in the Combined Entity.

The dossier containing the documentation was submitted to the Vicenza City Council on 9 June, which took note thereof by accepting its contents.

In consequence of the municipal elections held in the City of Verona, the business combination process has been temporarily suspended, in anticipation of the new government and new city council of Verona assuming office. The Vicenza and Verona City Councils will have to give their opinions on the merger and combination process by 30 September 2017. If both City Councils give a favourable opinion, the two companies may implement the consequent technical steps.

The update of the Industrial Plan 2014-2018 to the five-year period 2016-2020 was prepared in the second half of 2016. This was done for the purpose of adjusting the budget document to reflect the current market context, which is being driven by a strong wave of combinations and particular competitive pressures in the deregulated businesses.

As envisaged in the Industrial Plan 2014-2018, the Group is proceeding with the sale of an initial tranche of a bond issue amounting to about Euro 50 million, to be listed for trading on a major regulated European market. All preparatory activities to this end have been undertaken. These include, for example, preparation of the Group Consolidated Financial Statements in accordance with IFRS (International Financial Reporting Standards).

Consolidation principles

The main consolidation principles applied here are illustrated as follows:

- x The book value of the equity investments in consolidated companies is eliminated by reducing the corresponding fraction of shareholders' equity, while recognising the liabilities and assets of the investees according to the global method. The positive differences resulting from the elimination are allocated to the items "plant and machinery" and "consolidation differences", which are listed on the assets side of the balance sheet.
- x All net amounts and significant transactions between Group companies are eliminated, as well as the profits and losses deriving from commercial operations, including the effects of non-recurring transactions that took place in the past.
- x The portions of shareholders' equity represented by minority interests are recognised in a specific account of the balance sheet. The income statements separately show the minority interests' share of net profit (loss).
- x The dividends distributed by Group companies are eliminated from the income statement upon consolidation.
- x Property, plant and equipment held under finance leases are accounted for by applying the financial method, in accordance with the International Accounting Standards (IAS 17). The effects of these ledger entries have been recognised both in the sub-consolidated financial statements of the SIT Group at 31/12/2016 and in these comprehensive consolidated financial statements.
- x The equity investments in associates have been recognised at equity.

Accounting policies

The policies used to prepare the consolidated financial statements at 31/12/2016 are the same as those used to prepare the separate financial statements of the parent company that prepares the consolidated financial statements.

The separate financial statements of the individual companies already approved by their own management bodies have been used to prepare the consolidated financial statements. No changes had to be made to those separate financial statements in order to apply uniform accounting policies across the Group or to adjust them in accordance with the reference accounting policies, since they had already been prepared in accordance with statutory and generally accepted accounting principles.

The financial statement items were measured in accordance with the general criteria of prudence, accrual, and the prospect of operating as a going concern.

The comparability of the company financial statements over the years depends on consistent application of the accounting policies over time.

No exceptional circumstances arose that would have entailed the exercise of waivers as envisaged in Article 29(4) and Article 35(2) of Legislative Decree 127/91.

That said, the accounting policies adopted to prepare the financial statements 2016 were uniformly applied also in the previous financial statements and in accordance with the principles set out in Article 2426 Italian Civil Code, as codified by the *Consiglio Nazionale dei Commercialisti e dei Ragionieri* and modified by the *Organismo Italiano di Contabilità* (OIC, Italian Accounting Organisation) in connection with the reform of the corporate law and the innovation introduced with Legislative Decree 139/2015. Those policies are illustrated as follows.

Effects on the opening net amounts resulting from application of Legislative Decree 139/2015 on shareholders' equity for 2015

A table is appended to facilitate comprehension of the current situation. It summarises the effects deriving from the application of Legislative Decree 139/2015 to shareholders' equity 2015.

DESCRIPTION	AMOUNT 31/12/2015	LEGISLATIVE DECREE 139/2015		AMOUNT 2015 REV
		Reclassifications	Adjustments	
INCOME STATEMENT				
Non-recurring expenses E21 a)	- 1,930,744	168,591	1,700,833	- 61,320
Other operating costs B14				-
Non-recurring expenses for prior year taxes E20 b)	-	168,591		- 168,591
Deferred taxes (prepaid) E20 d)		-	1,700,833	- 1,700,833
NET AMOUNT	- 1,930,744	-	-	- 1,930,744
SHAREHOLDERS' EQUITY				
Total value of Shareholders' Equity	172,888,586			172,888,586

After the consolidation ledger entries were made (netting), no Balance Sheet reclassifications are evident in the financial statements of the individual companies.

INTANGIBLE ASSETS

Except for the rights to use and enjoy public property and non-disposable assets assigned to the Group for use under concession, intangible assets have been recognised on the balance sheet at their purchase or production cost, including incidental charges and net of amortisation allowances.

The formation and expansion costs, research, development, and advertising costs having multi-year utility were recognised as assets with the permission of the Board of Statutory Auditors, and have been amortised over five financial years.

Research, development, and advertising costs are amortised in annual instalments of 20% (five years).

The rights to use and enjoy public property and non-disposable assets assigned to the Group for use under concession, which have been recognised at the value given to them in the transfer appraisal report, are counted towards calculation of the profit (loss) for the year, on a straight-line basis, determined according to the duration of the concession agreements.

In regard to management of the methane gas distribution service in the City of Treviso, the costs incurred to purchase the plants, including incidental charges, have been recognised in the item "Other concessions". Its amortisation is calculated in equal annual instalments over the duration of the concession (12 years). Moreover, these amortisation allowances are calculated on the purchase price of the plants net of their redemption price upon expiry of the concession, which has already been calculated in advance in the service agreement.

The capital assets related to the network extension owned by the City of Treviso were reclassified in 2012 from property, plant, and equipment to intangible assets, under the item Concessions by Vicenza and other Municipalities. Amortisation continues at the same, pre-existing rate. Upon expiry of the concession, they will be transferred to the next operator, just as has already been recognised in the memorandum accounts.

The rates applied by category are summarised in the following table:

Category	Applied Rate
Incorporation, formation and expansion costs	20%
Research, development and advertising costs	20%
Concessions, licenses, trademarks, and similar rights	12 years – 30 years
Goodwill	10%
Consolidation difference	10%-20%
Other intangible assets	Duration of agreement

The aforementioned rates were also applied to the intangible assets of the former AMCPS S.r.l., after the merger which took place in 2010.

For the former AIM RETI S.r.l., a company that was merged in 2010 with AIM Vicenza S.p.A., the intangible assets are amortised as follows:

- x study and research expenses are amortised as illustrated in the table shown above;
- x concessions are amortised at rates depending on the duration of the concession;
- x leasehold improvements are amortised at rates depending on the duration of the concession.

Regardless of the amortisation that has already been recognised, if the intangible asset is impaired, its carrying value is written down by the corresponding amount. If the reasons for the impairment cease to exist in subsequent years, the original value is restored and adjusted only for amortisation.

PROPERTY, PLANT AND EQUIPMENT

OIC 16 has adopted the concept of transfer of risks and benefits with the transfer of title of ownership and, when there is a discrepancy, the moment when the risks and benefits are transferred takes precedence. They are recognised at their purchase cost and adjusted by the corresponding accumulated depreciation.

The book value reflects the incidental charges and costs incurred for use of the non-current asset, which reduce the cost of large commercial discounts and cash discounts.

For those plants constructed on a time and materials basis, the cost of the materials used, the cost of labour for the personnel used, the associated social security and welfare costs, the accruals to the provisions for employee severance indemnities, and the portion of internal services that can be reasonably attributed to them have been accounted for.

The depreciation instalments charged to the income statement have been calculated according to the use, purpose, and useful life of the capital assets, according to their residual useful life. We have decided that their useful life is well-represented by the following rates, which have not changed from the previous financial year and reduced by half during the year when the asset entered service.

The value of work in progress reflects the direct costs that were known by 31/12/2016. Depreciation of these costs will begin in the year that each asset enters service. For those assets that entered service in 2016, the applied depreciation rates are applied in the reduced amount.

Those expenses that increase the value of the assets, and the maintenance that results in a significant and tangible increase in productive capacity or which lengthens the useful life of the capital assets have been capitalised and generally increase the value of the asset on which they are realised, and they are depreciated according to the remaining useful life. Ordinary maintenance costs are expensed directly in the income statement.

In regard to land fills, depreciation of the total cost incurred for their construction has been allocated in proportion to the volume occupied by the waste delivered to the land fill during the financial year with respect to its total authorised volume, or in proportion to the biogas produced if the receiving capacity has been exhausted.

Regardless of the amortisation that has already been recognised, if the intangible asset is impaired, its carrying value is written down by the corresponding amount. If the reasons for the impairment cease to exist in subsequent years, the original value is restored and adjusted only for amortisation.

No such adjustments had to be made in that sense.

The rates applied by category are summarised in the following table:

Category	Applied Rate
Buildings	1.67% – 4%
Plant and machinery	2% – 20%
Plant and machinery – consolidation portion	9.1%
Industrial and commercial equipment	3.3% – 20%

The amortisation percentages applied to the capital assets of the former AIM Reti S.r.l. are as follows:

Land and buildings	2.5%
Plant and machinery	2.5% – 20%

The depreciation percentages applied to the capital assets of the former AMCPS S.r.l. are as follows:

AMCPS head office building	3%
Plant and machinery	10% – 20%
Industrial and commercial equipment	12% - 40%

The investments made in connection with the Global Service concession are depreciated according to the residual duration of the concession that was signed in November 2009 for a total of ten years.

The capital grants made by various entities have been counted towards a reduction in the value of the non-current assets since 2006.

NON-CURRENT ASSETS HELD UNDER FINANCE LEASES

The values of the assets acquired by making finance lease agreements are recognised in the balance sheet according to the financial method, in accordance with the International Accounting Standards (IAS 17), at the arm's length value of the asset, including the redemption price envisaged by the agreement, with the corresponding payable for the same amount being recognised under liabilities. That payable is steadily reduced according to the repayment plan for the instalments on principal included in the contractually agreed lease instalments. The value of the asset recognised under assets is depreciated on a straight-line basis, using the same rate as if the asset had been purchased.

LONG-TERM INVESTMENTS

The equity investments in subsidiaries have been consolidated on a line-by-line basis, except as specified previously.

The equity investments in associates have been recognised at equity or at cost.

The other minority stakes are measured at their purchase cost. Certain cost values recognised in the financial statements were impaired in previous years to reflect impairment losses.

The long-term investments include the receivables from associates for interest-bearing loans, and for security deposits given to third parties. These items are shown at their face value.

INVENTORIES

Raw materials, supplies, and finished products are recognised at the lesser of their purchase or manufacturing cost and their realisation value as can be deduced from market trends, by applying their weighted average cost;

The value obtained in this way is then adjusted by the special "provision for inventory obsolescence", to account for the merchandise whose realisation value is expected to be less than their cost.

The contract work in progress whose duration falls within the year is measured according to the costs incurred as documented in the progress reports.

The contract work in progress continuing after the end of the year are recognised according to the consideration paid.

RECEIVABLES AND PAYABLES

Receivables and payables are recognised in the financial statements according to the amortised cost method, if significant, while accounting for the time factor and, in regard to receivables, their presumable realisation value. In accordance with Italian GAAP no. 15, the value of receivables is reduced through recognition of an analytical provision with the assessment of every single receivable and supplemented by a generic provision estimated with a synthetic process. These provisions reduce the asset entry and are deemed adequate to cover any losses on receivables.

The changes made to the balance sheet format have included the introduction of a line item for receivables and payables to undertakings controlled by the parent companies.

FINANCIAL ASSETS NOT HELD AS NON-CURRENT ASSETS

The fixed income securities and other credit instruments have been recognised at the lesser of their cost value and their market value, in accordance with Article 2426 Italian Civil Code.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the cash on hand and positive balances on current bank accounts not subject to restrictions or constraints. Cash and cash equivalents are recognised at their face value.

ACCRUALS AND DEFERRALS

Accruals and deferrals are determined on an accrual basis and in application of the principle of correlation between costs and revenue for two or more consecutive financial years. OIC 18 mandates explicit reporting of these items when they are for significant values.

The conditions that led to the original recognition of multi-year accruals and deferrals have been checked, while making any changes as necessary.

CAPITAL GRANTS FOR PLANTS

The capital grants costs made by various entities have been counted since 2006 towards a reduction in the non-current assets when the same grant directly refers to a plant. Previously, the grants related to plants were recorded under deferred income and recognised in the income statement in the same ways used to calculate depreciation of the assets to which they referred.

Therefore, net depreciation is calculated on the capital assets affected by the grant, while deferred income is still used for the grants already accounted for in the years before 2006, which are counted towards annual income according to an annual instalment corresponding to the amount of the depreciation allowance for the associated assets.

GRANTS FOR CURRENT EXPENSES

The grants for current expenses are recognised on an accrual basis.

PROVISIONS FOR LIABILITIES AND CHARGES

These are accrued to cover losses or payables that are certain or likely, but whose amount or date of realisation could not be determined at the end date of the year.

These provisions have been prudently measured on an accrual basis, and no provisions for general liabilities have been accrued without economic justification.

Contingent liabilities have been recognised in the balance sheet and recorded in the provisions insofar as they are considered likely and since the amount of the associated costs can be reasonably estimated.

EMPLOYEE SEVERANCE INDEMNITIES

These represent the effective payable accrued towards employees pursuant to law and applicable employment agreements, considering all forms of continuing remuneration.

The provision corresponds to the total of the individual indemnities accrued in favour of the employees at the end date of the financial statements, net of advances paid. It is equal to what would have to be paid to employees if the employment relationship terminated on that date. The provision does not include the indemnities accrued beginning on 1 January 2007, which are allocated to complementary pension schemes pursuant to Legislative Decree 252 of 5 December 2005 (i.e. transferred to the INPS treasury).

INCOME TAXES

Provisions for income taxes are set aside on an accrual basis. Therefore, they represent:

- x the amount of taxes paid or to be paid for the financial year, determined on the basis of a realistic forecast of the charges owed in application of current tax law;
- x the amount of deferred tax assets or prepaid taxes according to temporary differences that have arisen and which will be cancelled out in future years. Deferred tax assets are recognised only when they can be recovered in future periods.

OIC 25 has been amended after elimination of the non-recurring section of the income statement. Line item E20 now consists of three distinct categories of taxes:

- x Current taxes
- x Taxes for previous years
- x Deferred (prepaid) taxes
- x Income from tax consolidation

GUARANTEES, COMMITMENTS, THIRD-PARTY ASSETS, AND RISKS

Legislative Decree 139/2015 abrogated Article 2424, paragraph 3, which required that the memorandum accounts be reported at the end of the balance sheet. The notes to the financial statements have to report what is envisaged in Article 2427, paragraph 1, sub-paragraph 9:

- x the total amount of commitments;
- x the amount of guarantees and contingent liabilities not reported on the balance sheet, with indication of the nature of the secured guarantees offered;
- x the existing commitments for employee pensions and similar liabilities;
- x the commitments assumed towards subsidiaries, associates, parent companies, and entities controlled by the latter.

Commitments have been reported at their face value, as deduced from the relevant documentation.

The risks for which the manifestation of a liability is likely are described in the explanatory notes, and provisions are made for them as appropriate in the provisions for liabilities.

The risks for which the manifestation of a liability is only possible are described in the explanatory notes, without accruing any amount in the provisions for liabilities according to the applied accounting standards.

Remote risks are not accounted for.

The guarantees given to associates are explicitly indicated.

INFORMATION ABOUT FINANCIAL INSTRUMENTS

In regard to the provisions of Article 2427-bis Italian Civil Code, it is noted that AIM Vicenza S.p.A. made an agreement on 17 November 2005 to guarantee against the risk of fluctuation in the interest rate related to the loan received from Unicredit Banca S.p.A.

That agreement allows AIM to hedge itself against the risk of excessive fluctuation in the floating rate applied to the loan covered by the aforementioned agreement, which is kept in the collar of 2% - 5%.

The agreement features the following: a notional value on which the IRS is calculated, and which amounted to Euro 4.7 million at 31/12/2016, of which a portion refers to the assumed portion of the loan to Società Acque Vicentine S.p.A.. The market value, determined by estimating the discounted cash flows forecast on the basis of the contract, is Euro -117 thousand. The existing contract expires on 15 June 2018, with no additional costs.

In compliance with the new OIC accounting standards of December 2016, the mark-to-market value was recognised in the balance sheet as the fair value at 31 December 2016. In this regard, reference is made to the section on Provisions for liabilities and on Shareholders' equity.

SIT S.p.A. is not party to any existing transactions in financial instruments.

ANALYSIS OF BALANCE SHEET
Assets
B) Non-current assets

Intangible assets	2016	2015	Change
	69,585,018	75,945,624	(6.360.606)

I. Intangible assets

Intangible assets	2015	Increase	Decrease	Amortisation	Other changes	2016
Formation and expansion costs	5,317,255	64,991	-	-	(196,285)	5,185,961
Accumulated amortisation for formation and expansion costs	(3,731,377)	-	-	(255,151)	117,772	(3,868,756)
Formation and expansion costs	1,585,878	64,991	-	(255,151)	(78,513)	1,317,205
Research, development and advertising costs	3,385,931	-	-	-	-	3,385,931
Accumulated amortisation for research, development and advertising costs	(3,345,950)	-	-	(23,050)	1	(3,368,999)
Research, development and advertising costs	39,981	-	-	(23,050)	1	16,932
Patents	99,993	-	-	-	-	99,993
Accumulated amortisation for patents	(99,993)	-	-	-	-	(99,993)
Industrial patent and intellectual property user rights	-	-	-	-	-	-
Concessions from Vicenza and other municipalities	96,434,744	-	-	-	-	96,434,744
Accumulated amortisation of concessions from Vicenza and other municipalities	(44,200,256)	-	-	(3,050,647)	(1)	(47,250,904)
Know-how	3,166	-	-	-	-	3,166
Accumulated amortisation for know-how	(1,902)	-	-	(634)	-	(2,536)
Concessions, licenses, trademarks, and similar rights	52,235,752	-	-	(3,051,281)	(1)	49,184,470
Goodwill	9,133,324	-	-	-	-	9,133,324
Accumulated amortisation for goodwill	(7,051,554)	-	-	(231,309)	-	(7,282,863)
Goodwill	2,081,770	-	-	(231,309)	-	1,850,461
Consolidation difference	6,999,190	-	-	-	-	6,999,190
Accumulated amortisation for consolidation difference	(6,974,903)	-	-	(8,095)	-	(6,982,998)
Consolidation difference	24,287	-	-	(8,095)	-	16,192

Work in progress and advances	558,827	321,380	(2,146)	-	(491,287)	386,774
Other multi-year costs	5,089,984	-	-	-	-	5,089,984
Accumulated amortisation for other multi-year costs	(4,239,678)	-	-	(274,379)	-	(4,514,057)
Leasehold improvement expenses	34,392,532	1,482,445	(10,000)	-	(48,801)	35,816,176
Accumulated amortisation of leasehold improvement expenses	(18,976,936)	-	5,947	(4,043,936)	25,920	(22,989,005)
Software	15,225,061	1,641,079	(11,000)	-	(248,822)	16,606,317
Accumulated amortisation for Software	(12,071,834)	-	4,400	(1,475,580)	346,583	(13,196,431)
Other	19,419,129	3,123,524	(10,653)	(5,793,895)	74,880	16,812,984
Total	75,945,624	3,509,895	(12,799)	(9,362,781)	(494,920)	69,585,018

Breakdown of Formation and expansion costs, Research, development and advertising costs, and Goodwill

(Article 2427 (1) (3) Italian Civil Code)

The item “Formation and expansion costs” is mainly due to award of the contract for distribution of gas in the Municipality of Villaverla, made in 2012.

Goodwill includes the purchase of business units.

Concessions, Leasehold improvement expenses, Other multi-year costs

(Article 2427 (1) (3) Italian Civil Code)

“Concessions, licenses and trademarks” include the rights to use and enjoy public property and non-disposable assets owned by the City of Vicenza, which have been recognised at the value given to them in the transfer appraisal report. They are counted towards calculation of the income (loss) for the year, in constant amounts according to straight-line amortisation and determined according to the duration of the concession agreements.

These also include the non-current assets for the network extension realised over the years in the Municipality of Treviso, for improved allocation of the capital assets owned by the City of Treviso. Amortisation continues at the same rate as applied in previous years. Upon expiry of the concession, they will be transferred to the next operator, just as has already been recognised in the memorandum accounts.

The leasehold improvement expenses consist of the costs for work on company facilities and other assets not owned by the company but acquired through the merger with AIM Vicenza Reti S.r.l., in addition to the costs for work performed on the building housing of the new head office of SIT S.p.A., for operating start-up of the Acovis plant, for covering the land fill in Grosseto, and for expansion of the Transport workshop set up on land owned by the City of Vicenza. A call option exists on this property, which the Group exercised in December 2011. This latter plant was leased to SVT S.r.l. after transfer of the “Local Public Transport” business unit.

Since the financial statements 2009, “Other multi-year costs” also include the cost for substitution of the electromechanical type of electric power meters with electronic ones. These are being amortised on a 10-year basis (weighted average of their residual useful life), referring to recognition of recovery of that cost in electric power rates.

The consolidation difference derives from the consolidation of certain direct and indirect subsidiaries.

The Other movements column includes the changes for reclassification and attribution of work in progress

from previous years and other attributions of non-recurring transactions: transfer of AIM Ecoenergy S.r.l. and spin-off of the “Local Public Transport” business unit transferred to SVT S.r.l..

II. Property, plant and equipment

Property, plant and equipment	2016	2015	Change	
	234,239,807	240,462,606	(6,222,799)	

Property, plant and equipment	2015	Increase	Decrease	Amort.	Other changes	2016
Land	17,283,410	85,458	-	-	15,745	17,384,613
Buildings	26,707,894	879,042	-	-	138,436	27,725,372
Accumulated depreciation for buildings	(7,320,044)	-	-	(790,076)	78	(8,110,042)
Land and buildings	36,671,260	964,500	-	(790,076)	154,259	36,999,943
Plant and machinery	367,204,910	9,464,124	(801,885)	-	(20,752,925)	355,114,224
Accumulated depreciation for plant and machinery	(189,308,877)	-	563,316	(11,252,420)	17,965,441	(182,032,540)
				(11,252,420)		
Plant and machinery	177,896,033	9,464,124	(238,569)		(2,787,484)	173,081,684
Industrial and commercial equipment	31,656,086	1,605,175	(787,343)	-	(3,629,065)	28,844,853
Accumulated depreciation for industrial and commercial equipment	(21,641,051)	-	656,080	(1,487,246)	3,473,222	(18,998,995)
Industrial and commercial equipment	10,015,035	1,605,175	(131,263)	(1,487,246)	(155,843)	9,845,858
Leased assets	-	-	-	-	-	-
Accumulated depreciation for leased assets	-	-	-	-	-	-
Assets held under finance leases	13,310,697	35,618	-	-	-	13,346,315
Accumulated depreciation for assets held under finance leases	(10,156,440)	-	-	(433,844)	-	(10,590,284)
Other property, plant and equipment	-	-	-	-	-	-
Accumulated depreciation for other property, plant and equipment	-	-	-	-	-	-
Gratuitously transferable assets	15,859,051	226,891	-	-	-	16,085,942
Accumulated depreciation for gratuitously transferable assets	(12,244,648)	-	-	(832,424)	(192,100)	(13,269,172)
Other assets	6,768,660	262,509	-	(1,266,268)	(192,100)	5,572,801
Work in progress and advances	9,111,618	3,534,819	(87,954)	-	(3,818,962)	8,739,521
				(14,796,010)		
Total	240,462,606	15,831,127	(457,786)		(6,800,130)	234,239,807

The Other movements column includes the changes for reclassification and attribution of work in progress from previous years and other attributions of non-recurring transactions: transfer of AIM Ecoenergy S.r.l. and spin-off of the “Local Public Transport” business unit transferred to SVT S.r.l..

Assets held under finance leases

(Article 2427 (1) (2) Italian Civil Code)

This item includes assets that were acquired through finance lease transactions. They have been recognised in this account in accordance with the International Financial Reporting Standards. The most important amount concerns the Lonigo photovoltaic plant, for about Euro 3 million, and purchases of vehicles and machinery for the collection and processing of waste.

Gratuitously transferable assets

(Article 2427 (1) (2) Italian Civil Code)

This item includes the costs incurred for construction of the controlled land fill plant located in Grumolo delle Abbadesse, inclusive of the value of the owned land on which the land fill has been created.

The plant on which the old land fill was created, which started operation in 1999, has been completed. Its cost did not increase in 2016.

Its depreciation, which has increased since the previous year, is based on exploitation of the biogas produced by the plant in relation to its operating costs. Since 2011, depreciation is charged in proportion to the forecast of electric power generated, since the land fill is now completely full.

Moreover, the costs of land used for the expanded land fill and associated incidental costs continue to be depreciated. Depreciation of the land began in 2012 and is charged on a straight-line basis for ten years. It is based on the duration of the land lease with SIA, an associated company of Valore Ambiente S.r.l., which operates the expanded new land fill. When cultivation of the land fill is completed, the land itself is to be transferred free of charge to the lessee.

The expansion of the land fill, which is the responsibility of SIA S.r.l., is depreciated in direct proportion to the quantities of waste delivered in terms of a unit of volume.

Capital grants

No capital grants were recognised in 2016.

Work in progress and advances

(Article 2427(1)(2) Italian Civil Code)

“Work in progress” refers to costs incurred for the purchase and construction of various plants, new vehicles and equipment that have not yet entered service.

III . Long-term investments

Long-term investments	2016	2016	Change
	23,625,078	12,264,638	11,360,440

Equity investments

Indirect subsidiaries

The value of these subsidiaries, totalling Euro 32,155, refers to the following companies that are not consolidated for the reasons given in the introduction.

Name	Head office	Functional	Share capital Equity	Earnings/ Loss	Property value	% Stake	Net currency
Torretta Rijeka doo	Croatia	HRK	75,000	-15,688	-49,526	100%	32,155
Rasha S.r.l.- in liquidation	Vicenza	EUR	10,000	-3,350	2,230	54.12%	0
Total							32,155

In regard to the company Torretta Rijeka, the provision for liabilities has been recognised in the amount of Euro 27,000 to cover contingent risks of impairment of the equity investment.

The companies are shown with the percentages of SIT S.p.A., 75% controlled by AIM Vicenza S.p.A..

Associates

The value of equity investments in associates totals Euro 10,234,463.

The associates are listed as follows.

Direct associates

The following companies are indirect associates:

Name	Head office	Share capital	Shareholders' equity	% Stake
Centro Idrico Novoledo S.r.l.	Villaverla (VI)	90,000	545,316	50
Acovis S.r.l.	Sandriago (VI)	100,000	326,336	26
S.I.V.E. S.r.l.	Legnago (VR)	147,470	1,166,031	24.73

Indirect associates

The following companies are indirect associates, through the companies AIM Mobilità S.r.l. and AIM Energy S.r.l., which are wholly owned.

Name	Head office	Share capital	Shareholders' equity	% Stake
Società Vicentina Trasporti S.r.l.	Vicenza	10,000,000	12,554,065	34.66

2V Energy S.r.l.	Vicenza	2,000,000	2,675,085	50
Soenergy S.r.l.	Argenta (FE)	2,500,000	4,347,880	15

The following other indirect associates belong to the SIT subgroup and are reported here with indication of the percentages of SIT S.p.A., which is 75% controlled by AIM S.p.A..

Name	Head office	Share capital	Shareholders' equity	% Stake
Legnago Servizi S.p.A.	Legnago (VR)	120,000	1,836,135	49
Acovis S.r.l.	Sandrigio (VI)	100,000	326,336	48
Futura S.p.A.	Florence	7,000,000	-460,147	20

The figures refer to the financial statements at 31/12/2016.

The following is noted:

- x The company S.V.T. S.r.l. had shareholders' equity of Euro 12,554,065 at 31/12/2016, compared with Euro 62,747 in the previous year. The change resulted from transfer of the "Local Public Transport" unit from AIM Mobilità S.r.l.;
- x Soenergy S.r.l. is a national operator on the natural gas and electric power market that is wholly owned by the public. Fifteen per cent of its share capital was acquired in January 2013, but it has been considered an "associate" after the Shareholders Agreements made between AIM Energy and Soelia to define its governance and the operating aspects connected with the procurement of gas and electric power;
- x The equity investment in Futura S.p.A. represents a long-term, strategic investment for the SIT Group, aimed at the construction and operation of solid urban waste sorting plant with the production of waste-to-fuel.
A pledge has been made on the shares constituting the equity investment in Futura S.p.A., representing 20% of its share capital and having a par value of Euro 1,400,000. This pledge was made in favour of the banks that made a loan to Futura S.p.A. for construction of the waste-to-fuel plant in Grosseto.

The following table illustrates the carrying value of the equity investment in each company:

	31/12/2016	31/12/2015
DIRECT SHARHOLDING		
Centro Idrico Novoledo S.r.l.	272,663	203,962
Acovis S.r.l.	84,847	79,837
S.I.V.E. S.r.l.	288,359	224,698
	645,869	508,497
INDIRECT SHAREHOLDING		
S.V.T. S.r.l.	4,351,239	20,914

2V Energy S.r.l.	1,337,543	1,210,318
Soenergy S.r.l.	1,487,467	1,457,250
	7,176,249	2,688,482
INDIRECT SHAREHOLDING 75%		
Legnago Servizi S.p.A.	899,705	757,185
Cisat - in liquidation	0	
Acovis S.r.l.	121,640	121,640
Futura S.p.A.	1,400,000	1,400,000
Nuova Logica Energia S.r.l.	0	17,099
Associazione Centro Studi	0	1,500
	2,421,345	2,297,424
Total Associates	10,234,463	5,494,403

Other companies

Description	31/12/2016	31/12/2015
Agrilux S.r.l.	1,405,035	1,295,029
CO.GES A. S.r.l.	16,502	46,091
Vicenza Futura S.p.A.	29,175	29,175
Fondazione G.Rumor	86,815	86,815
Banca Etica	33,350	33,350
Other	15,157	15,157
Total Other enterprises	1,586,034	1,505,617

The 100% shareholdings in direct and indirect associates have been recognised at equity.

The 75% shareholdings in associates and the equity investments in other enterprises are recognised at cost, except for Legnago Servizi S.p.A. and Agrilux S.r.l., which have been recognised at equity.

Receivables from subsidiaries

The amount of this item, Euro 68,000, is unchanged from 2015. It refers to the non-interest-bearing loan made to Torretta Rijeka (not consolidated) for its participation in the land auction as part of outstanding litigation in Croatia.

Receivables from associates

The amount of this item, Euro 1,175,004 (Euro 460,000 in 2015) refers to the loan made to the associate Futura S.p.A. in Florence to cover planned investments and financial requirements.

Receivables from parent company

The amount of this item, Euro 2,612,239 (unchanged from the previous year), corresponds to the prepayments on concession instalments made to the City of Vicenza. They will be discounted from the payment of instalments for the last ten years of the concession (from 2020 to 2029), which the companies formed with the spin-off have with the City of Vicenza.

Receivables from others

These include the following items:

- x the receivable for sales of equity investments (Euro 415,082) deriving from sale of the equity investment of SIT Istra (Croatia). As security for that sale, the buyer gave its permission to establish a mortgage on land it owns in favour of SIT. This receivable, which was written down in 2009, was restored to its face value in 2013.
In fact, the directors believe that after the actions taken and opinions given by lawyers, it is reasonable to expect that the entire receivable will be recovered.
- x other receivables for security deposits and residual receivables totalling Euro 1,672,535. The value of this item includes a deposit paid on behalf of the associate, 2V Energy, as security for an electric power dispatching agreement, replacing a previously given security bond.

The following table summarises the contents of this item:

Description	2016	2015	Change
Receivables for sale of equity investments	415,082	415,082	0
Security deposits and other receivables	198,693	1,672,535	1,473,842
Total	1,951,680	2,087,617	1,473,842

Other securities

The amount of Euro 5,965,504 (as compared with Euro 4,609 in 2015) consists mainly of the net amount of three restricted accounts intended to cover the post-mortem costs of the entire land fill at Grumolo delle Abbadesse over the next several decades. Since September 2016, they have been registered exclusively in the name of S.I.A. S.r.l.

C) Current assets

Current assets	2016	2015	Change
	194,320,333	208,845,673	(14,525,340)

I. Inventories

Inventories	2015	2016
Raw materials, supplies, and consumables	3,543,150	2,397,584
Allowance for write-down of raw materials, supplies and consumables	(397,307)	(167,312)
Raw materials, supplies, and consumables	3,145,843	2,230,272
Work in progress and semi-finished products	-	-
Contract work in progress	-	-
Finished products and merchandise	215,664	61,881
Advances on stocks	-	-
Total	3,361,507	2,292,153

Inventories had a total value of Euro 2,292,153 at 31/12/2016. This value is net of the allowance for inventory write-downs, amounting to Euro 167,312.

The inventories mainly consist of materials for maintenance of the services, the pro-rated share of fuel used to operate the Mincio thermoelectric power plant, and fuel and spare parts for the entire company vehicle fleet.

The amount of Euro 61,881 represents the value of finished products at 31/12/2016 for the SIT Group environmental hygiene area.

II. Receivables

All receivables are in Euro, with no account items in foreign currency.

No receivables have a term longer than five years, except for a portion of deferred tax assets that, by virtue of their being tied to the depreciation of assets, will be used according to the lifetime of the assets to which they refer.

The net amount is broken down according to due dates:

Current receivables	2016	Amount due within 12 months	Amount due in 1-5 years	Amount due after 5 years
Trade receivables	85,537,349	85,537,349	-	-
Receivables from subsidiaries	-	-	-	-
Receivables from associates	5,679,353	5,679,353	-	-
Receivables from parent companies	14,648,980	14,648,980	-	-
Receivables from undertakings under the control of parent companies	-	-	-	-
Tax receivables	1,670,192	1,670,192	-	-
Deferred tax assets	14,472,104	14,472,104	-	-
Other receivables	17,405,745	17,400,002	5,743	-
Total	139,413,723	139,407,980	5,743	-

Receivables from users and customers

This item, gross of the allowance for doubtful accounts of Euro 15,372,871, totals Euro 100,910,219 and is comprised:

- by receivables deriving from the sale and distribution of gas and electricity, public lighting, and heat for Euro 79,265,746;
- by other services related to the activity of Igiene Ambientale, by the companies Valore Ambiente S.r.l., AIM Vicenza S.p.A., and SIT S.p.A., for Euro 12,527,184;
- by other services related to the Local Public Transport and Sosta activities, amounting to Euro 881,804;
- by the fee for use of water and sewer-purifications plants, and other services related to the invoices issued and to be issued to Acque Vicentine S.p.A., for Euro 4,670,004;
- by lease instalments on the buildings managed on behalf of the City of Vicenza and other services for other activities, amounting to Euro 3,565,481.

Trade receivables	2016	2015	Change
Short-term receivables from customers/users	66,661,299	71,076,545	(4,415,246)
Invoices to be issued to customers/users	34,248,921	38,328,053	(4,079,132)
Allowance for doubtful short-term trade receivables	(13,355,468)	(11,912,260)	(1,443,208)
Allowance for unpaid rents	(2,017,403)	(1,806,804)	(210,599)
Trade receivables	85,537,349	95,685,535	(10,148,186)

The account “Invoices to be issued to customers and users” is largely comprised of service consumption not yet invoiced at 31/12/2016, for the supply of methane gas and electric power, and by invoices for plant and network services and use.

The overall decrease in receivables stems mainly from the reduction in receivables of AIM Energy S.r.l. for customer gas and power bills.

Receivables from associates

The Receivables from associates, which total Euro 5,679,353, are from:

- S.V.T. S.r.l. for a total of Euro 4,337,107, related to the transfer of the “Local Public Transport” business unit effective from 1/03/2016, sundry advances, and the vehicle maintenance service agreement;
- Soenergy S.r.l. and 2V Energy S.r.l. for a total of Euro 802,810, largely related to trade receivables for the sale of gas and electricity;
- Associates of the SIT Group, for Euro 539,436.

Receivables from associates	2016	2015	Change
Short-term financial receivables from associates	4,334,226	757,183	3,577,043
Short-term trade receivables from associates	1,345,127	2,125,327	(780,200)
Receivables from associates	5,679,353	2,882,510	2,796,843

Receivables from Controlling Entity

The amount of this receivable, which rose from Euro 28,386,522 at 31/12/2015 to Euro 14,648,980 at the end of this year, net of the allowance for doubtful accounts.

The short-term receivables from the parent company, which mainly referred in the previous year to contributions by the Region to cover the purchase of buses, totalled Euro 901,633 at 31/12/2016. These stemmed largely from a Cosap settlement for the financial years 2001-2016.

The trade receivables from the Controlling Entity – the City of Vicenza – concern the services related to various ordinary and special maintenance work on City property, the consideration owed for the Global Service and Environmental Hygiene, and the supply of gas and electricity for consumer use.

The substantial change from the previous year is due to the consideration resulting from the Local Public Transport agreement that is no longer included in the receivables from the City, consequent to transfer of that business unit to SVT S.r.l..

Receivables are broken down further as follows:

- x invoices issued for miscellaneous services at 31/12/2016, for Euro 8,202,305;
- x invoices to be issued for the Environmental Hygiene service fee, work in progress, and miscellaneous work, totalling Euro 5,436,950;
- x invoices issued for miscellaneous services at 31/12/2016, for Euro 162,826;

Receivables from parent companies	2016	2015	Change
Short-term receivables from the parent company City of Vicenza	901,633	2,077,045	(1,175,412)
Short-term trade receivables from the parent company City of Vicenza	13,802,081	26,476,477	(12,674,396)
Allowance for write-down of short-term receivables from the parent company City of Vicenza	(54,734)	(167,000)	112,266
Receivables from parent companies	14,648,980	28,386,522	(13,737,542)

The changes in the comprehensive allowance for doubtful accounts, both for receivables from customers and lessees, and for receivables from the City of Vicenza:

Allowance for doubtful accounts	Net amount at 31/12/2015	Other changes	Accrual	Use	Net amount at 31/12/2016
Allowance for Doubtful Accounts – Trade Receivables	11,912,260	89,319	2,277,339	-923,450	13,355,468
Allowance for Doubtful Accounts – Unpaid Rents	1,806,804		210,599	0	2,017,403
Allowance for Doubtful Accounts – City of Vicenza	167,000		31,138	-143,404	54,734
Total	13,886,064	89,319	2,519,076	-1,066,854	15,427,605

Tax receivables and deferred tax assets

Tax receivables total Euro 1,670,192, while Deferred tax assets total Euro 14,472,104.

Tax receivables	2016	2015	Change
Receivables from Tax Authorities	921,798	1,075,439	(153,641)
IRES receivable	401,579	286,092	115,487
IRAP receivable	299,493	523,704	(224,211)
Other tax receivables within 12 months	47,322	31,315	16,007
Tax receivables	1,670,192	1,916,550	(246,358)

The "Receivables from Tax Authorities" mainly refers to the VAT receivable at 31/12/2016 for several companies not participating in the Group VAT consolidation scheme.

The deferred tax assets total Euro 14,472,104 and refer to:

- x deferred tax assets related to higher statutory depreciation charges that are not recognised for tax purposes and charged to adjust the remaining useful life of certain capital assets;
- x deferred tax assets on the capital grants for plants in previous years, related to depreciation but according to tax rules different from statutory rules;
- x accruals to various provisions, including the allowance for doubtful accounts, which is higher than what is allowed by tax law;
- x deferred tax assets on suspended revenue of Global Service;
- x deferred tax assets for greater, non-deductible net interest expenses;
- x accelerated taxation of sundry costs that are tax deductible in subsequent years.

For the portion related to depreciation and contributions, the deferred tax assets will be used according to the same depreciation method used for the plants, and will thus continue after the next five years.

The amount of deferred tax assets indicated above reflects the changes introduced by Law 208/2015, the "Stability Law 2016", whose publication in the Official Gazette on 30 December 2015 mandates taking account of the reduction in the IRES (corporate income tax) rate from 27.5% to 24% beginning 1 January 2017, for the purpose of recognising deferred taxes already in the financial statements for the years ended at 31 December 2015.

For more details on the change in deferred tax assets, reference is made to the table at the end of the notes to the consolidated financial statements, pursuant to sub-indent 14) of Article 2427 Italian Civil Code.

Receivables from others

The amount of Euro 17,405,745 is detailed in the following table:

Other receivables	2016	2015	Change
Receivables from the national government	2,701,261	4,920,178	(2,218,917)
Receivables from the regional government and local entities	362,406	726,831	(364,425)
Receivables from other entities	9,463,604	5,741,957	3,721,647

Short-term receivables from employees	-	-	-
Receivables from shareholders	-	-	-
Receivables for earnest money and advances	3,387,557	2,757,940	629,617
Other short-term receivables	1,485,174	1,396,146	89,028
Other medium-long term receivables	5,743	5,743	-
Other receivables	17,405,745	15,548,795	1,856,950

The “Receivables from the national government” consist of:

- x excess prepayments for excise taxes, paid during the year to the UTF or other entities, for gas and electricity, which will be settled through the absorption of subsequent debt instalments. The amounts of this excess 31 December 2015 totalled Euro 1,294,050 to the national government (and, analogously, Euro 360,847 to the Region);
- x a receivable requested in reimbursement on excise taxes for liquid propane gas, related to local public transport, totalling Euro 45,137;
- x application for IRES refund pursuant to Decree Law 185/2008 and Decree Law 201/2011, for the higher tax paid for previous periods, in consequence of the failure to deduct the IRAP portion of labour costs. Altogether, the Group has a receivable of Euro 1,355,161;
- x residual receivables for Euro 6,912.

The Receivables from other entities refers to:

- x Euro 6,021,675 for contributions to the former Equalisation Fund for the Electric Power Sector, now C.S.E.A., *Cassa per i Servizi Energetici e Ambientali* (Fund for Energy and Environmental Services), referring solely to the energy efficiency certificates for gas and electricity, in compliance with AEEG Resolution no. 219/04;
- x Euro 3,437,276 for contributions to be collected from the same CSEA for the continuity of service, the income portion of the rate components, and the adjustments for equalisation of electric power and gas;
- x Euro 4,653 for adjustment of residual receivables.

The Receivables for earnest money mainly refer to the pre-contract for purchase and sale signed in 2009 with the City of Vicenza for the real estate located on Via Fusinieri, Vicenza. The memorandum accounts show the commitment related to that agreement.

The “Other receivables due within 12 months” total Euro 1,485,174 and mainly include receivables for advances paid to the contracting entity for the call for tenders to distribute gas, and sundry items to be paid for cost components accrued during the year.

The geographic allocation of receivables at 31/12/2016 is not significant since almost all of them are claimed from Italian persons and entities (Article 2427(1)(6) Italian Civil Code).

III . Financial assets not held as non-current assets

The “Other securities” for Euro 37 thousand refer to short-term investments.

IV. Cash and cash equivalents

Cash and cash equivalents	2016	2015	Change
	52,577,457	46,001,662	6,575,795

Cash and cash equivalents	2016	2015	Change
Bank and postal accounts	52,382,862	45,541,131	6,841,731
Checks	144,746	400,244	(255,498)
Cash and cash on hand	49,849	60,287	(10,438)
Total	52,577,457	46,001,662	6,575,795

The statement shows cash and cash equivalents and cash and cash equivalents on hand at 31/12/2016. The bank overdrafts are properly classified in the item "Bank borrowings"

D) Accruals and deferrals

Accrued income and prepaid expenses	2016	2015	Change
	1,249,838	1,498,511	(248,673)

These measure income and expenses whose accrual occurs before or after the related cash movement and/or documentation. They are recognised irrespective of the date on which the related income and expenses are received or paid and covering two or more financial years and allocable on a time basis.

The criteria adopted in making these measurements are illustrated in the first part of these notes to the financial statements.

Accrued income and prepaid expenses	2016	2015	Change
Accrued income for interest	-	-	-
Accrued income for rents	-	-	-
Other accrued income	2,605	311	2,294
Accrued income	2,605	311	2,294
Prepaid expenses for fees and sundry expenses	275,236	249,823	25,413
Prepaid multi-year expenses	1,005,094	1,303,900	(298,806)
Other prepaid expenses	(33,097)	(55,523)	22,426
Discount on loans	-	-	-
Prepaid expenses	1,247,233	1,498,200	(250,967)
Total	1,249,838	1,498,511	(248,673)

The composition of this item is broken down as follows (Article 2427(1)(7) Italian Civil Code):

- Euro 547,860 for the prepayment of a portion of the instalment paid to Acovis S.r.l. in connection with the lease agreement for the business unit including the plastic processing plant;
- Euro 334,457 for prepayment of taxes and expenses on new mortgage loans contracted since 2009;
- Euro 364,916 for complex prepaid expenses related to surety bonds, insurance, sundry fees, taxes on vehicles, and accrued future expenses related to construction of the Lonigo photovoltaic plant;
- Euro 2,605 for accrued income.

The prepaid expenses having a term longer than five years total Euro 264,156.

Liabilities

A) Shareholders' equity

Total Shareholders' equity	2016	2015	Change
	178,560,687	172,888,587	5,672,100

Shareholders' equity	2015	Change			Allocation of Net Income (Loss)	Other changes	2016
		Area	Increase	Decrease			
Share capital	71,293,000						71,293,000
Additional paid-in capital	0						0
Revaluation reserve	0						0
Legal reserve	549,526				131,197		680,723
Statutory reserves	30,568						30,568
Treasury share reserve	0						0
Extraordinary reserve	0						0
Reserve for shareholders' contributions	0						0
Merger reserves	63,382,373					-1	63,382,372
Other reserves	484,902				382,734		867,636
Other reserves	63,867,275				382,734		64,250,008
Reserve for hedging of forecast cash flows	0			117,041			-117,041
Retained earnings (losses)	27,255,687	53,507			4,746,381	-555,486	31,500,090
Profit (loss) for the year	7,370,313		9,028,104		-7,370,313		9,028,104
Group shareholders' equity	170,366,369	53,507	9,028,104	-117,041	-2,110,000	-555,487	176,665,452
Non-controlling interest in share capital and reserves	2,229,135	-46,591			293,082	-619,965	1,855,661
Minority interests	293,082		39,574		-293,082		39,574
Non-controlling interests	2,522,217	-46,591	39,574	0	0	-619,965	1,895,235
Shareholders' equity	172,888,586	6,916	9,067,678	-117,041	-2,110,000	-1,175,452	178,560,687

Share capital

The share capital of AIM Vicenza S.p.A. totals Euro 71,293,000, wholly owned by the City of Vicenza and consisting of 1,425,860 ordinary shares, valued at Euro 50 each.

Other reserves

The reserve items are composed as follows:

- Legal reserve for Euro 680,723;
- Statutory reserve for Euro 30,568
- Reserves deriving from mergers through takeover of AIM Reti S.r.l. and Amcps S.r.l., which took place in 2010, totalling Euro 64,250,008;
- Reserves for cash flow hedges, Euro -117,041.

Retained earnings/(losses)

When the financial statements at 31/12/2015 were approved, the shareholder resolved to allocate the profit of Euro 2,623,931 as follows:

- Euro 131,197 to the legal reserve
- Euro 382,734 to the other reserves
- Euro 2,110,000 to the shareholder City of Vicenza

The remaining item “retained earnings” constitutes the progressive result of consolidation activities.

Group interest in profit for the year

The financial year 2016 closes with group interest in profit amounting to Euro 9,028,104.

Change in scope and Minority interests

The following change in the scope of consolidation occurred during the year, as previously mentioned in the introduction:

- AIM Ecoenergy S.r.l. has been deconsolidated, after being sold to the minority shareholder.

Therefore, the minority interests refer to:

- 25% of the SIT Group, including the share owned by third parties in SIT S.p.A., in TreV Ambiente S.r.l. and Blueoil S.r.l.;
- 51% of SIA S.r.l.;
- 49% of CogasPiù Energie S.r.l..

The account “Minority interests” totals Euro 1,895,235, including the minority interest in profit, Euro 39,574.

Reference is made to the end of this document for the statement for reconciliation of Shareholders' equity and profit (loss) for the year of the parent company and consolidated Shareholders' equity and profit (loss).

B) Provisions for liabilities and charges

Provisions for liabilities and charges	2016	2015	Change
	32,173,184	23,973,399	8,199,785

The following table shows the changes during the year:

Provisions for liabilities and charges	2015	Accrual	Reversal	Other changes	2016
Provision for employee pensions	158,515	-	-	-	158,515
Provision for employee pensions and similar obligations	158,515	-	-	-	158,515
Provisions for taxes, including deferred tax liabilities	5,840,699	82,993	-396,398		5,527,294
Provision for derivative financial instruments liabilities	-	-	-	117,041	117,041
Warranty provision	-	-	-	-	-
Provision for cyclical maintenance and sundry expenses	269,195	-	-	-	269,195
Provision for future charges on sundry plants	10,989,785	1,040,001	(789,058)	6,150,618	17,391,346
Provision for losses of investees	102,467	-	-	-	102,467
Provision for litigation costs	419,340	50,000	(54,674)	-	414,666
Provision for social welfare and municipal public housing	336,456	33,844	-	-	370,300
Other provisions for liabilities	5,856,942	1,647,730	(483,494)		7,822,360
Other provisions for liabilities	17,974,185	2,771,575	(1,327,226)	801,182	26,370,334
Total	23,973,399	2,835,433	(1,722,926)	7,087,278	32,173,184

The Provision for employee pensions is comprised by the costs for directors' severance indemnity and totals Euro 158,515. There have been no changes from the previous year.

The Provision for deferred taxes, amounting to Euro 5,527,294, relates to:

- higher depreciation recognised off the books and from tax differences;
- taxes on realised gains and other deferred taxes.

The amount of the provision for deferred taxes indicated above reflects the changes introduced by Law 208/2015, the "Stability Law 2016", whose publication in the Official Gazette on 30 December 2015 mandates taking account of the reduction in the IRES (corporate income tax) rate from 27.5% to 24% beginning 1 January 2017 for the purpose of recognising deferred taxes already in the financial statements for the years ended at 31 December 2015.

For more details on the change in the “Provision for deferred taxes”, reference is made to the table at the end of the notes to the consolidated financial statements, pursuant to sub-indent 14) of Article 2427 Italian Civil Code.

The amount of Euro 117,041 recognised under "Provision for financial instrument liabilities" refers to the mark-to-market value construed as the fair value at 31 December 2016 and is also recognised at line item AIV) in Shareholders' Equity, Reserve for forecast cash flow hedges, in compliance with the new accounting principles (OIC 32) introduced with Legislative Decree 139/2015.

The item “Provision for future charges on sundry plants”, totalling Euro 17,391,346, consists of the following principal items:

- the provision for expenses of work to complete the land fill in Grumolo delle Abbadesse (VI), Euro 1,704,222; the technical report updated at 31 December 2016 by the land fill technical manager has reconfirmed the adequacy of the aforementioned provision to guarantee performance of the work to complete the filled portion of the land fill;
- the provision for expenses of work to complete expansion of the same land fill, which is the responsibility of SIA S.r.l., and which rose from Euro 907,463 to Euro 1,109,464;
- the provision of Euro 6,150,619 for the post-mortem work to be performed at the aforementioned land fill, with the reader being referred to the relevant comment on the item Other Securities under Long-term Investments;
- the provision for costs related to the disposal of wastes still stocked at the Marghera (VE) plant, Euro 1,482,034;
- the provision for additional post-operating costs for the Lonigo land fill, amounting to Euro 2,327,175;
- the provision of Euro 4,512,000 is for a prudent accrual to cover the reduced production capacity of the Mincio Thermoelectric Power Plant: this type of electric power generation plant is suffering from the persistent economic crisis and reduced margins of the production unit due to the contribution made by renewable energy sources on the electric market.
The producers in this sector are still awaiting a ministerial decision that should regulate plant remuneration, the “capacity payment”.

The item “Other provisions for liabilities”, totalling Euro 7,822,360, mainly consist of:

- the provision accrued at SIA S.r.l., for deferred depreciation allowances on the land fill to be built, which will be gradually used to adjust the accrued depreciation allowances charged against future years. The amount has risen from Euro 1,454,261 to Euro 1,588,988;
- the provision for charges referring to the concessions with the various municipalities for the distribution of gas, with the observation that litigation is under way with them for extension of the distribution service. For the portion related to the City of Vicenza, a provision has been accrued to reflect the shorter duration of the concession itself in consequence of current law, depending on the award for the gas distribution contract, which will presumably not take place before 1 January 2018.
The total amount of the provisions for the concessions at 31/12/2016 amounts to Euro 3,621,668.

This item includes other miscellaneous funds for liabilities that might derive from future costs or other litigation, referring to the various companies, whose amount can be quantified but whose occurrence is uncertain, totalling Euro 2,611,000.

The “Provision for cyclical maintenance and expenses” (Euro 269,195) reflects accruals made, for the 5% portion owned by the Mincio Thermoelectric Power Plant, related to the liquidation for maintenance work on the power plant and restoration of the turbogas plants. It also includes an accrual for maintenance work to be performed on gas pipes due to problems that have been found.

C) Employee severance indemnities

Employee severance indemnities	2016	2015	Change
	10,437,088	15,842,973	(5,405,885)

The accrued provision, totalling Euro 10,437,088, represents the actual payable at 31 December 2016 towards employees on the payroll at that date, net of advances paid.

Employee severance indemnities	
Net amount at 31/12/2015	15,842,973
Portion accrued in the income statement	1,776,929
Portion of provision used	(2,481,582)
Other changes	(4,701,232)
Net amount at 31/12/2016	10,437,088

The decrease includes the amounts to be paid to the INPS Treasury Fund, the supplemental social security funds, and what was paid to resigned employees. The amount of “Other changes” reflects the change in the scope of consolidation.

The item Other Changes relate to deconsolidation of the “Local Public Transport” business unit, transferred to SVT S.r.l..

D) Payables

Payables	2016	2015	Change
	265,825,263	287,160,555	(21,335,292)

Payables are recognised at their face value, and their due dates are broken down as follows:

Payables	2016	Amount due within 12 months	Amount due in 1-5 years	Amount due after 5 years
Bonds	-	-	-	-
Convertible bonds	-	-	-	-
Payables to shareholders for loans	323,899		323,899	-
Bank borrowings	145,814,678	49,293,126	54,978,273	41,543,279
Payables to other lenders	2,577,162	351,411	2,218,473	(29,885)
Advances	3,692,169	3,692,169	-	-
Trade payables	48,754,782	48,754,782	-	-
Notes payable	-	-	-	-
Payables to subsidiaries	-	-	-	-
Payables to associates	17,028,194	17,028,194	-	-
Payables to undertakings under the control of parent companies	144,607	144,607	-	-
Payables to parent companies	22,048,707	22,048,707	-	-
Tax payables	14,602,191	14,602,191	-	-

Payables to social security and welfare institutions	1,780,834	1,780,834	-	-
Other payables	9,058,039	9,058,039	-	-
Total	265,825,262	166,129,060	57,520,645	41,513,394

Payables to shareholders for loans

The amount of Euro 323,899 represents the payable owed by the company Blueoil for loans made shareholders to assure the company had the necessary financial resources during its start-up to purchase capital assets.

Bank borrowings

The net amount of bank borrowings at 31/12/2016 was Euro 145,814,678, broken down as follows:

Bank borrowings	2016	2015	Change
Short-term bank loans	31,644,541	18,777,850	12,866,691
Bank account overdrafts	9,076,782	24,906,997	(15,830,215)
Banks for advances	8,571,803	12,039,838	(3,468,035)
Bank borrowings due within 12 months	49,293,126	55,724,685	(6,431,559)
Medium-long term bank loans	96,521,552	97,639,680	(1,118,128)
Bank borrowings due after 12 months	96,521,552	97,639,680	(1,118,128)
Bank borrowings	145,814,678	153,364,365	(7,549,687)

This item is composed of:

- x Euro 17,648,585 for the debt exposure to banks for current account overdrafts;
- x Euro 128,166,093 for the effective payable on principal for short and long-term mortgage loans, broken down as follows:

Existing mortgage loans	due date	Residual amount at 31/12/2015	Increases	Decreases	amortisation cost	Residual amount at 31/12/2016
Cassa Depositi e Prestiti – Sosta	2022	224,302		13,351		210,951
Cassa Depositi e Prestiti – Scavi	2022	876,610		52,622		823,988
Cassa Depositi e Prestiti – calore	2022	97,401		5,847		91,554
Banca OPI – Enel unit	2023	8,437,500		1,125,000		7,312,500
Cassa di Risparmio BZ - gas	2017	543,089		432,027		111,062
Banca Nazionale del Lavoro- 1.tranche TLR	2018		100,000			100,000
AE transaction costs	-				-27,185	-27,185
Unicredit B.Impr. – Valore Amb.	2018	707,609		283,043		424,566
Unicredit B.Impr. – sundry investments	2018	4,310,507		1,724,204		2,586,303
Unicredit B.Impr. – sundry TLR	2018	1,041,667		416,667		625,000
Banca Nazionale del Lavoro - TV gas tender	2017	12,068,966		1,379,311		10,689,655
Banca Etica – fotovoltaic	2017	510,517		339,147		171,370
Banca Popolare Vicenza – offices	2025	7,754,088		719,234		7,034,854
Friuladria - debt consolidation	2017	1,022,972		677,236		345,736

Monte Paschi Siena - debt consolidation	2019	7,298,525		1,936,231	5,362,294
Banco Desio - debt consolidation	2018	3,804,558		1,231,100	2,573,458
Banco Popolare - debt consolidation	2018	1,823,711		717,139	1,106,572
Banca Nazionale del Lavoro- cogas purchase	2019	2,187,500		625,000	1,562,500
Banca Etica - bus	2020	906,651		191,648	715,003
Veneto Banca - investment TLR	2022	2,905,971		385,626	2,520,345
Banca Intesa - debt consolidation	2025	10,000,000		904,062	9,095,938
Banca Etica - debt consolidation	2016	2,600,000		2,600,000	0
Banco Popolare - debt consolidation	2016	1,200,000		1,200,000	0
EIB - sundry investments	2030	30,000,000		0	30,000,000
EIB - sundry investments	2025	15,000,000		1,500,000	13,500,000
Banco Popolare - debt consolidation	2019		3,000,000	735,479	2,264,521
UBI- Banco Brescia	2021		2,500,000	119,219	2,380,781
Cassa di Risparmio BZ	2021		2,500,000	238,928	2,261,072
Volksbank- B.Popolare Alto Adige	2021		10,000,000	477,812	9,522,188
Volksbank- B.Popolare Alto Adige	2026		10,000,000	221,944	9,778,056
Banca Popolare Bari	2018		2,000,000	243,764	1,756,236
Banca Etica	2017		2,000,000	0	2,000,000
AIM S.p.A. transaction costs	-				-123,842
Unicredit B.Impr.- SIT	2021	0	600,000	27,249	572,751
Cassa Rurale Art. Brendola - SIT	2017	27,319		15,527	11,792
Banca Popolare Emilia Romagna -SIT	2019	979,972		242,962	737,010
Banca Popolare di Vicenza -TreV	2020	88,097		19,033	69,064
Total		116,417,530	32,700,000	20,800,410	151,027
					128,166,093

After new medium-long term loans were negotiated, the company streamlined its own financial position, by reducing its recourse to short-term debt.

The debts are not secured by any collateral, except for:

- x three loans to purchase corporate offices, secured by a mortgage;
- x several loans for which collection authorisations for bills and invoices issued were provided.

Payables to other lenders

The amount of this item, totalling Euro 2,577,162, is for payables on capital assets acquired under finance leases and recalculated in accordance with IAS 17, affecting the parent company and certain subsidiaries.

The short-term portion (due within 12 months) totals Euro 351,411, while the portion due after 12 months amounts to Euro 2,225,751.

Advances from users - customers

This item totals Euro 3,692,169 and consists of:

- x Euro 3,870,749: advances on consumption and security deposits paid by users when they make the gas and electricity supply agreements, which will be returned to the customers when the agreement is terminated. Pursuant to resolution no. 200/99 of the Autorità per l'Energia ed il Gas, these advances are credited to the users that pay their utility bills by direct debit on their bank accounts. This item is

considered short-term, since all users may be classified as a “free” user, and thus could opt out of the agreement at any time.

- x The item “Advances” for Euro 178,580 consists of advances paid for cemetery work and the portion of charges for electricity hook-ups paid by users which still had to be performed at the end of the year.

Trade payables

This item, totalling Euro 48,754,782, consists only of payables due within 12 months.

Trade payables	2016	2015	Change
Trade payables due within 12 months	23,008,916	24,716,548	(1,707,632)
Payables for invoices to be received	25,745,866	24,877,224	868,642
Trade payables due within 12 months	48,754,782	49,593,772	(838,990)
Trade payables due after 12 months	-	-	-
Trade payables due after 12 months	-	-	-
Trade payables	48,754,782	49,593,772	(838,990)

Almost all the payables are owed to Italian suppliers.

Payables to associates

The payables to associates totalled Euro 17,028,194 at 31/12/2016. The largest part of the payable comprises commercial transactions with 2V Energy S.r.l. and Soenergy S.r.l. for invoices received and invoices to be received.

The amount of financial payables, totalling Euro 2,970,509 mainly refers to amounts received by AIM Mobilità on behalf of SVT S.r.l..

Payables to associates	2016	2015	Change
Loans payable to associates within 12 months	2,970,509	-	2,970,509
Trade payables to associates within 12 months	14,057,685	19,114,976	(5,057,291)
Payables to associates	17,028,194	19,114,976	(2,086,782)

Payables to Controlling Entity

The payables to the City of Vicenza, the controlling entity, total Euro 22,048,707, as shown in the following table:

Payables to parent companies	2016	2015	Change
Payables to the controlling entity City of Vicenza within 12 months	20,584,124	20,964,302	(380,178)
Trade payables to the controlling entity City of Vicenza within 12 months	1,464,584	3,837,637	(2,373,053)
Payables to the controlling entity City of Vicenza after 12 months	-	-	-

Payables to parent companies	22,048,707	24,801,939	(2,753,232)
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The payables to the City of Vicenza due within 12 months consist of:

- Euro 18,750,338 for receipts on the TARES/TARI Environmental Hygiene tax. Its management has been delegated by the City to AIM Vicenza S.p.A., including collection activities;
- Euro 910,000 for the residual amount of profits allocated by the financial statements 2015;
- Euro 923,786 for other payables on reimbursements for costs incurred and repayment of mortgage loan instalments.

The trade payables to the City of Vicenza, all of which for concession fees, consideration for the service agreement, and rental expenses mainly applicable to 2016, are broken down as follows:

- Euro 574,455 for invoices received;
- Euro 890,129 for invoices and credits to be received.

The net amount of payables and receivables from the controlling Entity is in favour of the AIM Group, for about Euro 7.4 million.

Tax payables

The breakdown of this item is shown in the following table:

Tax payables	2016	2015	Change
Tax payables due within 12 months	726,618	-	726,618
Payables for methane gas excise taxes and e.e., miscellaneous others	5,847,692	5,268,311	579,381
Payables for CCSE components	5,429,152	5,821,238	(392,086)
Payables to tax authorities for IRPEF	981,317	1,221,776	(240,459)
Payables to tax authorities for VAT	298,776	1,466,062	(1,167,286)
Payables for IRES	1,024,251	3,632,704	(2,608,453)
Payables for IRAP	82,724	125,845	(43,121)
Short-term tax payables for management of land fill and environment	211,661	387,068	(175,407)
Tax payables	14,602,191	17,923,004	(3,320,813)

The largest amounts relate to the net amount for excise taxes owed to UTF and tax surcharges owed to the Region of Veneto, for gas and electricity (Euro 5,847,693), and the net amount for rate components to be paid to the former Equalisation Fund for the Electric Power Sector – *Cassa Conguaglio per il Settore Elettrico*, now C.S.E.A. – *Cassa per i Servizi Energetici e Ambientali* (Euro 5,429,152).

All of the aforementioned payables were discharged by 31/03/2016.

At the end of the year, the total IRES (corporate income tax) payable amounted to Euro 1,024,251.

Payables to social security and welfare institutions

The payables to social security and welfare institutions totalled Euro 1,780,834, and were owed to INPS, Separate Pension Fund, INPDAP, and various supplemental pension institutions.

Payables to others

The payables to others are comprised of:

Other payables	2016	2015	Change
Payables for third party security deposits	2,431,968	2,544,553	(112,585)
Payables to various entities	1,965,814	3,740,136	(1,774,322)
Payables for earnest money and advances	152,321	199,964	(47,643)
Short-term payables to employees	1,274,173	1,742,878	(468,705)
Payables for unused holiday leave and employee severance indemnities (TFR)	1,969,220	2,323,613	(354,393)
Other short-term payables	1,264,543	2,129,902	(865,359)
Other payables due after 12 months	-	43,543	(43,543)
Other payables	9,058,039	12,724,589	(3,666,550)

The “Payables to employees” includes accrued compensation and performance bonuses for 2016 to be paid in the following year.

“Payables to other entities” and “Other payables” are mainly composed of:

- x amount owed to C.S.E.A. for general equalisation for the sale and distribution of electric power and gas during the previous years, Euro 1,277,126;
- x payables for amounts yet to be paid for purchase of equity investments and payables to third-party shareholders, totalling Euro 604,242;
- x payables of the environmental hygiene sector, referring to the companies SIA S.r.l. and SIT S.p.A., for Euro 439,917;
- x Cogas+Energie payables to third parties, Euro 462,540
- x other amounts to be paid, which include costs accrued in the year that has ended or in previous years, whose final accounting will be made in 2016.

E) Accruals and deferrals

Accrued expenses and deferred income	2016	2015	Change
	36,023,852	39,151,538	(3,127,686)

These are the items accrued and recognised during the year, according to the accrual method.

This item is broken down as follows:

Accrued expenses and deferred income	2016	2015	Change
Accrued expenses for interest	-	-	-
Other accrued expenses	251,102	275,160	(24,058)
Accrued expenses	251,102	275,160	(24,058)
Deferred income for capital grants	28,581,698	30,570,486	(1,988,788)
Deferred income for public transport subscriptions	-	808,595	(808,595)
Deferred income for telecommunication fees	2,667,339	2,475,423	191,916
Deferred income for global service	831,202	1,246,735	(415,533)
Other deferred income	3,692,511	3,775,139	(82,628)
Deferred income	35,772,750	38,876,378	(3,103,628)
Accrued expenses and deferred income	36,023,852	39,151,538	(3,127,686)

The deferred income for capital grants, amounting to Euro 28,581,698, refers to prepaid revenue related to capital grants to be applied as deferred income over the years that the assets are used, in proportion to their depreciation allowances.

Since 2015, “Deferred income” has included the amount for revenue from gas hook-up contributions. This change in accounting treatment became necessary in response to the demands imposed by the call for tenders to distribute gas.

The accrued expenses and deferred income are broken down as follows:

Description	Within 12 months	After 12 months	After 5 years	Total
Deferred income for capital grants	1,637,289	6,601,991	20,342,418	28,581,698
Deferred income for telecommunication fees	236,165	773,954	1,657,220	2,667,339
Deferred income for Global service	415,533	415,669	0	831,202
Other accrued expenses and deferred income	3,900,343	16,939	26,331	3,943,613
Total	6,189,330	7,808,553	22,025,969	36,023,852

Commitments, guarantees, and contingent liabilities

The liabilities related to secured and unsecured guarantees granted for other parties' debts have been shown for an amount equal to the amount of the granted guarantee. If less than the granted guarantee, the amount of the other party's debt guaranteed at the reporting date is shown in these notes to the financial statements. Commitments have been reported at their face value, as deduced from the relevant documentation.

The risks for which the manifestation of a liability is likely are described in the explanatory notes, and provisions are made for them as appropriate in the provisions for liabilities.

The risks for which the manifestation of a liability is merely a contingency are described in the explanatory notes, without accruing any amount in the provisions for liabilities according to the applied accounting standards. Remote risks are not accounted for.

Description	2016	2015
Guarantees granted	105,490,895	74,310,888
Other commitments and guarantees	15,947,750	17,953,986
Guarantees received	29,717,239	26,589,766
Total	151,155,884	118,854,640

The total guarantees granted to third parties stem from:

- x security bonds and guarantees to third parties, suppliers, and Public Entities, for Euro 40,673,394, mainly in guarantee of the payment of excise taxes, for contracts to purchase raw materials, gas, and electric power, and contracts for miscellaneous services and work;
- x security bonds granted to cover loans for the whole group, for Euro 60,991,913; the increase in the item stems mainly from the guarantee required for the EIB loan;
- x security bonds for contracts to provide collection services, construction, and management of plants and land fills and other services included in the activities of the SIT Group, for Euro 1,125,500;
- x guarantees consisting of letters of patronage for Euro 27,050,088 issued for the operating activity of 2V Energy S.r.l. and, partly, of CogasPiùEnergie S.r.l..

The other commitments and guarantees contain:

- x the commitment of Euro 1,807,250 for a portion of land on which an option was exercised, and referring to a previous pre-contract of purchase and sale stipulated with the City of Vicenza on 28/09/2009 for the property complex with existing buildings standing on it, located on Via Fusinieri;
- x the commitment of Euro 7,194,465, constituting the portion financed by the City of Treviso, for the plants granted to AIM Vicenza S.p.A. under concession for operation of the gas distribution service. They will be given to the new operator for use upon expiry of the concession;
- x the nominal value of the shares representing 20% of the equity capital owned by SIT in the associate Futura S.p.A. (Euro 1.400,000), which have been pledged to the banks that made a loan to that company;
- x additional guarantees for contracts to provide collection services, construction, and management of plants and land fills, and other services included in the activities of the SIT Group, for Euro 8,518,681.

The security bonds received from third parties refer to the guarantees on supply contracts or on work contracts for the services operated by the various group companies.

Information about financial instruments

In regard to the provisions of Article 2427-bis Italian Civil Code, it is noted that AIM Vicenza S.p.A. made an agreement on 17 November 2005 to guarantee against the risk of fluctuation in the interest rate related to the loan received from Unicredit Banca S.p.A.

That agreement allows AIM to hedge itself against the risk of excessive fluctuation in the floating rate applied to the loan covered by the aforementioned agreement, which is kept in the collar of 2% - 5%.

The agreement features the following: a notional value on which the IRS is calculated, and which amounted to Euro 4.7 million at 31 December 2016, of which a portion refers to the assumed portion of the loan to Società Acque Vicentine S.p.A.. The market value, calculated by estimating the discounted cash flows expected on the basis of the agreement, is Euro -117 thousand. The existing contract will expire on 15 June 2018, without additional costs.

In compliance with the new OIC accounting standards of December 2016, the mark-to-market value was recognised in the balance sheet as the fair value at 31 December 2016. In this regard, reference is made to the section on Provisions for liabilities and on Shareholders' equity.

SIT S.p.A. is not party to any existing transactions in financial instruments.

ANALYSIS OF INCOME STATEMENT

Revenue, income, and expenses have been shown net of returns, discounts, rebates, and premiums, and the taxes directly connected with the sale of products and performance of services.

A) Value of production

Value of production	2016	2015	Change
	265,169,827	303,987,494	(38,817,667)

Revenue from sales and services
Revenue by category of activity

(Article 2427 (1) (10) Italian Civil Code)

Revenue is broken down as indicated in the following table:

Revenue from sales and services	2016	2015	Change
Methane gas revenue	101,898,399	113,595,377	- 11.696.978
Electric power revenue	66,473,331	79,448,859	- 12,975,528
Thermal energy revenue	4,406,043	4,499,755	- 93,712
Telecommunication revenue	855,353	810,300	45,053
Environmental hygiene revenue	26,158,396	25,720,878	437,518
Land fill revenue	1,034,203	984,062	50,141
Plant management revenue	6,487,672	8,980,181	- 2,492,509
Mobility revenue	8,186,695	12,670,709	- 4,484,014
Valore Città revenue	8,927,093	8,249,192	677,901
Global Service revenue	5,423,699	5,830,123	- 406,424
Revenue for services and fees	0	-	-
Miscellaneous revenues A1	3,917,521	3,379,720	537,801
TOTAL	233,768,405	264,169,157	- 30,400,752

The reduction in revenues from the sale of natural gas and electric power stems mainly from a contraction in sale volumes.

The decrease in “Plant Operation” is attributable instead to the operating results of the SIT Group.

There was also a Euro 4.5 million decrease in Mobility Revenues for Local Public Transport, due to transfer of that business unit to SVT S.r.l. on 1/03/2016.

“Valore Città revenue” refers to the fees and work that the parent company bills under the concession made with the City of Vicenza. At the same time, these items are subject to recoupment by the subsidiary Valore Città.

The “Global Service revenue” derives from the various services operated under concession from the City of Vicenza, pursuant to the agreement approved by the City Council with resolution no. 50 of 13 July 2009.

Finally, the miscellaneous revenue includes services charged by group companies to Acque Vicentine, and incidental revenue for distribution, deriving from contracts and work for gas and electric power customers.

Changes in finished products inventories and contract work in progress

The recognised amount, Euro -153,783, reflects a change that occurred during the year for finished products and/or work in progress.

Additions to internally produced non-current assets

This account is comprised by the costs incurred for the construction of plants built on a time and materials basis and capitalised as intangible assets and property, plant and equipment, for a grand total of Euro 10,067,028.

This item, and the related contra entries for the same amount in the respective cost components on the Income Statement, consists of the capitalisation of expenses to create non-current assets made with internal production factors of the Group. These largely consist of materials in inventory and labour provided by the various companies and divisions.

Other revenue and income

This item is broken down in the following three tables:

- grants for current expenses
- others
- non-recurring income

Grants for current expenses	2016	2015	Change
Grants for current expenses of local public transport service agreement	1,532,310	9,297,912	(7,765,602)
Grants for current expenses from extra-urban municipalities	151,737	750,000	(598,263)
Grants for current expenses from C.C.S.E.	8,604,363	4,414,013	4,190,350
Other grants for current expenses	479,197	537,199	(58,002)
Contributions by users for hook-ups	515,835	242,777	273,058
Capital grants by users (operating contributions)	1,285,716	1,262,899	22,817
TOTAL	12,569,158	16,504,800	(3,935,642)

Others	2016	2015	Change
Ordinary gains on intangible assets	-	-	-
Ordinary gains on property, plant and equipment	31,381	150,724	(119,343)
Recovery of provisions for other taxes and duties	-	-	-
Recovery of other provisions for liabilities	470,000	272,273	197,727
Services provided to miscellaneous companies	35,336	200,123	(164,787)
Compensation for damage, penalties	335,962	693,595	(357,633)
Sale of equipment and materials	32,844	23,127	9,717
Recovery of costs and miscellaneous services	200,832	288,660	(87,828)
Rental income	398,414	128,464	269,950
Advertising concessions	42,615	217,669	(175,054)
Revenue from contingencies and adjustment of estimates	5,834,347	7,403,184	(1,568,837)
Miscellaneous revenues A5	960,967	1,020,509	(59,542)
TOTAL	8,342,698	10,398,328	(2,055,630)

The grants made under the service agreement for Local Public Transport refer to the service agreements made with the City of Vicenza, and are recognised only for the first two months of the year, just like the grants by the Adjacent Municipalities, in connection with the rate adjustments to be charged to the Municipal Administrations, following the aforementioned transfer of the business unit.

In regard to this line on the income statement, the non-recurring transaction involving the Local Public Transport service caused an aggregate decrease of Euro 9.7 million during the year.

The contributions from Cassa Conguaglio del Settore Elettrico, now named C.S.E.A. – Cassa per i Servizi Energetici ed Ambientali – amounting to Euro 8,604,463, relate both to the consideration stipulated for energy efficiency certificates and the amounts of equalisation for electric power and gas services provided to Servizi a Rete S.r.l. and AIM Vicenza S.p.A..

The items for contributions by users refer to the contributions for operating expenses of hook-ups and the annual contributions made for the extension of networks and plants, calculated in the same ways as the depreciation of the plants to which the contributions refer.

As highlighted in the section on deferred income, since 2015 this item has reflected the change in treatment of gas hook-up contributions.

The “Revenue from contingencies and adjustment of estimates” refers to the updated values and estimates of previous years, mainly for:

- equalisation assessments and miscellaneous contributions from the *Cassa Conguaglio del Settore Elettrico* for distribution and metering of gas and electric power referring to previous years and for energy efficiency certifications, totalling Euro 1,087,992;
- elimination of payables from previous years, which are no longer collectible due to termination of relationship with the creditors, for Euro 1,000,000;
- adjustment of amounts recognised in previous years for SIT S.p.A., totalling Euro 748,478;
- settlement with the City of Vicenza for COSAP, Euro 930,894;
- adjustments to payables or receivables for difference in estimates, adjustments of invoices for previous years, mainly for gas, electric power, and environmental hygiene services, and compensation collected for damage, with a grand total of Euro 2,066,983.

This item is completed by additional contingent income and adjustments to previous costs, recognised at the various companies of the Group, which otherwise constitute adjustments to previous valuations.

Non-recurring income	2016	2015	Change
Extraordinary gains on intangible assets	-	-	-
Extraordinary gains on property, plant and equipment	152,506	-	152,506
Extraordinary gains on investments in subsidiaries	-	-	-
Extraordinary gains on investments in associates	-	-	-
Extraordinary gains on investments in other companies	-	-	-
Extraordinary gains on other securities	-	-	-
Extraordinary gains on investments in affiliates	-	-	-
Income from gains on disposal	152,506	-	152,506
Contingent income and financial rem.	-	-	-
Non-recurring rev. intangible assets	-	-	-
Non-recurring rev. Property, plant and equipment	-	-	-
Non-recurring income and contingent income	44,563	1,673,619	(1,629,056)
Other contingent income	44,563	1,673,619	(1,629,056)
Annual portion of capital grants	379,250	580,244	(200,994)
Annual portion of capital grants	379,250	580,244	(200,994)

TOTAL	576,319	2,253,863	(1,677,544)
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The amount of Euro 152,506 recognised under property, plant and equipment refers to transfer of the Local Public Transport business unit.

Use of the annual portion of capital grants by the amount of Euro 379,250 is recognised under Non-recurring income. This use is related to the depreciation of plants whose construction was realised with grants made, in particular, by the Region of Veneto.

Revenue by geographic area

(Article 2427 (1) (10) Italian Civil Code)

The aforementioned revenue has been realised by the various group companies, mainly in the city and province of Vicenza and in the city of Treviso, except for the sales company AIM Energy, whose revenue comes from customers served in 2433 municipalities and 103 provinces in Italy, but concentrated mainly in the Region of Veneto.

B) Costs of production

Cost of production	2016	2015	Change
	245,018,111	283,384,784	(38,366,673)

Raw materials, supplies and merchandise

This item is broken down as follows:

Raw materials, supplies and merchandise	2016	2015	Change
Supplies and consumables	5,901,762	7,510,263	(1,608,501)
Raw materials Water	26,373	23,925	2,448
Raw materials Gas	57,796,129	73,606,527	(15,810,398)
Raw materials Electricity	16,553,079	23,562,617	(7,009,538)
Raw materials CTE Fuels	629,698	1,907,128	(1,277,430)
Raw materials Fuel	543,238	1,632,486	(1,089,248)
TOTAL	81,450,279	108,242,946	(26,792,667)

The table summarises the purchases of water, methane gas, electricity, fuel for thermoelectric power plants ("CTE"), fuel, spare parts, and consumables. This last category also includes those used to perform internal work.

The decrease in the cost for raw materials Gas is related to what was explained at the item Sales revenue.

Costs for services

This item is broken down as follows:

Costs for services	2016	2015	Change
Maintenance work, repairs	10,556,873	10,505,836	51,037
Performance of services and adjustment of capitalised items	3,134,453	1,907,740	1,226,713
Waste transport and disposal	5,887,942	6,270,402	(382,460)
Collection and cleaning management	-	-	-
Transport of gas and electric power	50,434,864	51,653,147	(1,218,283) (19,917)
Advertising and promotion	844,014	863,931	
Commercial services, billing, meter reading	764,421	655,963	108,458
Professional legal and notary advice	596,587	558,772	37,815
Insurance	1,358,327	1,815,672	(457,345)
Other services	1,491,707	1,868,935	(377,228)
Miscellaneous services for employees	1,368,247	1,771,282	(403,035)
Bank, postal, and telephone services	1,877,899	1,780,233	97,666 (39,224)
Directors' remuneration	287,321	326,545	(34,242)
Statutory auditors' remuneration	185,754	219,996	
Supply services	556,175	481,378	74,797
Safe-keeping and security service	562,582	510,086	52,496
Cleaning and garaging	501,069	750,753	(249,684)
Miscellaneous distribution costs	196,795	1,045,652	(848,857)
TOTAL	80,605,030	82,986,323	(2,381,293)

The decrease in gas and electric power transport cost stems from sales performance.

Overall, the decrease in "Services" refers to the spin-off of the Local Public Transport business unit from the group, which caused a change of Euro 2.5 million for AIM Mobilitàà.

Leases and rentals

Leases and rentals	2016	2015	Change
Rent expenses paid to the City of Vicenza	137,628	137,628	-
Fees for service contracts paid to the City of Vicenza	-	-	-
Concession fees paid to the City of Vicenza	1,104,889	1,104,889	-
Concession fees paid to other municipalities	2,676,987	1,961,076	715,911
Other concession fees	1,045	97,500	(96,455)
Fees for shunts and miscellaneous	138,000	150,731	(12,731)
Other rent expenses	673,876	764,279	(90,403)
Finance lease and rental fees	80,701	(31,465)	112,166
TOTAL	4,813,126	4,184,638	628,488

The total amount of the concession fee to the City of Vicenza for use of the networks and plants, considering all Group services, is Euro 1,104,889.

The concession fees to the municipalities include the fees paid to the City of Treviso and to other municipalities in the Province of Vicenza for management of the gas distribution service.

That cost increased by the accrual of Euro 683,180 to Provisions for Liabilities. That amount has been prudently accrued in anticipation of definition of the relationships with certain municipalities, consequent to expiry of the stipulated agreements and in view of the call for tenders for gas distribution.

This change in allocation from the previous year can be attributed to the new accounting standards.

The “Other rent expenses” includes lease of the property housing the head office of SIT S.p.A. and the various operating units of the Group.

Personnel costs

This item consists of the entire outlay for employees, including merit increases, promotions, cost of unused holiday leave, and statutory provisions for collective bargaining agreements.

Personnel costs	2016	2015	Change
Wages and salaries	24,890,975	31,373,011	(6,482,036)
Social security and welfare contributions	8,128,689	10,062,925	(1,934,236)
Employee severance indemnities	1,794,872	2,245,072	(450,200)
Employee pensions and similar obligations	246,557	301,991	(55,434)
Cost of after work recreation contributions	27,164	30,794	(3,630)
Cost of unused holiday leave	133,734	9,089	124,645
Other personnel costs	228,244	205,548	22,696
Other costs	389,142	245,431	143,711
TOTAL	35,450,235	44,228,430	(8,778,195)

The employees on the payroll at 31/12/2016, broken down by category, changed as follows from the previous year:

Headcount	2016	2015	Change
Senior managers	10	12	-2
White collar and middle managers	329	367	-38
Blue collar	315	536	-221
Total	654	915	-261

The average equivalent workforce (AEW) changed as follows:

AEW on payroll	2016	2015	Change
Senior managers, white collar, and middle managers	329.7	352.5	-22.8
Blue collar	351.6	532.5	-180.9
Total	681.3	885.0	-203.7

The decrease in head count results from transfer of the Local Public Transport unit.

Amortisation and depreciation

As previously pointed out in the comments on Intangible assets, the availability of public property and indisposable assets, in the form of “use and enjoyment rights”, have been counted since 1999 towards calculation of the profit (loss) for the year according to the duration of the concession agreements.

Amortisation and depreciation	2015	2014	Change
Amortisation of formation and expansion costs	255,151	305,751	(50,600)
Amortisation of research, development, advertising costs	23,050	31,616	(8,566)
Amortisation of know-how	634	634	-
Amortisation of concessions from Vicenza and other municipalities	3,050,647	3,050,647	-
Amortisation of goodwill	231,309	231,308	1
Amortisation of consolidation difference	8,095	8,095	-
Amortisation of software	1,475,580	1,497,614	(22,034)
Amortisation of leasehold improvement costs	4,043,934	3,673,468	370,466
Amortisation of multi-year costs	274,379	272,294	2,085
Amortisation	9,362,779	9,071,427	291,352
Depreciation of buildings	790,077	750,505	39,572
Depreciation of land	-	-	-
Depreciation of plant and machinery	11,252,419	12,010,380	(757,961)
Depreciation of industrial and commercial equipment	1,487,248	1,515,718	(28,470)
Depreciation of leased assets	-	-	-
Depreciation of assets held under finance leases	433,844	433,844	-
Depreciation of other property, plant and equipment	-	-	-
Depreciation of gratuitously transferable assets	832,424	914,031	(81,607)
Depreciation	14,796,012	15,624,478	(828,466)

Impairment of receivables among current assets and cash and cash equivalents

The item in question totals Euro 2,519,076 and refers to the accrual made during the year to the allowance

for doubtful accounts.

	2016	2015	Change
Accrual to the allowance for doubtful accounts	2,519,076	3,598,888	1,079,812

Change in raw materials, supplies and merchandise

The Euro 181,279 change stems from the difference between the value of final and initial inventories of raw materials and supplies indicated in the corresponding item of the balance sheet, inclusive of the increase in the provision for inventory obsolescence.

Provisions for liabilities and Other accruals

The amount is detailed in the following table:

Accruals	2016	2015	Change
Accrual of provisions for other taxes and duties	-	-	-
Accrual of other provisions for liabilities	-	160,000	(160,000)
Provisions for liabilities	-	160,000	(160,000)
Accrual of provisions for welfare contributions	33,843	35,320	(1,477)
Accrual of provisions for litigation costs	-	35,144	(35,144)
Accrual of provisions for cyclical maintenance	-	155,000	(155,000)
Accrual of provision for future charges on sundry plants	1,182,001	1,999,478	(817,477)
Accrual of provision for losses of investees	-	-	-
Accrual of provision for tax charges	-	-	-
Other provisions	1,555,731	2,277,303	(721,572)
Other provisions	2,771,575	4,502,245	(1,730,670)
TOTAL	2,771,575	4,662,245	(1,890,670)

The total provisions accrued during the year, amounting to Euro 2,771,575, consist of:

- X the accrual of Euro 528,827 for the work to complete expansion of the land fill and deferred depreciation allowances on it, allocated to SIA S.r.l.;
- X the accrual of Euro 752,000 for the plant at the Mincio Thermoelectric Power Plant due to its reduced production capacity, as previously indicated in the comments on the provisions of the balance sheet;
- X the accrual of Euro 453,000 for charges related to the gas distribution service;
- X miscellaneous accruals for about Euro 1.03 million, to cover liabilities that might arise from various disputes and litigation, or charges whose amount is reasonably quantified but whose occurrence in time is not certain.

Other operating costs

This item, for a total amount of Euro 13,068,750, is broken down as follows:

- Other operating costs
- Non-recurring expenses

Other operating costs	2016	2015	Change
Ordinary losses on intangible assets	-	-	-
Ordinary losses on property, plant and equipment	275,385	448,088	(172,703)
Taxes other than income tax and duties	710,448	776,370	(65,922)
Losses on receivables	379	1,521	(1,142)
Vehicle ownership taxes	61,825	108,307	(46,482)
Grants and donations	131,175	193,578	(62,403)
Contributions to the Autorità per l'Energia ed il Gas	63,612	81,731	(18,119)
TEE quotas and rate components	6,990,511	3,929,872	3,060,639
Electric power and gas equalisation quotas	2,139,577	2,082,776	56,801
Non-deductible pro-rated VAT	100,222	101,280	(1,058)
Contingent expenses and correction of estimates	1,995,760	2,326,378	(330,618)
Other operating costs	574,597	545,537	29,060
TOTAL	13,043,491	10,595,438	2,448,053

The “TEE quotas and rate components” include:

- Euro 6,434,491, due to the cost applicable to 2016 for energy efficiency certificates and additional purchase of CO2 quotas;
- the total amount of Euro 556,020, for components of the provision for measures and work to save energy and service quality, the provision for exceptional events and other price components that constitute costs.

The amount of Euro 2,139,577 refers to the costs applicable to 2016 for the equalisation quota for the distribution, metering, and sale of both gas and electric power.

The “Contingent expenses and correction of estimates” mainly refer to:

- differences in estimates of revenue and costs of different sectors relating to previous years, totalling Euro 993,423;
- differences in recognition of revenue and costs and receivables of SIT, totalling Euro 340,821
- invoices for transport and sundry services, for Euro 661,516.

This item is completed by additional costs and adjustments to previous revenue, recognised at the various companies of the Group, which otherwise constitute adjustments to previous valuations.

Non-recurring expenses	2016	2015	Change
Non-recurring expenses from losses on disposal	-	11,333	(11,333)
Extraordinary write-downs of intangible assets	-	-	-
Extraordinary write-downs of property, plant and equipment	-	-	-
Unsubstantiated and financial rem.	-	-	-

Other expenses and non-recurring unsubstantiated	25,229	129,494	(104,265)
TOTAL	25,229	140,827	(115,598)

This item was reclassified in 2015, for the amount of Euro 1,869,424, as “effects on the net opening amounts deriving from the application of Legislative Decree 139/2015”, as specified at the beginning of the note.

C) Financial income and expenses

Financial income and expenses	2016	2015	Change
	(4,991,996)	(5,606,646)	614,650

This item is composed of:

- Investment income for Euro 288
- Other financial income for Euro 328,352
- Interest and financial expenses for Euro - 5,320,637

Income from equity investments

This item, amounting to Euro 288, refers to the dividend from Ascopiave S.p.A..

Other financial income

Financial income, for a grand total of Euro 328,352, is broken down as follows:

- x Interest on receivables among non-current assets, Euro 803;
- x Interest income from associates, for Euro 28,104;
- x Other financial income from third parties, for Euro 299,443, as shown below:

Other financial income	2016	2015	Change
Interest on bank and postal accounts	41,144	15,446	25,698
Commercial interest income and discounts	257,807	379,079	(121,272)
Income on options and similar items	-	-	-
Other financial income	496	-	496
TOTAL	299,447	394,525	(95,078)

Interest and other financial expenses

Financial expenses, for a grand total of Euro 5,320,638, are broken down as follows:

- Euro 145,958 in consequence of the sale of units of AIM Ecoenergy S.r.l.;
- Euro 5,174,680 as shown in the following table:

Other financial expenses	2016	2015	Change
Interest expenses on bonds	-	-	-
Interest expenses on medium-long term bank borrowings	2,925,446	2,399,570	525,876
Interest expenses on short-term term bank borrowings	1,992,149	3,066,466	(1,074,317)
Interest expenses on finance lease payables	103,837	114,468	(10,631)
Interest on other medium-long term payables - security deposits	9,252	(2,374)	11,626
Interest on other short-term payables	117,489	326,970	(209,481)
Ordinary losses on investments in subsidiaries	17,462	-	17,462
Ordinary losses on other short-term securities	-	-	-
Other financial expenses	9,045	60,876	(51,831)
TOTAL	5,174,680	5,965,976	(791,296)

As previously mentioned in the comment on bank borrowings, we highlight the shift in interest expenses during the current year from short-term payables to medium-long term payables, consequent to the streamlining and consolidation of short-term debt.

D) Adjustments to financial assets

Adjustments to financial assets	2016	2015	Change
	650,893	687,508	(36,615)

Revaluations and Write-downs

This item, amounting to Euro 650,893, refers to revaluation of the equity investments due to consolidation by the equity

E) Income tax for the year

Income tax for the year	2016	2015	Change
	6,742,933	8,081,497	(1,338,564)

Income tax	2016	2015	Change
I.R.E.S.	7,211,236	7,668,066	(456,830)
I.R.A.P.	1,157,559	1,185,130	(27,571)
Current Taxes	8,368,795	8,853,196	(484,401)
Taxes for previous years	8,619	168,591	(159,972)
Non-recurring expenses for taxes from previous years	8,619	168,591	(159,972)
Deferred Taxes	(313,402)	(250,263)	(63,139)
Prepaid taxes	(1,321,079)	(751,347)	(569,732)
Other income tax	-	-	-
Deferred (prepaid) taxes	(1,634,481)	(1,001,610)	(632,871)
Income from tax consolidation	-	-	-
Income from tax consolidation	-	-	-
TOTAL INCOME TAX	6,742,933	8,020,177	(1,277,244)

Profit for the year

The financial year 2016 closes with AIM Group interest in profit amounting to Euro 9,028,104.

Pursuant to Article 2427(1)(14) Italian Civil Code, the following required information is provided on deferred and prepaid taxes:

PREPAID TAXES	Net amount at 31/12/2015	Increases	Decreases	Other changes	Net amount at 31/12/2016
x Prepaid taxes for statutory depreciation allowance greater than the tax amount and deferred depreciation	5,201,558	429,332	-187,898	-301,360	5,141,632
x Prepaid taxes on grants for plants with different taxation than statutory provisions	3,497,970	149,184	-109,754	-115,138	3,422,262
x Prepaid taxes on excess allowance for doubtful accounts	3,124,574	467,559	-39,436	-4,623	3,548,074
x Prepaid taxes on accruals to provisions to legal reserve and other provisions	539,026	243,926	-17,167	-3,906	761,879
x Prepaid taxes on accruals for provision for disposal of inventory and environmental restoration	516,719		-116,180		400,539
x Prepaid taxes on suspended revenue of Global Service	299,215		-114,272		184,943
x Other costs deductible in cash rather than on accrual basis	50,576	17,660	-24,186	-4,943	39,107
x Prepaid taxes on excess of net non-deductible interest expenses	1,197,844	776,954	-1,188,941		785,857
x Other prepaid taxes	472,619	1,531	-156,174	-130,165	187,811
Total	14,900,101	2,086,146	-1,954,008	-560,135	14,472,104

DEFERRED TAXES	Net amount at 31/12/2015	Increases	Decreases	Other changes	Net amount at 31/12/2016
x Deferred taxes for portion of tax depreciation greater than statutory allowance	5,633,123	7,777	-202,948		5,437,952
x Taxes on gain of business unit TV1	73,517		-73,517		
x Other deferred taxes	134,059	75,216	-119,933		89,342
Total	5,840,699	82,993	-396,398		5,527,294

Other information

Pursuant to law, the total remuneration owed to the directors and members of the Board of Statutory Auditors is reported here (Ref. Article 2427(1)(16), Italian Civil Code).

The amount of directors' remuneration includes the performance bonus that they received, and the reimbursement for travel expenses.

Title	Remuneration
Directors' remuneration	287,321
Statutory auditors' remuneration	185,754

As provided by law, it is noted that the fees accrued during the year for services provided by the independent auditor are those set in its mandate, except for the revaluations as provided by law (ISTAT) (Reference: Article 2427(1)(16) Italian Civil Code).

The fees paid to BDO S.p.A. for the financial year 2016 are shown in the following table:

Company	Remuneration
AIM VICENZA S.p.A.	26,820
AIM ENERGY S.r.l.	20,020
AIM SERVIZI A RETE S.r.l.	14,020
AIM MOBILITA' S.r.l.	10,010
VALORE AMBIENTE S.r.l.	7,810
VALORE CITTA' AMPCS S.r.l.	9,010
AIM BONIFICHE S.r.l.	10,800
S.I.T. S.p.A.	10,810
	<u>109,300</u>

APPENDICES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following documents contain additional information complementing the consolidated financial statements for the year ended at 31 December 2016:

Appendix:

- no. 1 Statement for reconciliation of the statutory financial statements of the parent company and the consolidated financial statements.

Mr Dario Vianello

The General Manager

Vicenza, 30 May 2017

APPENDIX 1

Statement for reconciliation of the statutory financial statements of the parent company and the consolidated financial statements 2016

	SHAREHOLDERS' EQUITY AT 31/12/2015	RECLASSIFICATION	CHANGES IN SHAREHOLDERS' EQUITY	PROFIT FOR THE YEAR AT 31/12/2016	SHAREHOLDERS' EQUITY AT 31/12/2016
Shareholders' equity and profit for the year as reported in the separate financial statements of the Parent Company	138,364		-2,227	2,129	138,267
Elimination of book value of consolidated investees	-90,039		255	-432	-90,216
Interest in shareholders' equity and profits	118,586		-9,747	8,462	117,301
Reversal of impairment of equity investments and provisions to cover loss	7,624		-68	2,670	10,226
Valuation by equity method of investments in associates	1,835		0	682	2,517
Elimination of intercompany gains and capitalisation	-435		0	62	-373
Reversal of dividends of subsidiaries	-5,529		9,100	-4,572	-1,000
Effect of recognition of leasing according to IAS 17	-224		0	3	-221
Tax effect	184		-42	23	165
Group's interest in shareholders' equity and profit for the year	170,366		-2,729	9,028	176,666
Minority interest in shareholders' equity and profit for the year	2,522		-667	40	1,895
Shareholders' equity and profit for the year as reported in the consolidated financial statements	172,889		-3,396	9,068	178,561

A.I.M. Vicenza S.p.A.

One-man company (subject to management and coordination by the City of Vicenza)

Registered office: Contrà Pedemuro S. Biagio 72 – Vicenza
Share capital Euro 71,293,000 fully paid in
Vicenza Companies Register registration number
and Tax Identification Number 95007660244

REPORT ON OPERATIONS CONSOLIDATED FINANCIAL STATEMENTS AT 31/12/2016

Dear Shareholder

Founded in 1906, the firm was transformed into the AIM Group of companies in 2005, so that it could operate flexibly in the local public services sector.

So, in this context, the consolidated financial statements are an important tool for information, complementing the individual company financial statements, and presenting the balance sheet, financial position, and income statement of the Group.

For 2016 the Sole Director of the Parent Company has exercised the right granted by Article 2364 Italian Civil Code and the laws, which allow postponing the date for which the ordinary shareholders' meeting is called until the later deadline of one hundred eighty days. These consolidated financial statements of AIM Vicenza S.p.A. for the year 2016 are compared with those for 2015.

The consolidated companies are described as follows:

AIM Vicenza S.p.A.

Founded in 1906, it provides a number of public services in the municipality of Vicenza and other municipalities. It specifically performs the following activities:

- operation of the Global Service, assigned by the City of Vicenza. It involves maintaining roads, including the related services for car parks and public lighting over a two-year period;
- the distribution of gas in the municipality of Treviso, under a two-year agreement made in 2005;
- the management and maintenance of part of the networks and plant necessary to provide public services, following the merger with AIM Reti S.r.l. in 2010;
- management and maintenance of all the properties of the City of Vicenza, from schools to institutional buildings, sports buildings, and Public Housing. The company also manages its own real estate assets, including its own photovoltaic plants and those of the City Government;
- management of the integrated waste cycle;
- since 1 January 2015, the planning, construction, and operation of broadband fibre optic connections. That project covers municipal territory and enables customers to receive the most modern multimedia services offered by national operators, although it might be expanded to outside communities.

AIM Vicenza S.p.A. uses subsidiaries to operate the aforementioned activities. Finally, the company offers administrative and general services to the subsidiaries, through special service agreements.

The controlling Entity is the City of Vicenza, which owned all shares, amounting to Euro 71,293,000 (equal to the share capital), at 31 December 2016.

AIM Energy S.r.l.

This company was formed on 28 June 2002 with the name AIM Vendite S.r.l., wholly controlled by AIM Vicenza S.p.A.. It has share capital of Euro 6,500,000, and its purpose is to sell methane gas to retail and wholesale customers. This company began operations on 1 January 2003, after contribution by AIM Vicenza S.p.A. of the "gas sales business unit on 31 December 2002. The subsequent takeovers and mergers of Berica Energia S.r.l. and Generazione 4 S.p.A., and acquisition of the electricity and heat sales to subsidized users business unit have allowed the company to expand its sales activities in the gas, electricity, and heat sectors for all types of customers, with simultaneous change of the company name to AIM Energy S.r.l..

Two newcos were formed in 2012, AIM Ecoenergy S.r.l. and 2V Energy S.r.l.. They are 51% and 50% owned, respectively.

In March 2015, AIM Energy completed its purchase of 51% of the capital of Cogaspiù Energie S.r.l., an Abruzzo company operating in the natural gas, electricity sales market.

In December 2016, the Company sold its equity investment in AIM Ecoenergy S.r.l. to the shareholders Manni Energy S.p.A., in view of streamlining its organisational structure.

Servizi a Rete S.r.l.

This company results from the takeover and merger of AIM Vicenza Gas S.p.A. and AIM Vicenza Telecomunicazioni S.p.A. with AIM Vicenza Energia S.p.A. in 2008.

It is currently composed of the Gas, Energy, District Heating, and Distribution Services Divisions.

The Gas Division distributes methane gas throughout municipal territory and in certain municipalities of the Province of Vicenza and Padua.

The Energy Division has distributed electric power throughout the municipal territory of Vicenza since the thirty-year agreement was made with the Ministry of Productive Activities (Decree of 3 May 2001).

The District Heating Division generates electric power and thermal energy and distributes thermal energy in the territory of the City of Vicenza.

The Distribution Services Division is mainly involved in billing and support services for the principal ones.

AIM Mobilità S.r.l.

The company was formed effective 1 January 2005 after the proportional demerger of AIM Vicenza S.p.A.. It operated the local urban and interurban public transport services in the municipalities of Vicenza, Altavilla Vicentina, Creazzo, Monteviale, Costabissara, Torri di Quartesolo, Caldogno, Monticello Conte Otto, Gambugliano, Longare, Sovizzo, Bolzano Vicentino, Arcugnano, and Quinto Vicentino until 29 February 2016, transporting about 11 million passengers and travelling nearly 4 million kilometers a year.

The notarised deed of transfer of the local public transport business unit of AIM Mobilità to SVT S.r.l. was executed on 25 February 2016. Likewise, the company FTV transferred its own extra urban local public transport service business unit to SVT.

The results of the transaction on ownership have generated the following equity interests in the company SVT:

- x 34.66% share owned by AIM Mobilità S.r.l.
- x 65.34 % share owned by FTV S.p.A.

AIM Mobilità operates activities in the car park business, involving operation of the City of Vicenza car parks and the “yellow and blue marked” parking places found along city streets.

Valore Ambiente S.r.l.

This company was established on 14 May 2002, with the core function of managing the land fill located in the Municipality of Grumolo delle Abbadesse. The company was wholly acquired by AIM Vicenza S.p.A. in September 2006.

After the Environmental Hygiene business unit was transferred to AIM Vicenza S.p.A., the company has also managed the urban waste collection activities in the city and cleaning of public streets and sidewalks since September 2009 in addition to the disposal of solid urban wastes. This latter activity has been limited to the management of remaining volumes since 2011. The subsequent formation by Valore Ambiente of the company SIA S.r.l. (Società Intercomunale Ambiente S.r.l. which is 51% owned by CIAT) has taken over the realisation and management of the mentioned Grumolo delle Abbadesse land fill expansion.

Società Intercomunale Ambiente S.r.l.

This was formed in 2011 by Valore Ambiente S.r.l., with transfer of the “Land Fill Expansion” business unit. After transfer of the business unit, Valore Ambiente S.r.l. sold 51% of the share capital to CIAT. The corporate purpose of the company is the construction and expansion of the solid urban waste land fill at Grumolo delle Abbadesse, in addition to management and all similar, related, and connected activities supporting the functionality of that land fill. In view of achieving maximum plant efficiency and economy, a service agreement was made between SIA S.r.l. and Valore Ambiente S.r.l.. Through this agreement, the latter entity provided its own technical and administrative expertise and know-how accumulated in the integrated waste cycle management sector.

Valore Città Amcps S.r.l.

Valore Città Amcps S.r.l. was incorporated on 15 June 2010, with share capital of Euro 30 thousand. On 1 January 2011, the company received the former Amcps business unit from AIM Vicenza S.p.A., after its boundaries were defined and the unit was appraised.

The company performs road maintenance, cemetery services management, management and collection of rents on Public Housing, and maintenance of the buildings owned by the City of Vicenza.

SIT – Società Igiene Territorio S.p.A.

On 12 November 2002, AIM Vicenza S.p.A. acquired a 60% stake in S.I.T. S.p.A.. The purpose of the company is the management of wastes and/or residues through sorted and unsorted

collection, transport, treatment, transformation, recovery, and disposal of the collection, transport, and management of solid urban wastes, special wastes, and all categories of wastes, according to the phases and procedures determined by applicable laws, and of reusable residues, including sale thereof; the production and sale of products deriving from waste treatment activities, and production through the heat recovery, exchange, and sale of generated electric power; sorted waste collection and sending it for recovery; the sweeping, washing, and cleaning of public spaces; the cleanup of contaminants in public spaces; the management of other environmental hygiene services; environmental analyses, controls, and studies; performance of excavation and earth moving activities in general; the design, construction, and operation of waste treatment and disposal plants, and site cleanup and securing activities; the design, construction, and ordinary and special maintenance of parks, gardens, and urban green areas, construction and maintenance of all ancillary structures related to the care and furnishing of those areas; vehicle transport of things on behalf of third parties; the rental of vehicles, operating machines and equipment; the repair, maintenance, overhaul, testing, and inspection of new and used automobiles, commercial vehicles, motorcycles, tow trucks, special vehicles and any other vehicle, and body work for those vehicles, and the provision of any other sort of services connected with the aforementioned activities, which have to be performed mainly on the company vehicle fleet.

In turn, the company controls other companies that all operate in the same sector, as specifically indicated in the notes to the financial statements. In 2008, AIM raised its equity investment in SIT S.p.A. to 75%.

Profit (loss) for the year

The financial year in question ended with profit of Euro 9,028,104, net of the controlling interest in the profit of SIT S.p.A. and SIA S.r.l., amounting to Euro 39,574.

Highlights from the income statements of the Group companies are illustrated as follows:

thousands of Euro	Value of production	Costs of production	Profit (loss) for the year
AIM Vicenza S.p.A.	62,679	59,513	2,129
AIM Energy S.r.l.	149,609	141,131	5,618
Servizi a Rete S.r.l.	57,474	53,105	1,820
AIM Mobilità S.r.l.	7,363	7,188	40
Valore Ambiente S.r.l.	20,791	18,331	1,912
Valore Città Amcps S.r.l.	16,767	16,309	197
Società Igiene Territorio S.p.A.	11,989	13,477	-1,623
Società Intercomunale Ambiente S.r.l.	3,916	3,313	402
Cogaspiù Energie S.r.l.	13,649	12,794	556

The results of the individual Group companies as compared with the results from the previous year are illustrated as follows:

thousands of Euro	Full year 2016	Full year 2015
AIM Vicenza S.p.A.	2,129	2,624
AIM Energy S.r.l.	5,618	4,636
Servizi a Rete S.r.l.	1,820	1,928

AIM Mobilità S.r.l.	40	26
Valore Ambiente S.r.l.	1912	1,844
Valore Città Amcps S.r.l.	197	114
Società Igiene Territorio S.p.A.	-1,623	-636
Società Intercomunale Ambiente S.r.l.	402	825
Cogaspiù Energie S.r.l.	556	180
GROUP'S PROFIT FOR THE YEAR	9,068	7,663
of which minority interests	40	293
GROUP'S NET PROFIT FOR THE YEAR	9,028	7,370

Significant events that occurred during the year

In regard to internal organisation, the transfer by AIM Vicenza S.p.A. to AIM Energy S.r.l. of the “Customer and User Management business unit” and the “Credit Management” unit took effect on 1 January 2016. The transaction was executed as part of the measures indicated in the Industrial Plan 2014-2018, in view of streamlining operating management and the relationship with customers/users.

At the corporate level, AIM Mobilità S.r.l. and FTV S.p.A. transferred their urban and extraurban transport units to SVT S.r.l. with a public deed on 25 February 2016. This was done in implementation of the industrial rationalisation plan of the companies and corporate shareholdings resolved by the Province and City of Vicenza. Then, in completion of the aforementioned integration and also to continue with the streamlining and efficiency improvement processes stipulated by the Industrial Plan 2014-2018, AIM Vicenza S.p.A. transferred the “Central Supporting Services for the Local Public Transport Activity” business unit to SVT S.r.l.

From a strategic perspective, and in accordance with the specific mandate issued by the Vicenza City Council with its own agenda, the AIM Group and an independent advisor assisting it completed an analysis assessing the possible scenarios for industrial/financial development of the AIM Group. In September 2016, the results of the strategic analysis were illustrated to the Vicenza City Council, which took note of it and directed the Group to give priority to finding solutions involving a local combination.

As recommended by the Vicenza City Council, the Group signed two protocols of understanding:

- x With the operators Alto Vicentino Ambiente and Etra
- x With the company AGSM S.p.A. of Verona (as explained in more detail in the notes to the financial statements).

In regard to financial operations, the Group initiated the activities to issue the initial tranche for Euro 50 million in bonds to investors on a regulated market, both for its participation in calls for tender to provide the gas distribution service and to make all the other investments planned for the five-year period 2016-2020.

In compliance with the provisions of Law 190/2012, the following documents have been updated. They represent the appendix to the Organisation, Management and Control Model mandated by Legislative Decree 231/2001:

1. the “Three-year corruption prevention plan” that identifies the principal areas of risk and related procedures for adoption and implementation of decision making, implementation, and control mechanisms capable of preventing the risk of corruption.
2. the “Three-year Transparency and Integrity Program” as prescribed by Legislative Decree 33/2013, which implements the most general principle of transparency, pursuant to Article 1(34) of Law 190/2012.

Servizi a Rete S.r.l.

The company continued work on renewal and development of the networks and plant of the Gas, Electricity, and District Heating Divisions, supported in part by an EIB loan obtained by the AIM Group. The Fifth Regulatory Period for electric power began in January 2016. This effectively modifies the structure of the rate components for the transmission service, rate regulation of the distribution service and the metering service, and the procedures for recognition of investments. The collection and transmission of data to the Contracting Authority City of Vicenza continued in anticipation of a call for tenders that is expected to be issued in March 2017. As envisaged in the “Guidelines” issued by the Ministry of Economic Development, the Gas Division will engage in discussions with the technicians designated by the Municipal Administrations, for definition of the exact V.I.R. (Valore industriale residuo degli impianti, Residual Industrial Value of the plants), and the update at 31 December 2015 of the quantitative data and technical reports pursuant to Article 4 of Ministerial Decree 226/11.

AIM Energy S.r.l.

In February 2016, the company won the call for tenders to supply natural gas to the American bases in Vicenza and Pisa. A major values campaign was launched, inter alia to purchase energy from renewable sources certified with Guarantees of Origin. The green energy campaign represents the starting point for devoting more attention to the environment and sustainability, with special interest in experimenting with new technologies to be offered to customers. Further revision and organisation of the website layout has begun, to improve its navigability and usefulness, by upgrading the services offered in the restricted area. The layout of invoices has been changed to comply with the new template issued by AEEGSI.

Cogaspiù Energie S.r.l.

During the year, integration of the company in the Group continued with the modification of its operating procedures to comply with those used by the shareholder AIM Energy S.r.l.. The Company has undertaken a major commercial campaign to give adequate visibility to the brand and boost the loyalty of historic customers present in the service territory, as well as maximise the results of cross-selling begun in 2015. The new branch office was opened in the centre of Ortona, and will give the company greater visibility. Implementation of the website continued.

AIM Mobilità S.r.l.

With a deed under the hand and seal of Notary Muraro on 25 February 2016, AIM Mobilità S.r.l. and FTV S.p.A. transferred their own public transport business units to the company SVT S.r.l., effective 1 March 2017.

Valore Città Amcps S.r.l.

Reorganisation of the company continued, with activities to develop its activities, including at third parties. Corporate processes were streamlined, inter alia through cost containment. The company has dedicated special attention to the energy efficiency, ecobuilding, and facility management activities, and global emergency service for the Territorial Entities.

Valore Ambiente S.r.l.

The company continued work on the project to revise the urban waste management system, with completion of the external area and the neighbourhoods along the boundaries of the controlled access systems, with the door or home pickup system extended to paper and plastic (external area) and the cylinder depository system (boundary area). Special attention was dedicated to renewal of the vehicle fleet.

SIA S.r.l.

The company, 49% controlled by Valore Ambiente S.r.l., continued construction work to expand and manage the land fill for solid urban waste and similar wastes in Grumolo delle Abbadesse.

S.I.T. S.p.A.

Special attention was dedicated to integration with the AIM Group to realise the commercial and industrial synergies needed for the resumption of company operating management. Preparatory work began on a restructuring plan for operating reorganisation.

Capital Expenditure

Capital expenditure totalling Euro 19.271 million was made in 2016, as illustrated in the following table:

(thousands of Euro)	Full year 2016	Full year 2015
AIM Vicenza S.p.A.	3,287	2,920
AIM Energy S.r.l.	564	209
Servizi a Rete S.r.l.	12,434	11,111
AIM Mobilità S.r.l.	5	1,429
Cogaspiù Energie S.r.l.	256	270
Società Igiene Territorio S.p.A.	713	535
Valore Ambiente S.r.l.	1,567	1,784
Società Intercomunale Ambiente S.r.l.	230	315
Valore Città Amcps S.r.l.	215	99
T O T A L	19,271	18,672

The principal items of capital expenditure in the individual companies refer to:

importi in euro

Descrizione	Società/Divisione	CONS 2016
RIQUALIFICAZIONE SEDI AZIENDALI	AIM SPA / PATRIMONIO	865.057
POTENZIAMENTO RETE E MISURATORI GAS - TREVISO	AIM SPA / GAS TV	841.984
ESTENSIONE RETE TLC PER PROGETTO FTTCAB	SAR / TLC	815.632
NUOVI ALLACCIAMENTI	SAR / GAS	733.520
ACQUISTO AREA MONTE CROCETTA	SAR / ENERGIA	720.746
ESTENSIONE RETE TLR IN ZONA V.LE MAZZINI	SAR / TLR	692.671
MISURATORI GAS	SAR / GAS	658.213
CONNESSIONI PASSIVE PERMANENTI	SAR / ENERGIA	623.282
MANUTENZIONE STRAORDINARIA AUTOMEZZI	VALORE AMBIENTE	585.224
MANUTENZIONE STRAORDINARIA PIATTAFORMA PLASTICA - SANDRIGO	SIT	540.604
MANUTENZIONE STRAORDINARIA ALLACCI	SAR / GAS	530.816
POTENZIAMENTO INFORMATICO SISTEMI CENTRALI	AIM SPA / SERVIZI	493.174
MANUTENZIONE STRAORDINARIA CABINE SECONDARIE E TRASFORMATORE	SAR / ENERGIA	491.587
ACQUISTO TERRENO E AMPLIAMENTO CABINA PRIMARIA PACE 2	SAR / ENERGIA	380.137
ESTENSIONE RETE TLC PER COLLEGAMENTO CABINE ELETTRICHE PRIMARIE	SAR / TLC	241.167
AMPLIAMENTO DISCARICA - GRUMOLO DELLE ABBADESSE	SIA	229.624
SISTEMI DI CHIUSURA E CONTROLLO CONFERIMENTO RSU	VALORE AMBIENTE	218.760
ACQUISTO CONTAINER PER RIFACIMENTO CABINE SMISTAMENTO	SAR / ENERGIA	198.932
PARK FIERA P4	AIM SPA / GLOBAL SERVICE	180.517
ACQUISTO DI 1 AUTOCOMPATTATORE MONOPERATORE A PRESA LATERALE	VALORE AMBIENTE	177.900
ESTENSIONE RETE TLR IN ZONA STADIO	SAR / TLR	176.635
SOSTITUZIONE CAVI MT - VIA EUROPA	SAR / ENERGIA	175.045
CONTROLLO ACCESSI AI PARCHEGGI	AIM SPA / SOSTA	151.200
COPERTURA DISCARICA GROSSETO	SIT	151.037
ADEGUAMENTO AUTOPARCO E MACCHINE OPERATRICI	VALORE CITTA'	149.273
RINFORZO TUBO IN MEDIA PRESSIONE - VIALE FERRARIN - VICENZA	SAR / GAS	142.194
CICLABILE POSTUMIA	AIM SPA / GLOBAL SERVICE	139.000
RIFACIMENTO QUADRI MT CP PASUBIO	SAR / ENERGIA	137.517
IMPLEMENTAZIONE SW CREDIT MANAGEMENT	AIM ENERGY	135.796
UPGRADE TELECONTROLLO	SAR / ENERGIA	132.314
MANUTENZIONE EVOLUTIVA SIC4U	AIM ENERGY	132.247
ACQUISTO DI 6 AUTOCARRI PIAGGIO	VALORE AMBIENTE	112.500
SOSTITUZIONE GRUPPI DI MISURA E TA/TV 220 KV - ACCIAIERIE VALBRUNA	SAR / ENERGIA	110.257
ASFALTATURA ZONA V. VENETO	AIM SPA / GLOBAL SERVICE	107.206
ACQUISIZIONE SW MODULI TC2 -SISTEMA INFORMATIVO INTEGRATO	AIM ENERGY	106.780
MANUTENZIONE STRAORDINARIA TUBAZIONE GAS - VIA CHIESA - MONTICONE	SAR / GAS	105.908
STRUTTURE PER LA RACCOLTA DIFFERENZIATA	VALORE AMBIENTE	104.624

Human resources

The average equivalent workforce during 2016 as broken down by company is illustrated as follows:

(number)	Full year 2016	Full year 2015
AIM Vicenza S.p.A.	106.08	144.4
AIM Energy S.r.l.	55.30	20.7
Servizi a Rete S.r.l.	140.18	138.1
AIM Mobilità S.r.l.	62.23	251.7
Cogaspiù Energie S.r.l.	15.62	12.5
Società Igiene Territorio S.p.A.	57.90	64
Valore Ambiente S.r.l.	127.33	131
Società Intercomunale Ambiente S.r.l.	6	6.7
Valore Città Amcps S.r.l.	110.64	116.5
T O T A L	681.3	885.6

In 2016, the cost of labour totalled Euro 35.449 million. The following table compares this with the values for 2015.

(thousands of Euro)	Full year 2016	Full year 2015
AIM Vicenza S.p.A.	6,664	8,327
AIM Energy S.r.l.	2,535	945
Servizi a Rete S.r.l.	7,696	7,632
AIM Mobilità S.r.l.	3,051	11,428
Cogaspiù Energie S.r.l.	619	509
Società Igiene Territorio S.p.A.	2,970	3,091
Valore Ambiente S.r.l.	6,126	6,247
Società Intercomunale Ambiente S.r.l.	377	378
Valore Città Amcps S.r.l.	5,411	5,671
T O T A L	35,449	44,228

Operating performance

The condensed balance sheet and income statement for the year are illustrated as follows.

Consolidated Balance Sheet

Reclassified balance statement	Net amount at 31/12/2016	Net amount at 31/12/2015	Change
Net intangible assets	69,585,018	75,945,624	(6,360,606)

Net property, plant and equipment	234,239,807	240,462,606	(6,222,799)
Longterm investments	23,440,037	12,196,638	11,243,399
Non-current assets	327,264,862	328,604,868	(1,340,006)
Inventories	2,292,153	3,361,507	(1,069,354)
Trade receivables	85,537,349	95,685,535	(10,148,186)
Other receivables	50,327,121	63,796,969	(13,469,848)
Accrued income and deferred expenses	1,249,838	1,498,511	(248,673)
Short-term current assets	139,406,461	164,342,522	(24,936,061)
Short-term trade payables	48,754,782	49,593,772	(838,990)
Advances	3,692,169	3,690,880	1,289
Tax and social security payables	16,383,025	20,202,464	(3,819,439)
Other payables	48,279,548	57,039,948	(8,760,400)
Accrued expenses and deferred income	6,189,330	7,311,471	(1,122,141)
Short-term operating liabilities	123,298,854	137,838,535	(14,539,681)
Short-term working capital	16,107,607	26,503,987	(10,396,380)
Medium-long term trade payables	-	-	-
Employee severance indemnities (TFR)	10,437,088	15,842,973	(5,405,885)
Other mediumlong termliabilities	61,890,665	55,813,466	6,077,199
Medium-long term liabilities	72,327,753	71,656,439	671,314
Net invested capital	271,044,716	283,452,416	(12,407,700)
Shareholders' equity	(178,560,687)	(172,888,586)	(5,672,101)
Medium-long term net financial position	(99,071,202)	(100,573,712)	1,502,510
Shortterm net financial position	6,587,173	(9,990,118)	16,577,291
Equity and net financial debt	(271,044,716)	(283,452,416)	12,407,700

The structural indices are shown in the following table to provide a better description of the financial solidity of the company:

Structural indices	Net amount at 31/12/2016	Net amount at 31/12/2015
Equity minus non-current assets	(148,772,174)	(155,784,282)
Equity divided by non-current assets	0.55	0.53

The AIM Group has improved the composition of its assets and liabilities, with the following effects:

- f reinforcement of the solidity of the company, with consequent improvement in its rating;
- f possibility to raise capital from others at lower costs;

- f greater efficiency in managing the overall costs of the company, in the event of new capital expenditure on the acquired assets, inter alia through their natural and rational capitalisation.

Financial highlights

The net financial position at 31/12/2016 is illustrated as follows

Net Financial Position	Net amount at 31/12/2016	Net amount at 31/12/2015	Change
Bankaccounts	52,382,862	45,541,131	6,841,731
Cash and cash equivalents on hand	194,595	460,531	(265,936)
Treasury shares	-	-	-
Cash, cash equivalents, and treasury shares	52,577,457	46,001,662	6,575,795
Financial assets not held as current assets			
Bank borrowings (due within 12 months)	(49,293,126)	(55,724,685)	6,431,559
Payables to other lenders (due within 12 months)	(351,411)	(335,095)	(16,316)
Short-term financial payables	(49,644,537)	(56,059,780)	6,415,243
Short-term financial receivables	68,000	68,000	-
Financial receivables from associates	3,586,253	-	3,586,253
° Short-term net financial position	6,587,173	(9,990,118)	16,577,291
Bank borrowings (due after 12 months)	(96,521,552)	(97,639,680)	1,118,128
Payables to other lenders (due after 12 months)	(2,549,650)	(2,934,032)	384,382
Payables for other loans (due after 12 months)	-	-	-
Medium-long term financial payables	(99,071,202)	(100,573,712)	1,502,510
Medium-long term financial receivables	-	-	-
° Medium-long term net financial position	(99,071,202)	(100,573,712)	1,502,510
° Net financial position	(92,484,029)	(110,563,830)	18,079,801

We confirm the trend for improvement in the net financial position of the Group, with its exposure having been reduced significantly from the previous year.

To offer a better description of this trend, the following table contains several balance sheet indices compared with the indices for the balance sheet from the previous year.

Indices	Net amount at 31/12/2016	Net amount at 31/12/2015
Quick ratio	1.12	1.07
Debt to equity ratio	1.91	2.12
Equity to noncurrent assets ratio	1.07	1.05

Consolidated Income Statement

Value Added Income Statement	Net amount at 31/12/2016	Net amount at 31/12/2015	Change
Value of production	265,169,825	303,987,494	(38,817,669)
External costs	180,118,434	206,199,316	(26,080,882)
Added Value	85,051,391	97,788,178	(12,736,787)
Cost of labour	35,450,235	44,228,430	(8,778,195)
Gross operating profit (EBITDA)	49,601,156	53,559,748	(3,958,592)
Amortisation, depreciation, write-downs and other provisions	29,449,442	32,957,038	(3,507,596)
EBIT	20,151,714	20,602,710	(450,996)
Financial income and costs	(4,341,103)	(4,919,138)	578,035
Pretax income	15,810,611	15,683,572	127,039
Income tax for the year	(6,742,933)	(8,020,177)	1,277,244
Net profit	9,067,678	7,663,395	1,404,283
Minority interest in profit	39,574	293,082	(253,508)
Group's net profit for the year	9,028,104	7,370,313	1,657,791

To offer a better description of the company income statement, the following table contains several earnings indices compared with the indices from the income statement for the previous year.

Earnings indices	Net amount at 31/12/2016	Net amount at 31/12/2015
Net ROE	5.08%	4.43%
Gross ROE	8.85%	9.11%
ROI	3.85%	3.83%
ROS	7.90%	7.04%

The earnings indices show improvement from the previous year.

Summary of income statement

Value of production

The value of production of the A.I.M. Vicenza S.p.A. Group was Euro 265.170 million, marking a decrease of 12.77% from the previous year. The change is attributable especially to the lower sales of gas and electric power and transfer of the local public transport business unit to SVT.

External costs

External costs, which totalled Euro 180.118 million, decreased by 12.62%. This change is directly related to what was mentioned hereinabove in regard to revenue. Compared with the previous year, the costs for raw materials, supplies and consumables ~~fell by 14.75%~~, while the costs for services fell by 2.87%.

Added value

Added value amounted to about Euro 85.051 million. Its percentage in relation to the value of production remained the same from the previous year (32%).

Cost of labour

The cost of labour was Euro 35.450 million, down 19.85% from the previous year, due especially to transfer of the local public transport business unit of the subsidiary AIM Mobilità S.r.l..

Gross operating profit

Gross Operating Profit (EBITDA) totals ~~Eur~~49.601 million, or 18.7% of the Value of Production. There was a 1.09% increase in terms of impact on the value of production from the previous year.

Amortisation, depreciation, and provisions

These accounts fell by 10.64% overall.

Amortisation and depreciation decreased from Euro 24.695 MILLION TO ~~EUR~~24.159 MILLION .

The accrual to the allowance for bad debts amounted to Euro 2.519 million, while other accruals totalled Euro 2.771 million.

EBIT

The performance of ordinary operations made it possible to achieve an operating result of Euro 20.152 million, or 7.6% of the Value of Production (6.8% in 2015).

Financial income (loss)

Financial income and expenses, together with the value adjustments to financial assets, shows a net loss of Euro 4.341 million, equal to 1.64% of the value of production (1.62% in 2015).

Gross profit (loss)

Consolidated pre-tax income was Euro 15.810 million.

Income tax for the year

The current, prepaid, and deferred income tax for the year totals Euro 6.743 million.

Profit (loss) for the year

The profit of the Group was Euro 9,028,103, net of minority interests (amounting to a profit of Euro 39,574). This marks a 22.5% improvement from 2015.

Research and development

Pursuant to Article 2428(2)(1), the Group did not engage in any research and development activities.

Environmental risk

In accordance with statutory and regulatory requirements, the Group has implemented all the plans envisaged for management of environmental risk. It has obtained and renewed its ISO 14001 certification, which is synonymous with efficient environmental management.

Relations with the parent

The controlling entity is the City of Vicenza, which owned all the shares, valued at Euro 71,293,000 (equal to the share capital) at 31 December 2015.

The Group had the following relationships with the controlling Entity:

Financial payables	Financial receivables	Trade payables	Trade receivables
20,584,124	3,513,872	1,464,584	13,747,346

In particular, these include:

The payables to the City of Vicenza consist of the concession fees, service agreement consideration, rent and lease instalments, reimbursement of administrative costs, profits allocated from the previous years, and the TARI (waste tax), whose management and collection have been assigned to AIM Vicenza S.p.A.

The trade receivables from the Controlling Entity the City of Vicenza concern the supply of gas and electricity for consumer use, the services related to various ordinary and special maintenance work on City assets, the consideration owed for the Global Service, the consideration stemming from the Local Public Transport service agreement (until 29 February 2016), and capital grants for buses, as determined by the Region of Veneto.

Policies for various hedging activities

Credit risk

Credit risk is the Group's exposure to potential losses deriving from the failure to fulfil the commercial and financial obligations taken on by the counterparties. There are no significant concentrations of credit risk, since this risk is mitigated by the fact that credit exposure is spread over a large number of customers. The financial receivables referring to trade receivables are

recognised on the balance sheet net of the allowance for bad debts calculated on the basis of the risk of counterparty default, which is determined in turn by considering available information on the solvency of the customer and considering historic data. Individually significant transactions, for which there is objective evidence of partial or total impossibility of recovery, are written down on an individual basis.

Financial instrument risk

In regard to the provisions of Article 2427 of the Italian Civil Code, it is noted that AIM Vicenza S.p.A. made an agreement on 17 November 2005 to guarantee against the risk of fluctuation the interest rate related to the loan received from Unicredit Banca S.p.A.

That agreement allows AIM to hedge itself against the risk of excessive fluctuation in the floating rate applied to the loan covered by the aforementioned agreement, which is kept in the collar of 2%- 5%.

The agreement features the following: a notional value on which the IRS is calculated, and which amounted to Euro 4.7 million at 31 December 2016, of which a portion refers to the assumed portion of the loan to Società Acqueville S.p.A..

The market-market value, calculated by estimating the discounted cash flows expected on the basis of the agreement, is Euro 17 thousand. The existing contract will expire on 15 June 2018, without additional costs.

In compliance with the new OIC (Italian Accounting Organisation) standards of December 2016, the market-market value was recognised in the balance sheet as the fair value at 31 December 2016. Reference is made to the section in the notes to the financial statements in regard to derivative financial instrument assets under long-term investments and the Shareholders' equity section.

Liquidity risk

Liquidity risk is the risk that financial resources might be difficult to obtain. The two principal factors that determine the liquidity of the Group are, on the one hand, the resources generated or used by its operating and investment activities and, on the other hand, the due dates and renewal of debt. The Group has adopted a series of policies and processes to streamline the management of financial resources, thereby reducing liquidity risk:

- centralised management of cash inflows and outflows
- maintenance of an adequate level of available liquidity
- acquisition of adequate credit facilities
- monitoring of prospective liquidity conditions, in relation to the business planning process.

Market risk

In regard to interest rate risk, the Parent Company constantly monitored the situation during 2016 by negotiating the best conditions applied by the banking system as compared with market prices for the purpose of proceeding with its financial restructuring, aimed at containing its debt as already envisaged in the Industrial Plan 2014-18.

The Group has no exchange rate risk (or currency risk), since the Group exclusively operates on the Italian market.

Compliance with resolutions by the Autorità per l'Energia Elettrica il Gas e il Sistema Idrico (Electric Power and Gas and Water System Authority)

In 2016, the Group companies that operate activities covered by the AEEGSI (Electric and Gas and Water System Authority) continued to update the measures adopted to implement the program of compliance measures for functional separation of the natural gas and electric power distribution activities pursuant to Resolution no. 11/07.

With Resolution no. 137/2016/R/COM, AEEGSI issued new measures in regard to the obligations of keeping separate accounts for the electric power and gas sectors.

In regard to keeping separate accounts for the consolidated financial statements of the Group, the parent company AIM Vicenza S.p.A. has exercised the option indicated in Article 20.2 of the TUIC.

Each Group entity subject to the Authority regulation prepares separate annual accounts for their individual activities and individual units as indicated in Articles 4 and 6 and then, by the stipulated deadline, sends them via the indicated procedures.

The companies subject to the “accounting unbundling” are as follows:

- AIM Vicenza S.p.A
- Servizi a Rete S.r.l.
- AIM Energy S.r.l.
- Cogaspiù Energie S.r.l.

Outlook

AIM Energy S.r.l.

Action to support growth in the number of gas and power customers on the free market continued in 2017.

The Company will continue the value campaign undertaken in 2016, by buying 100% of its power from renewable energy sources certified with Guarantees of Origin.

AIM Energy will do further work on the website layout to improve its navigability and usability. To do so, it will upgrade services in the restricted area, while dedicating more attention to the user experience and use and navigation habits. The acquisition of customers from outside of its historically served territory is leading the firm to strengthen both its telephone channel and its web channel, with the aim of offering all customers the possibility of using those same services available at the Vicenza and Treviso branch offices.

AIM Mobilità S.r.l.

In view of streamlining and evaluating the service reliability model, according to the guidelines issued by the Government Authority, the City of Vicenza intends to acquire an equity interest in SVT S.r.l., which is now owned by AIM Mobilità S.r.l..

Servizi a Rete S.r.l.

Development of the investments aimed at improving and assuring the continuous provision of service in both the Gas Division and the Electricity and Telecommunications Divisions will continue.

The company was awarded the contract to perform construction work needed for the new 132 kv Primary Substation at the Monte Crocetta facility, intended to connect the Monteviale Primary Power Plant with the Pace 2 Primary Power Plant, by using the new underground electric power line installed by TERNA.

During 2017, the District Heating Division will participate in the Call for Tenders issued by the Region of Veneto for operation of the geothermal well located in the City of Vicenza.

Valore Ambiente S.r.l.

The company will continue expanding its collection of paper and plastic from homes, forecasting a 10% increase in users served. A new service for the collection of certain types of waste (medicines, T&F toxic and inflammable wastes, recovery of small, worn-out electrical accumulators, toner, etc.) with service being provided with a mobile unit during neighbourhood market days. The company will continue training and providing information to citizens with the involvement of schools. The company expects to collect 70% of sorted wastes on an average annual basis.

S.I.A. S.r.l.

During 2017 the company, after having completed about 35% of the first lot and, as compatible with the overlapping of the second lot with the first, it will continue work to complete the final cover.

Procedures will begin in 2017 for the construction of a site treatment plant of the percolate extracted from the land fill.

S.I.T. S.p.A.

The operating Reorganisation Plan to relaunch the company was completed in February 2017, in order to meet the operating problems encountered in consequence of the sector business cycle. In particular, this includes the reduced number of new calls for tender for collection service contracts, the general reduction in waste output, and the modification of several company plant assets. All of these situations have made it necessary to adopt a Reorganisation Plan, which calls for taking action on three fronts:

1. Action on internal lines aimed at logistic reorganisation of the company offices, by centralising all administrative and accounting activities at the head office of the parent company AIM Vicenza S.p.A. Moreover, the operating structure is to be reorganised. This will generate cost savings for personnel and operating departments, such as the vehicle workshop.
2. Action on external lines, by which the company will improve its earnings results by making the investments planned for the plastic sorting activity at the Sanpiero plant, the participation in tenders for the collection of solid urban wastes and operation of the percolate purification plant at LE.SE.
3. Recovery of overdue debts, where the principal debtors are public entities: the City of Grosseto and CO.RE.PLA.

Valore Città Amcps S.r.l.

The recovery of business efficiency will continue in 2017, through streamlining the use of existing resources, improving the efficiency of processes, and additional secondment of staff to other companies at the AIM Group.

With a City Council Resolution of December 2016, the City Government extended the existing agreement for the operation of Cemetery Services for another five years, 2017-2021.

completion of testing and inspection of the new cremation oven in 2016 will guarantee operating performance throughout 2017.
Participation in tenders for the award of new contracts will also continue.

The GENERAL MANAGER
Mr Dario Vianello

Vicenza, 30 May 2017

AIM VICENZA SPA and subsidiaries

Company subject to management and coordination by the CITY OF VICENZA

Registered office: Vicenza, Contrà Pedemuro S. Biagio 72

Share capital Euro 71,293,000 fully paid in

Registration number for the Business and Trade Register of Vicenza and Tax Identification
Number 95007660244

Report from the Board of Statutory Auditors for the consolidated financial statements as at 31/12/2016

Dear shareholders,

the financial statements, closed on 31 December 2016, were drafted according to suitable principles of consolidation, based on the provisions of Italian Legislative Decree no. 127 of 09/04/1991, comprise the Balance Sheet, Income Statement, Notes to the Financial Statements and Statement of Cash Flow and are accompanied by the Report on Operations, where the Sole Director gives a full account of the information required by law. We wish to point out that:

- x the scope of consolidation includes the Subsidiaries identified according to the criteria laid down in art. 26 of Italian Legislative Decree no. 127/1991;
- x the assessment criteria adopted by the companies included in the scope of consolidation are correctly described in the Notes to the Financial Statements;
- x The consolidation method used was line by line.

We wish to inform you that the report on operations contains the data and information requested by the relevant legal provisions, supplying a complete description of operating performance and providing the information required with regard to the assets and financial positions of the Companies included within the scope of consolidation, as well as that concerning investments in research and development and the use of financial instruments.

Moreover, in the carrying out of our supervisory duties, we wish to inform you that:

- x we obtained from the Sole Director, on a quarterly basis, information concerning the activities carried out and the most important economic, financial and asset-related transactions concluded within the group;
- x we received information from the management body concerning the composition of the group and checked for the existence of shareholdings;
- x we have ascertained, based on direct verifications and discussions with the Sole Director of the Company, that the latter has duly documented the relations and transactions conducted with the Subsidiaries and Affiliated Companies;
- x we have held periodic meetings and exchanges of information with the independent auditor.

As a result of the supervisory activities carried out and the evidence illustrated above, having taken into account the unqualified opinion on the financial statements communicated to the Board of Statutory Auditors by the Auditing Firm, we hereby acknowledge through this report that there are no omissions or significant facts to be reported to the shareholders.

Vicenza, 14 June 2017

The Board of Statutory Auditors



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