

Consolidated Financial Statements 31 December 2015

- Financial Statement Schedules
- Notes to the Accounts



Contents

- Corporate bodies

- Financial Statement schedules
- Notes to the Accounts - Financial Statement structure and content
- Notes to the Accounts - Changes in the asset and liability items
 - Assets
 - Liabilities
- Notes to the Accounts - Analysis of Income Statement items

Corporate bodies

Board of Directors

Chairperson	Alessandro Russo
Vice Chairperson	Karin Eva Imparato
Directors	Laura Barat Laura Mira Bonomi Bruno Ceccarelli

Board of Statutory Auditors

Chairperson	Antonio Liberato Tuscano
Standing Auditors	Anna Maria Allievi Daniele Vezzani
Certifying auditor of the annual accounts	BDO Italia S.p.A
Director General	Michele Falcone
Financial Administration Director	Federico Feltri

*FINANCIAL STATEMENT
SCHEDULES*

BALANCE SHEET LIABILITIES

	31/12/2015	31/12/2014
B) FIXED ASSETS		
I - Intangible fixed assets:		
1) Plant and expansion costs	-	-
2) Research, development and advertising costs	-	580
3) Ind. patents and intellectual property rights	3,600	-
4) Concessions, licences, trademarks and similar rights	8,101,590	8,433,718
5) Goodwill	-	4,324,000
5 bis) Difference from consolidation	-	-
6) Fixed assets in progress and advances	1,813,767	1,551,345
7) Others	1,368,798	3,668,199
Total intangible fixed assets	11,287,755	13,658,166
II - Tangible fixed assets:		
1) Land and buildings	75,284,036	74,234,165
2) Plant and machinery	607,661,220	513,794,806
3) Industrial and commercial equipment	1,060,387	1,037,014
4) Other assets	2,411,994	2,871,143
5) Fixed assets in progress and advances	120,241,518	97,513,189
Total tangible fixed assets	806,659,155	689,450,317
III - Financial fixed assets		
1) Equity investments in:	10,172,505	10,888,250
a) subsidiaries	1,257,611	1,973,356
d) other companies	8,914,894	8,914,894
2) Receivables	121,198	106,664
a) due from subsidiaries	-	-
b) due from affiliates	-	-
c) due from holding companies	-	-
d) due from others	121,198	106,664
3) Other securities		
4) Treasury shares	623,083	623,104
Total financial fixed assets	10,916,786	11,618,018
TOTAL FIXED ASSETS B)	828,863,696	714,726,501
C) CURRENT ASSETS		
I) Inventories:		
1) Raw, ancillary and consumable materials	5,804,746	5,358,663
3) Works in progress to order	513,872	4,945,169
4) Finished products and goods		
5) Advances		
6) Fixed assets destined for sale	11,739,497	
Total inventories	18,058,115	10,303,832
II) Receivables		
1) Trade receivables	237,581,655	230,036,115
- amounts due within next period	151,022,116	163,642,957
- amounts due after next period	86,559,539	66,393,158
2) Due from subsidiaries	246,520	619,516
- amounts due within next period	246,520	619,516
- amounts due after next period		
3) Due from affiliates	-	-
- amounts due within next period		
- amounts due after next period		
4) Due from holding companies	-	-
4-bis) Tax receivables	18,187,759	18,392,928
- amounts due within next period	6,462,053	5,192,584
- amounts due after next period	11,725,706	13,200,344
4-ter) Prepaid taxes	18,731,482	16,910,162
- amounts due within next period	1,441,670	2,146,935
- amounts due after next period	17,289,812	14,763,227
5) From others	26,179,127	32,148,522
- amounts due within next period	22,786,619	22,379,349
- amounts due after next period	3,392,508	9,769,173
Total receivables	300,926,543	298,107,244
II) Current financial assets		
Total financial fixed assets	-	-
IV) Cash and cash equivalents		
1) Bank and postal deposits	93,856,402	64,339,430
- amounts due within next period	82,615,404	53,427,941
- amounts due after next period	11,240,998	10,911,489
2) Cheques	4,386	101,019
3) Cash and valuables in hand	34,782	29,618
Total cash and cash equivalents	93,895,570	64,470,067
TOTAL CURRENT ASSETS (C)	412,880,228	372,881,143
D) ACCRUED INCOME AND DEFERRED ASSETS	2,031,964	4,975,460
- Premiums on loans		
- Other accruals and deferrals	2,031,964	4,975,460
TOTAL ACCRUED INCOME AND DEFERRED ASSETS D)	2,031,964	4,975,460
TOTAL ASSETS	1,243,775,888	1,092,583,104

BALANCE SHEET LIABILITIES

	31/12/2015	31/12/2014
A) SHAREHOLDERS' EQUITY		
<i>Appertaining to the group:</i>		
I Capital	571,381,786	534,829,247
II Share premium reserve	1,393,862	1,393,862
III Revaluation reserves		
IV Legal reserve	1,987,604	1,757,030
V Negative reserve for treasury shares in portfolio	623,083	623,104
VI Statutory reserves		
VII Other reserves:	125,878,353	114,601,390
- consolidation reserve	20,206,722	20,206,722
- reserve from currency exchange difference		
- others	105,671,631	94,394,668
VIII Profits / Losses carried forward	2,754,285	142,744
XI Profit / Loss of the period	20,401,462	7,232,900
Total shareholders' equity appertaining to the group	724,420,435	660,580,277
<i>Minorities' equity</i>		
X Capital and reserves		
XI Profit / Loss of the period		
Total minority shareholders' equity	-	0
TOTAL SHAREHOLDERS' EQUITY A)	724,420,435	660,580,277
B) PROVISIONS FOR RISKS AND CHARGES		
1) For retirement benefits and similar obligations	-	-
2) For taxes, including deferred taxes	1,323,209	1,375,700
2 bis) Consolidation provision for future risks and charges	-	-
3) Others	32,552,540	26,625,416
TOTAL PROVISIONS FOR RISKS AND CHARGES B)	33,875,749	28,001,116
C) EMPLOYEE SEVERANCE INDEMNITY	6,768,529	7,281,439
D) PAYABLES		
1) Bonds	5,925,940	7,407,420
- amounts due within next period	1,481,480	1,481,480
- amounts due after next period	4,444,460	5,925,940
2) Convertible bonds		
3) Payables to shareholders for loans		
4) Payables to banks	97,066,503	76,911,752
- amounts due within next period	10,889,462	12,690,236
- amounts due after next period	86,177,041	64,221,516
5) Payables to other lenders		
6) Advances	20,345,594	16,252,374
7) Trade payables	64,821,252	55,859,577
- amounts due within next period	63,333,004	54,117,915
- amounts due after next period	1,488,248	1,741,662
8) Payables represented by credit instruments		
9) Payables to subsidiaries	3,295	23,261
- amounts due within next period	3,295	23,261
- amounts due after next period		-
10) Payables to affiliates		-
11) Payables to holding companies	-	-
12) Tax payables	3,104,861	3,073,301
13) Payables to pension and social security institutes	2,134,143	2,003,247
14) Other payables	131,428,110	121,200,004
- amounts due within next period	44,946,847	31,197,756
- amounts due after next period	86,481,263	90,002,248
TOTAL PAYABLES D)	324,829,698	282,730,936
E) ACCRUED EXPENSE AND DEFERRED LIABILITIES	153,881,477	113,989,336
- Premiums on loans		
- Other accruals and deferrals	153,881,477	113,989,336
ACCRUED EXPENSE AND DEFERRED LIABILITIES E)	153,881,477	113,989,336
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,243,775,888	1,092,583,104
MEMORANDUM ACCOUNTS		
1. Collateral	15,317,233	14,372,359
2. Commitments	75,737,044	89,910,463
3. Plants in use owned by others	203,541,990	203,485,830
4. instalments falling due on lease contracts	206,500	296,454
TOTAL MEMORANDUM ACCOUNTS	294,802,767	308,065,106

INCOME STATEMENT

	31/12/2015	31/12/2014
A) PRODUCTION VALUE		
1) Revenues from sales and services	238,922,718	238,074,525
2) Change in inventories of products in progress and semi-worked and finished products	-	-
3) Works in progress to order	(4,431,297)	91,452
4) Increases in fixed assets for internal works	15,910,449	14,137,935
5) Other revenues and income	18,295,595	19,012,677
- contributions to operating expenses	257,861	227,861
- others	18,037,734	18,784,816
TOTAL A)	268,697,465	271,316,589
B) PRODUCTION COSTS		
6) Raw , ancillary and consumable materials and goods	(10,103,478)	(9,318,490)
7) Services	(81,232,716)	(83,909,688)
8) Use of property of third parties	(17,378,618)	(16,015,034)
9) Personnel	(43,715,094)	(42,936,715)
a) salaries and wages	(30,604,015)	(29,877,037)
b) social security contributions	(9,964,325)	(9,913,771)
c) severance indemnity	(2,023,537)	(1,979,819)
d) for retirement benefits and similar obligations	(219,568)	(231,604)
e) other costs	(903,649)	(934,484)
10) Depreciation, amortisation and impairment	(60,689,384)	(53,639,419)
a) amortisation of intangible fixed assets	(1,916,874)	(2,433,252)
b) depreciation of tangible fixed assets	(48,203,780)	(44,059,445)
c) other fixed asset write-downs	-	-
d) impairment of receivables classified as current assets and of cash a	(10,568,730)	(7,146,722)
11) Raw , ancillary and consumable materials and goods	446,083	789,963
12) Allocations for risks	(2,208,803)	(3,822,723)
13) Other allocations	(1,915,689)	(2,815,000)
14) Sundry operating costs	(7,384,017)	(16,126,933)
TOTAL B)	(224,181,716)	(227,794,039)
Difference between production value and costs (A-B)	44,515,749	43,522,550
C) FINANCIAL INCOME AND CHARGES		
15) Income from equity investments	-	43,371
- dividends and other income from subsidiaries		
- dividends and other income from affiliates		
- dividends and other income from others	-	43,371
16) Other financial income:	2,158,693	3,248,529
a) from receivables posted under fixed assets:		
- due to subsidiaries		
- from affiliates		
- from holding companies		
- others		
b) from securities classified as fixed assets that are not equity investments		
c) from securities classified as current assets that are not equity investments	23,047	141,537
d) revenues other than the above:		
- due to subsidiaries	-	
- from affiliates		
- from holding companies		
- others	2,135,646	3,106,992
17) Interests and other financial charges	(6,629,720)	(6,986,756)
- due to subsidiaries	-	
- from affiliates		
- from holding companies		
- others	(6,629,720)	(6,986,756)
17-bis) Gains and losses on currency exchange		
TOTAL C)	(4,471,027)	(3,694,856)
D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS		
18) Revaluations	-	-
19) Impairments	(1,122,841)	(1,494,103)
a) of equity investments, included portions of losses of non-consolidated participated companies	(1,122,841)	(1,494,103)
b) of financial fixed assets		
c) of securities classified as current assets		
TOTAL D)	(1,122,841)	(1,494,103)
E) EXTRAORDINARY INCOME AND CHARGES		
20) Income	590,801	4,104,151
- gains from disposals	-	20,696
- others	590,801	4,083,455
21) Charges	(2,553,999)	(19,614,755)
- losses on disposals	-	(12,645)
- taxes relative to previous periods	-	(251,656)
- others	(2,553,999)	(19,350,454)
TOTAL E)	(1,963,198)	(15,510,604)
Result before taxes (A-B+C+D+E)	36,958,683	22,822,987
22) INCOME TAX FOR THE PERIOD	(16,557,221)	(15,590,087)
- current	(18,288,213)	(15,554,521)
- deferred (prepaid)	1,730,992	(35,566)
22 bis) Profit/Loss of the period appertaining to minority shareholders	-	-
23) PROFIT (LOSS) OF THE PERIOD	20,401,462	7,232,900

CASH FLOW STATEMENT

2015

A. Cash flows deriving from the Company's operations (indirect method)

Profit (loss) of the period	20,401,462	
Income taxes	16,557,221	
Interest expense/(interest income)	4,471,027	
(Dividends)		
(Gains)/losses deriving from the disposal of assets	2,075,090	
1. Profit (loss) of the period before taxes, interests, dividends and gains/losses on disposals		43,504,800
<i>Adjustments for non-monetary elements that have no contra entry in the net floating capital</i>		
Allocations to provisions	9,002,667	
Write-downs of fixed assets	50,120,654	
Write-downs for lasting value impairment		
Other adjustments for non-monetary elements		
2. Cash flow before changes in the net current assets		59,123,321
<i>Changes in net current assets</i>		
Decrease/(Increase) in inventories	3,985,214	
Decrease/(increase) in trade receivables	(19,581,427)	
Increase (decrease) in trade payables	22,614,946	
Decrease/(Increase) in accrued income and deferred assets	2,943,496	
Decrease/(Increase) in accrued expense and deferred liabilities	40,283,417	
Other changes in net current capital		
3. Financial cash flow after changes in the net current capital		50,245,646
<i>Other adjustments</i>		
Interests collected/(paid)	(4,471,027)	
(Income taxes paid)	(16,557,221)	
Dividends cashed in		
(Use of provisions)	(3,640,944)	
4. Cash flows after all the other adjustments		(24,669,192)
Cash flow of income management (A)		128,204,575

B. Cash flows deriving from investment activities

<i>Tangible fixed assets</i>	(179,227,204)	
(Investments)	(179,227,204)	
Price of investment disposals		
<i>Intangible fixed assets</i>	453,537	
(Investments)	(524,334)	
Price of investment disposals	977,871	
<i>Financial fixed assets</i>	701,232	
(Investments)		
Price of investment disposals	701,232	
<i>Current financial assets</i>	,000	
Financ (Investments)		
Price of investment disposals		
<i>Acquisition or disposal of business units net of cash and cash equivalents</i>	,000	
(Investments)		
Price of investment disposals		
Cash flow from investments activities (B)		(178,072,435)

C. Cash flows deriving from lending activities

<i>Resources of third parties</i>		
Increase (decrease) in short term payables to banks	1,334,020	
Loans taken out	36,487,290	
Loan repayment	(1,966,643)	
<i>Own resources</i>		
Paid capital increase	43,438,675	
Sale (purchase) of treasury shares	21	
Dividends (and advances on dividends) paid out		
Cash flow from investments activities (C)		79,293,363
Increase (decrease) in cash and cash equivalents (A + B + C)		29,425,503
Cash and cash equivalents opening balance		64,470,067
Cash and cash equivalents closing balance		93,895,570

(* the cash flow statement for 2015 is the first presented

for simplicity, the change in payables for re-investments has been left included in the change of trade payables

the single balances (investments, assumptions of loans, receivables, capital increase, etc.) include the effect of the IDRA MI merger.

INTRODUCTION

These Notes to the Accounts of the Consolidated Financial Statements of the CAP Group have been drawn up pursuant to art. 38 of Legislative Decree 127/1991. Point 1 below specifies the companies included in the consolidation of the Group.

An important fact that must be noted is that with legal effect as of 01 May 2014 (by merger deed no. 394979, dossier no. 87627, of 27 April 2015, Notary Pietro Sormani of Milan) and with accounting and tax effect as of 01 January 2015, CAP Holding S.p.A. incorporated the company Idra Milano S.r.l.

By effect of said merger, the share capital of CAP Holding S.p.A. was increased from Euro 534,829,247 (at 31 December 2014) to Euro 571,381,786.

For clearer understanding of some references, contained in the notes, to the assignor companies of CAP Holding S.p.A., we take the liberty of reminding you that this latter, by deed of merger signed on 22 May 2013, incorporated the companies TASM S.p.A., TAM S.p.A. and I.A.No.MI S.p.A.

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENT

The consolidated financial statements have been drawn up in accordance with the provisions of Legislative Decree 127/1991, of artt. 2423 and following of the Civil Code as amended by Legislative Decree no. 6 of 17 January 2003, and of Legislative Decree no. 310 of 28 December 2004, and also according to the Italian accounting standards and the interpretations given by the Italian Accounting Body or, failing this, those established by the International Accounting Standards Board (I.A.S.B.).

The requested financial statements comprise, in addition to these Notes to the Accounts which give the information required by art. 2427 of the Civil Code, the Balance Sheet (according to the structure prescribed by art. 2424 of the Civil Code), the Income Statement (according to the structure prescribed by art. 2425 of the Civil Code) and the Cash Flow Statement (art. 2425-ter of the Civil Code).

The Balance Sheet, the Income Statement and the accounting information contained in these Notes to the Accounts conform to the accounting records, from which they have been directly inferred and are consistent with previous periods.

The financial statement schedules, as required by art. 2423-ter of the Civil Code, indicate the value of the preceding period, 2015 being the third year of consolidation.

CONSOLIDATION CRITERIA

We present below the principles adopted for drafting the Consolidated Financial Statements.

1. COMPANIES INCLUDED IN THE CONSOLIDATION AND REFERENCE DATA

The consolidated financial statements have been drafted on the basis of the financial statements of the single companies.

The CAP group includes the parent company, CAP Holding S.p.A., and the following companies:

- AMIACQUE S.r.l., total share capital Euro 23,667,606, of which the parent company holds 100% at 31 December 2016 (as in 2014);
- Rocca Brivio Sforza in liquidation S.r.l., of San Giuliano Milanese, total share capital Euro 53,100 of which the parent company holds 51.04% for a value of Euro 27,100 at 31 December 2015 (as in 2014);

Only AMIACQUE S.r.l. has been consolidated with CAP Holding S.p.A., it being maintained that:

- as far as concerning Rocca Brivio in liquidation S.r.l. (whose core business is "*la salvaguardia e valorizzazione del complesso storico monumentale di Rocca Brivio*" [to safeguard and upgrade the historic monumental complex of Rocca Brivio]), the case is subject to letter a) of the second paragraph of art. 28 of Legislative Decree no. 127 of 9 April 1991. Furthermore said company has been in voluntary liquidation since 21 April 2015.

The financial statements for 2015 have been drawn up within 180 days from the closure of the period due to the need to draft the Group's consolidated financial statements.

2. CONSOLIDATION TECHNIQUES

Total consolidation

Amiacque has been consolidated with the global integration, or line by line, method.

The asset and liability items, as well as the income and expenditure of the aforesaid company, have all been taken into consideration - line by line - on the consolidated financial statements.

The following are subject to elimination:

- a) the stake in the subsidiary and the corresponding fraction of the shareholders' equity held by the parent company;
- b) the receivables and payables between the companies included in the consolidation;
- c) the income and charges relating to transactions between the same companies;
- d) the profits and losses consequent to transactions between said companies and relating to values included in the capital.

In particular the consolidation procedure involves the elimination of the book values of the equity held and the corresponding quotas of the shareholders' equity of the subsidiary. Said elimination is carried out on the basis of the book values at the date on which the subsidiaries are included in the consolidation for the first time.

Elimination of infra-group profits/losses

For the consolidated financial statements, the Group's economic result ensues only from transactions with third parties.

Any profits/losses deriving from infra-group transactions are eliminated within the sphere of the consolidation process, the adjustment being divided proportionately between the equity held by the Group and that of minority shareholders, also taking into account the taxation effects.

The consolidated financial statements have been drawn up on the basis of the financial statements at 31 December 2015 of the company AMIACQUE S.r.l., approved by the shareholders' meeting on 20 May 2016, and the draft financial statements at 31 December 2015 of the company CAP Holding S.p.A., approved by the Board of Directors of CAP Holding S.p.A. on 24 May 2016.

ACCOUNTING STANDARDS AND VALUATION CRITERIA

These financial statements have been drawn up in accordance with the provisions of artt. 2423 and following of the Civil Code, the national accounting standards and the interpretations given by the Italian Accounting Body.

The financial statements have been drafted in a systematic manner, according to the accruals method, prudentially and considering the company as an on-going business.

The Notes to the Accounts give all the information required by art. 2427 of the Civil Code; in particular, the Balance Sheet has been drafted according to the structure indicated in art. 2424 of the Civil Code, the Income Statement according to the layout indicated in art. 2425 of the Civil Code, and the Cash Flow Statement according to the indications of OIC (Italian Accounting Body) standard no. 10 of August 2014.

The valuation criteria conform to artt. 2424-bis, 2425-bis and 2426 of the Civil Code, adopted in the same manner as in the past, and, when contemplated, with the consent of the Board of Statutory Auditors.

For comparison, the values of the period are given together with those of the period that closed at 31 December 2014.

Accounting of the merger transaction

The merger transaction was entered in the accounts in the following steps:

- aggregation of the book balances of the incorporated companies, as at 01 May 2015;
- elimination of the equity values at 01 May 2015 relative to the payables and receivables between the companies and entry of any differences under the extraordinary income components;

At 01 May 2015 there were no economic values connected to agreements existing between the two companies to be eliminated.

Intangible fixed assets

These regard expenses for assets of long-term usefulness and they are posted on the financial statements at purchase or production cost including any connected charges. The amounts are directly and systematically amortised on the basis of their remaining possibility of use.

Intangible fixed assets in the process of being produced at 31 December 2015 are posted on the basis of the expense sustained up to that date. The amortisation of these assets will start in the year in which they begin to be used.

Tangible fixed assets

Tangible fixed assets are posted at purchase or production cost net of depreciation. No financial charges have been capitalised.

Maintenance and repair costs are posted under the Balance Sheet assets when they are of a non-routine nature and when they increase the value of said assets; otherwise they are posted under the expenses of the period.

The fixed assets are systematically depreciated or amortised at constant rates according to their remaining possibility of use.

For fixed assets constructed or purchased and first used in 2015, the depreciation or amortisation rates have been halved.

Fixed assets in the process of being produced at 31 December 2015 are posted on the basis of the expense sustained up to that date. The depreciation of these assets will start in the year in which they begin to be used.

Fixed assets destined for disposal are classified separately as current assets under the Inventories.

Financial fixed assets

Financial fixed assets, mainly represented by equity investments in subsidiaries, are valued according to the net equity method, pursuant to art. 2426, point 4, of the Civil Code. However, the company Amiacque S.r.l. has been consolidated.

Financial fixed assets represented by minority holdings in affiliated and other companies, however, are valued at cost, including any connected charges. The book value is determined on the basis of the purchase or underwriting cost. The cost of the relative stakes is reduced if the company in question has sustained lasting value impairment.

Pursuant to art. 2426, paragraph 1, point 3, of the Civil Code, any changes, are mentioned in the detailed comments on the financial statement items.

Receivables and payables

The receivables are posted at their presumable collection value and according to their age.

As in past years, the provision for impairment of receivables, which had been used during the period, was increased.

Receivables and payables have not been broken down by geographic area, as normally required by art. 2427, paragraph 6, of the Civil Code, inasmuch as they practically all ensue from agreements with Italian counterparties.

In accordance with OIC accounting standard no. 25 of August 2014, tax payables are posted net of advances and of withholding taxes sustained.

Accruals and deferrals

Accrued income and deferred assets and accrued expense and deferred liabilities refer to revenues and costs common to more than one financial period, and they are posted according to the accruals principle, in respect of the provision of the last paragraph of art. 2424-bis of the Civil Code.

Shareholders' equity

The shareholders' equity items are posted at book value, as resulting from the records of the Company's resolutions. At 31 December 2015 (as at 31 December 2014) there are no minority shareholdings.

Reserve for treasury shares in the portfolio

This reserve was created subsequent to the purchase of CAP Holding S.p.A. shares in 2013.

Share premium reserve

The share premium reserve includes the merger swap surplus originating from the incorporation of CAP Impianti Spa into CAP Holding S.p.A. in 2005 and from the new contributions in 2007 and 2010.

Other reserves

The other reserves comprise:

- a reserve held by CAP Holding S.p.A. subsequent to the allocation of the profits of the preceding periods;
- a reserve resulting from the annulment of shares ensuing from the merger by which CAP Impianti S.p.A. was incorporated into CAP Holding S.p.A. (2005);
- a reserve allocated by CAP Holding S.p.A. for prepaid taxes deriving from the closure of the financial period 2005;
- a merger swap surplus reserve (relating to the incorporation of Idra Milano S.r.l.) posted by CAP Holding S.p.A. in 2015;
- a reserve deriving from profits of preceding periods that have not been distributed and which are destined to finance investments of Amiacque S.r.l.;
- a reserve originating in the equity of Amiacque S.r.l. from the allocation of the profits of 2012 deriving from the contingent assets relating to the request for an IRES [Corporate Income Tax] rebate for non-deduction of IRAP [Regional Business Tax] on personnel costs, to be tied until the actual collection of the sums requested

The other reserves also include that created pursuant to art. 14 of Law 36/1994 of which more is said further below herein.

Financial instruments

The Group has not issued any financial instruments, except for an ordinary unlisted bond issue (ISIN code IT0003853568) composed of 200 bonds with a par value of Euro 100,000 each, deposited at Monte Titoli S.p.A., issued by CAP Impianti S.p.A. in 2005, placed by an underwriting commitment of a bank. The principal sum of the loan is repaid at constant six-monthly instalments increased by a variable interest rate (final payment: 31 December 2019). At 31 December 2015 the residual principal amounted to Euro 5,925,940.

Capital destined for a specific business operation

The Group has not allocated any capital for any specific business transaction, pursuant to art. 2447-septies of the Civil Code.

Loans destined for a specific business operation

The Company has not issued any loans for any specific business transaction.

Provisions for risks and charges

These have been allocated to cover losses or liabilities the existence of which is certain or probable, whose precise amount or payment date, however, were not known at the closure of the period.

Employee severance indemnity

This represents the liability accrued in favour of employees at the closure date of the period. It is determined according to the provisions of law and includes the allocation for severance indemnity for the personnel in service at the end of the year. Inasmuch as an allocation to a provision, it is subject to revaluation at legal rates.

Revenues and costs

These are posted on the financial statements at conservative values and on an accruals basis.

As already described for receivables and payables, the breakdown by geographic area is not deemed significant inasmuch as the commercial agreements from which the revenues and costs ensue are with companies that are all local or, at any rate, in Italy.

OTHER INFORMATION

Transactions with related parties and off-book agreements, referred to under art. 2427, point 22-bis, of the Civil Code.

With reference to the indications required by art. 2427, point 22-bis, of the Civil Code, we mention that the company Amiacque S.r.l., Via Rimini 34/36, Milan, is subject to the governance and coordination of the company CAP Holding S.p.A. (which draws up the consolidated financial statements of the CAP Group), according to specific guidelines approved by the shareholders at the meeting of 14 December 2012, successively updated on 30 September 2013.

Said guidelines provide, among other things, that “....., the Amiacque board of directors submits to the prior examination of CAP Holding, by way of example but without limitation, the following: a) annual plans and pluriannual plans for investments in tangible and intangible fixed assets; b) deeds for the acquisition and disposal of companies or business units; c) deeds for the acquisition and disposal of controlling stakes, affiliations and minority stakes in other companies, and the stipulation of agreements on the exercise of the rights inherent to such stakes; d) loans taken out and loans granted and the issue of guarantees in the interests of companies of the Group; e) merger decisions in the cases contemplated under artt. 2505 and 2505-bis of the Civil Code; f) the establishment and the suppression of branches; g) amendments to the articles of association introduced to comply with legal provisions; h) the annual recruitment plan; i) the annual budget, and the six-monthly report on the company's trend”¹.

Many agreements between Amiacque S.r.l. and CAP Holding S.p.A. were concluded before that moment, but at 31 December 2015 they had not yet exhausted their effects. Other agreements were signed later, especially after the integrated water service, in all its stages, was entrusted to CAP Holding (with effect as of 01 January 2014) and because of the need to consequently define, on new bases, the relationship between the two subjects. In general said agreements were concluded at normal market conditions, or there is no market of reference for the services supplied. We mention below the main transactions carried out:

A) Commercial transactions:

- an agreement for plant and network operations, for the integrated execution by the supplier (Amiacque S.r.l.) on behalf of the principal (CAP Holding) of the activities for the operating and routine maintenance of the infrastructures and plant for the provision of the integrated water service and for the execution of the corresponding operational and service activities, in all the areas where CAP Holding, pursuant to deeds of assignment or contract, manages the integrated water service or parts of the same. The agreement, a first draft of which was signed in December 2013, has effect from 01 January 2014 until 31 December 2016 and provides for a consideration composed of a fixed part and a variable part to cover certain direct costs sustained by Amiacque to absolve the obligations assumed pursuant to said contract. The total consideration accrued in 2015 in favour of Amiacque S.r.l. amounts to Euro 96,428,494. With an annex and the successive definition of a “new price” signed at the beginning of 2015, the fixed part of the consideration was considerably increased;
- a service agreement for the management of customer relations, which service was provided by Amiacque S.r.l. on behalf of CAP Holding S.p.A. under a mandate without representation relative to the integral management of all commercial and administrative agreements and of relations with the users of the integrated water service, in both the pre-contractual and contractual stages. The agreement, a first draft of which was signed in December 2013, refers to the performances to be provided, on a continuous basis, for the tariffs of the mandating party (CAP Holding S.p.A.) relative to the water consumption fees for the years 2014 and 2015. With regard to the tariffs of these last periods, Amiacque S.r.l. undertakes to pay 100% of the effective revenues from sales within the month of June of the fourth year following that of consumptions. On this point, it must be noted that Amiacque S.r.l. is entitled, first and foremost, to a consideration for the losses that it will suffer in the management of the collection process, amounting to 1.60% of the global sales

¹ Actual wording: “....., il Consiglio di Amministrazione di Amiacque sottopone al preventivo esame di CAP Holding, a titolo esemplificativo, ma non esaustivo, le seguenti operazioni: a) piani annuali e sovranuali di investimento in immobilizzazioni immateriali ed immateriali; b) atti di acquisto e disposizione di aziende o rami di azienda; c) atti di acquisto e disposizione di partecipazioni di controllo e collegamento ed interessenze in altre società, nonché la stipula di accordi sull'esercizio dei diritti inerenti a tali partecipazioni; d) assunzione di finanziamenti, nonché l'erogazione di finanziamenti e il rilascio di garanzie nell'interesse di società del Gruppo; e) decisione di fusione nei casi di cui agli articoli 2505 e 2505-bis del codice civile; f) istituzione e la soppressione di sedi secondarie; g) adeguamento dello statuto sociale a disposizioni normative; h) piano delle assunzioni annuale; i) budget annuale, nonché la relazione dell'andamento semestrale dell'impresa”

of the period, net of VAT. With regard to the consideration, in 2015 the agreement was amended so that the performance was remunerated by a fixed part and a variable part (to cover certain direct costs sustained). Furthermore, with an annex signed at the beginning of 2015 and the successive definition of a "new price", the fixed part of the consideration was considerably increased. In 2015 this consideration in favour of Amiacque S.r.l. was Euro 14.902.837.46. The agreement will expire at 31 December 2016;

- an agreement for programmed non-routine maintenance works, non-programmed maintenance/repair works and investments for the renewal of connections and the replacement of metres on existing connections. The agreement entrusts to Amiacque S.r.l. all the activities necessary for the planning and execution of the above-indicated works in 2014 and 2015. The agreement provides for a consideration which fully remunerates the specific internal labour costs of Amiacque, the final cost of the materials taken from storage, and the final cost for the execution of the works entrusted to third parties, with a mark-up of 5% on said amounts. The consideration accrued in 2016 in favour of Amiacque S.r.l. was Euro 13,601,597;
- an agreement for the joint performance of Information Technology services for the year 2015 supplied by CAP Holding S.p.A. to Amiacque S.r.l. In 2015 the consideration accrued that Amiacque must recognise to CAP Holding is Euro 2,617,471;
- an agreement for the use of the integrated water service infrastructures, recognising that the provider CAP Holding S.p.A. is entitled to use the networks and plant of the integrated water service owned by Amiacque S.r.l. in exchange for the payment of a consideration corresponding to the annual depreciation of the assets in question, which amounted to Euro 2,451,755 in 2015. The agreement, with effect as of 01 January 2014, will expire at 31 December 2015;
- an agreement for the construction of new connections and network extensions, requested of CAP Holding S.p.A. by third parties. Under the agreement, Amiacque S.r.l. carries out all the activities necessary for the planning and execution of the connections and network extensions of aqueducts and sewers for customers from 13 June 2014 to 31 December 2016. The agreement provides for a consideration to fully remunerate the specific internal labour costs of Amiacque, the final cost of the materials taken from storage, and the final cost for the execution of the works entrusted to third parties (net of discounts obtained in the contract awarding stage), with a mark-up of 5% on said amounts to cover overheads. The consideration accrued in 2015 in favour of Amiacque was Euro 2,215,504;
- an agreement for the temporary transfer of employees of CAP Holding S.p.A., to work entirely or partially for Amiacque S.r.l., debiting to this latter the relative costs which amounted to Euro 1,036,392 in 2015;
- an agreement pursuant to which CAP Holding S.p.A. provides Amiacque S.r.l. with the processing service of salaries and wages and the management of the personnel selection and training procedures. It is for three years, as of 01 June 2013. In 2015 the fees accrued bearing on Amiacque amount to Euro 623,960;
- an agreement pursuant to which CAP Holding S.p.A. has entrusted to Amiacque S.r.l. the execution of the "Facilities and motor vehicles management" service. In 2015 the fees accrued in favour of Amiacque amount to Euro 691,924;
- an agreement for the temporary transfer of employees of Amiacque S.r.l., to work entirely or partially for CAP Holding S.p.A., debiting to this latter the relative costs which amounted to Euro 765,289 in 2015;
- an agreement with the company CAP Holding, signed in 2010 for recognition of the annual amortisation quotas relative to the investment for the construction of the "Milano est" purifying plant, and of the works for the collection and treatment of the waste waters from the eastern districts of Milan, until complete amortisation of the investment (31 December 2022) for which, in 2015, costs bearing on Amiacque accrued for Euro 172,764; (*)
- an agreement between Amiacque S.r.l. and CAP Holding S.p.A. for the performance on behalf of the latter of external communication services for a term of three years as of 01 April 2013. In 2015 the fees accrued bearing on Amiacque amount to Euro 150,405;
- an agreement between Amiacque S.r.l. and CAP Holding S.p.A. for the performance on behalf of the latter of services relating to management control, with a duration of 18 months as of 01 July 2015. In 2015 the fees accrued in favour of CAP Holding S.p.A. amount to Euro 140,922;
- an agreement between Amiacque S.r.l. and CAP Holding S.p.A. for the reimbursement of the costs for the services for the issue of quality certification for the year 2015. In execution of the agreement, the costs accrued bearing on Amiacque S.r.l. amounted to Euro 45,045;
- an agreement with the company CAP Holding S.p.A. for the performance of insurance services and the management of accidents sustained, for a term of three years as of 01 July 2013, for which, in 2015, in addition to the reimbursement of the quota of the insurance premiums paid by

CAP Holding on behalf of Amiacque S.r.l., Amiacque S.r.l. sustained costs of Euro 38,286 for the services provided by the parent company;

- an agreement under which Amiacque S.r.l. provides CAP Holding S.p.A. with accident prevention and protection services for the year 2015, for which fees accrued in favour of Amiacque of Euro 20,000;
- an agreement for the performance of assistance, representation and tax consultation services for the year 2015, pursuant to which Amiacque buys from the professional firm appointed by CAP Holding services for the adequate support for its own activities regarding accounting and taxes. The costs sustained by Amiacque in 2015 for the performance of said services was Euro 11.960;
- an agreement for the provision of technical services and the execution of works included in the TEEM order, relative to the removal of interferences between the latter's systems and/or those managed by CAP Holding and the future External East Ring Road of Milan, for an estimated amount of Euro 1,239,632 for which no consideration accrued in 2015;
- an agreement signed in 2010 between Amiacque S.r.l. and the companies CAP Holding S.p.A., I.A.NO.MI. S.p.A., T.A.S.M. S.p.A. and TAM S.p.A. (the last three incorporated into the first in 2013), for the conferment of a mandate without representation and to discipline the division of the tariff income. Said agreement, entering into force on 01 January 2010 and with validity until the payment of the 2013 consumptions, inclusive, conferred on Amiacque S.r.l., at that time the company which issued the water service (according to the concept of Regional Law 26/2003 as successively amended and the Regulations approved by the Regional Council of 10 February 2005), a mandate without representation for invoicing and collecting the tariff and it obliged Amiacque S.r.l. to transmit the accounting information to the said companies (responsible for the complementary "plant and network management" phase) and to pay 100% of the sales of its effective competence within the month of June of the fourth year after that in which the consumptions took place. Amiacque S.r.l. was entitled to a compensatory consideration for the activities performed equal to 4% of the effective sales of its competence. The agreement will remain in force until the extinction of the relative performances; (*)
- an agreement signed with the company IA.No.Mi S.p.A. (subsequently incorporated into CAP Holding) for the year 2009, which confers on Amiacque S.r.l. a mandate without representation for the activities of invoicing and collecting the tariff, pursuant to sector regulations, and it obliges Amiacque S.r.l. to transmit the management and accounting information and to pay the tariffs effectively collected at the contractually foreseen frequency; (*)
- an agreement, concluded in 2010 with Amiacque S.r.l. for the deferral and payment by instalments of the commercial receivables due to Amiacque S.r.l. by the company I.A.No.Mi. S.p.A. (then incorporated into CAP Holding S.p.A.), for the balance of the fee for the use of networks and plant from 2008 until 30 June 2010, originally amounting to Euro 13,985,272, pursuant to which it would be paid in six-monthly instalments, the last falling due on 31 December 2017. The interest rates would correspond to the ECB rate plus a spread of 3%. In 2015 receivables in favour of CAP Holding S.p.A. fell due, for the principal sum of Euro 1,748,159 and interests of Euro 146,517; (*)
- an agreement with Amiacque S.r.l. for the deferral and payment by instalments of the commercial receivables due to Amiacque S.r.l. by the company TASM S.p.A. (subsequently incorporated into CAP Holding S.p.A.), for the balance of the 2008 tariff collections originally amounting to Euro 1,949,972, pursuant to which payment would be in six-monthly instalments at the ECB interest rate increased by a spread of 3%, the last instalment falling due on 31 December 2017; (*)
- an agreement, stipulated in 2008, for the deferral of trade receivables of Euro 18,548,013 due by CAP Holding S.p.A. to Amiacque S.r.l., signed at the moment of the conferment on Amiacque S.r.l. of the equity of the incorporated company CAP Gestione S.p.A., with fixed interest of 3.5% and expiry in 2017. In 2015 Amiacque S.r.l. took avail of the possibility of the early extinction of its debt, paying Euro 1,679,629 as the residue of the principal and interests of Euro 161,665; (*)

B) Financial transactions:

- In 2013 CAP Holding S.p.A. agreed (deed of 30 December 2013) with the company AMGA Legnano S.p.A. (delegating party) to act as proxy, in favour of Amiacque S.r.l. (delegatee) in relation to a receivable claimed by the latter from AMGA L. S.p.A. (pursuant to a deed for the purchase of a business unit) divided into instalments until 2020. The global value of the delegation when the agreement was signed was Euro 7,977,083 plus interests. Cap Holding S.p.A. was recognised, as commission under an internal agreement between delegating party

and delegatee, the right, pursuant to art. 1241, to offset the sums paid to the delegatee against the payables that had accrued against the same pursuant to an agreement by which CAP Holding S.p.A. was the concessionaire of the assets of the water service owned by AMGA Legnano S.p.A. (outgoing provider for certain towns in the province of Milan). On the receivables that AMGA Legnano S.p.A. claimed from CAP Holding S.p.A., a lien was also constituted in favour of Amiacque S.r.l. Towards the end of 2015, CAP Holding S.p.A. (with deed no. 16481, dossier no. 8934, of 22 December 2015 drawn up by the notary De Marchi of Milan) bought the water service assets from AMGA Legnano S.p.A., providing, among other things, for simultaneously and immediately offsetting against the purchase price the entire residual receivable claimed by Amiacque S.r.l. from AMGA Legnano S.p.A. and for remitting the corresponding amount (Euro 5,318,055) to the subsidiary Amiacque S.r.l. in January 2016.

- CAP Holding S.p.A. agreed (deed of 28 July 2011) with the company MEA S.p.A. of Melegnano (delegating party) to act as proxy in favour of Amiacque S.r.l. (delegatee) regarding a receivable claimed by the latter from MEA S.p.A. of Melegnano (pursuant to an agreement for the purchase of a business unit) with payment divided into instalments until 2017. The total value of the delegation at the moment of its stipulation was Euro 928,759 (excluding adjustments to the deed of sale of the business unit), plus interests. Cap Holding S.p.A. is, in turn, debtor towards MEA (outgoing provider for certain towns in the province of Milan) for the indemnity recognised for taking over the management of the assets of the integrated water service, specifically a segment of the aqueduct, as resulting from the agreement stipulated on 28 July 2011; at 31 December 2015 the theoretic value of the delegation is Euro 388,446 including interests (*).
- An agreement relative to centralised treasury management (sweeping cash pooling) pursuant to which CAP Holding S.p.A. centrally manages the liquidity in order to harmonise the Group's cash flows and to optimise the management of the active and passive balances, using in the best way the accumulated credit lines and neutralising the undesirable effects of the banking system in respect of financial positions of opposing signs. The infra-group credit generated by this agreement produces interests, the rate of which is determined on the basis of the average conditions obtained by CAP Holding S.p.A. on the capital market, in relation to the various technical forms of the financing obtained. The agreement will expire at 31 December 2016. For said agreement, Amiacque S.r.l. results as the creditor of CAP Holding S.p.A. at 31 December 2015, for the sum of Euro 18,000,000.
- An agreement for the Group's VAT relative to the regulation of the agreements between Amiacque and CAP Holding pursuant to the adhesion of the two companies to the procedure for the payment of the Group's VAT for the year 2015. For said agreement, Amiacque S.r.l. results as the debtor of CAP Holding S.p.A. at 31 December 2015, for the sum of Euro 8,078,085;
- CAP Holding S.p.A., in the interests of Amiacque S.r.l., has also provided to the Large Taxpayer's Office of Lombardy of the Regional Head Office of the Revenue Agency a guarantee (pursuant to art. 38-bis of Presidential Decree 633/1972) for the reimbursement of about Euro 4,280 thousand as the surplus VAT emerging relative to the tax year 2013.
- Lastly, in 2015 CAP Holding S.p.A. transferred to Amiacque S.r.l. , free of charge, tender contracts for maintenance works that it had concluded in the interests of Amiacque S.r.l. with third party suppliers, for a total value of Euro 9,000,000;
- Amiacque S.r.l. issued a surety in the interests of CAP Holding S.p.A. to guarantee the bond issued by CAP Holding for Euro 20.000.000, maturing at 31 December 2019. The residual debt of said bond, including interests calculated on a variable basis, can be estimated at 31 December 2015 as Euro 5,976,607 (*).

The agreements marked with an asterisk (*) were concluded before Amiacque S.r.l. became subject to the governance and coordination. The transactions of the agreements not marked by an asterisk (*) were concluded at normal value, or there is no market of reference for the services provided.

There are also important off-book agreements which should be mentioned, pursuant to point 22-ter of art. 2427 of the Civil Code.

In addition to those with Amiacque S.r.l., CAP Holding S.p.A. also has the following important agreements:

- a loan to the subsidiary Rocca Brivio Sforza in liquidation S.r.l., the remaining receivable of which, at 31 December 2015, amounts to Euro 243,388 (Euro 3,129 net of interests), which has not been paid and is now outstanding;
- a contribution to the capital of Rocca Brivio Sforza in liquidation S.r.l. in 2015 of Euro 296,626 pursuant to a shareholders' agreements signed on 15 July 2005 and successively renewed by the then T.A.S.M. S.p.A. (subsequently incorporated into CAP Holding S.p.A.) at the moment of the

- acquisition of the stake in Rocca Brivio Sforza S.r.l. Said agreement obliges T.A.S.M. S.p.A. to pay a total of Euro 2,500,000, of which, at 31 December 2015, Euro 101,994 remains to be paid;
- the issue on the part of the then T.A.S.M. S.p.A. of a surety towards Banca Popolare di Milano S.p.A., for Euro 100,000, to cover a credit facility of Euro 60,000 granted to Rocca Brivio Sforza S.r.l. in liquidation.

Although technically not transactions with "related parties" (according to International Accounting Standard 24, recalled by the OIC document no. 12 of December 2014), the following agreements with Pavia Acque S.c.a r.l. (of which CAP Holding S.p.A. is a shareholder/co-consortium member) are to be mentioned:

- an agreement of 24 July 2015, effective for 2015 and 2015, by which Pavia Acque S.c.a r.l. has entrusted to CAP Holding S.p.A. the task of performing various technical activities relating to the operating and routine maintenance of the integrated water system works;
- an agreement of 11 June 2015 by which Pavia Acque S.c.a r.l. has entrusted to CAP Holding S.p.A. the execution of the expansion and renewal works of the aqueduct network in the south west area of the town of Siziano (Pavia);
- an agreement allowing the provider Pavia Acque S.c.a r.l. to use networks and plants owned by CAP Holding S.p.A., for a limited period, until the end of 2015.
- In addition, on the basis of the deed of conferment on the part of CAP Holding S.p.A. of 15/07/2008 drafted by the notary Trotta of Pavia, which assigned to Pavia Acque S.c.a r.l. portions of the loans taken out by CAP Holding S.p.A., Pavia Acque will repay to CAP Holding S.p.A. part of the loan repayment instalments that have remained in the name of CAP.

Waivers pursuant to paragraph 4 of art. 2423 of the Civil Code

There were no exceptional cases in the period that would have required waiver of the legal provisions regarding the financial statements, as contemplated by paragraph 4 of art. 2423 of the Civil Code.

Value of the amounts mentioned in the Notes to the Accounts

Unless otherwise indicated, the amounts given in the Notes to the Accounts are in units of one Euro. The values on the financial statements posted in Euro are shown according to the provisions of paragraphs 7 and 8 of art. 16 of Legislative Decree 213/1998.

CHANGES IN THE ASSET AND LIABILITY ITEMS

ASSETS

Total assets of the CAP Group posted on the Balance Sheet at 31 December 2015 amount to Euro 1,243,775,888 (Euro 1,092,583,104 at 31 December 2014)

They include:

	Value at 31.12.2015	Value at 31.12.2014	change
Fixed assets	828,863,696	714,726,501	114,137,194
Current assets	412,880,228	372,881,143	39,999,085
Accruals and deferrals	2,031,964	4,975,460	(2,943,496)
Total assets	1,243,775,888	1,092,583,104	151,192,784

B. FIXED ASSETS

B.I. Intangible fixed assets

Balance at 31.12.2015	11,287,755
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Balance at 31.12.2014	13,658,166
Change	(2,370,411)

Detail and movement:

	Value at 31.12.2014	Idra merger	Increase in CAP Holding	Decreases / Balancing	Amortisation at 31.12.2015	Reclassification of fixed assets for disposal	Value at 31.12.2015
Plant and expansion costs	-	-	-	-	-	-	-
Research, development and advertising costs	580	-	-	-	(580)	-	-
Usage rights of original works	-	-	5,400	-	(1,800)	-	3,600
Concessions, licences, trademarks and similar rights	8,433,718	-	378,800	-	(710,928)	-	8,101,590
Company owned software	366,694	35,077	281,347	-	(327,544)	-	355,574
Surplus from SET merger annulment (Goodwill)/ENI Goodwill - Amiacque goodwill	4,324	-	-	-	(4,324)	-	(0)
Fixed assets in progress and advances	1,551,345	-	311,231	(48,591)	-	(218)	1,813,767
Non-routine maintenance on plant under concession	2,367,286	-	-	(977,871)	(627,091)	-	762,324
Other	934,219	-	9,771	-	(244,607)	(448,483)	250,900
Total intangible fixed assets	13,658,166	35,077	986,549	(1,026,462)	(1,916,874)	(448,701)	11,287,755

The most important item is that of "*concessions, licences, trademarks and similar rights*"; this item includes the purchase value of the Genia business unit, which took place on 01 July 2011, for Euro 5,813,250, then reviewed on the occasion of adjustment to Euro 5,698,014, to which, with the incorporation of TASM. S.p.A. in 2013, Euro 1,654,770 was added relating to the sewer branch. Under the agreement signed between Genia S.p.A., seller, and CAP Holding S.p.A., Amiacque S.r.l. and TASM S.p.A., buyers, Genia S.p.A. continues to maintain the ownership.

The purchase value is posted under the open balances of the "*similar rights*" and is amortised at constant rates which regard the underlying asset (as reported in Mr Maurizio Poli's due diligence report of 31 May 2011), leaving the amortisation plan unchanged compared to Genia's amortisation plan.

This is a type of agreement included in the business unit transfer plans which specify that the goods that serve the integrated water service must remain in the hands of third parties (or providers) but are made available to the new provider.

CAP Holding S.p.A., in exchange for the transfer of the business unit, acquired the right to exploit and manage the assets used for the integrated water service.

The consideration paid is posted under item B.I.4 of the intangible fixed assets for its full amount pursuant to national provisions and the OIC accounting standards applicable to intangible and tangible fixed assets inasmuch as being a long term payable, and inasmuch as equivalent to "*concessions, licences, trademarks and similar rights*" - being, in this specific case, a "*similar right*" - and it is amortised according to the residual possibility of use, on the basis of a detailed residual amortisation plan of the plant under management, with the continuance of the same, in order to guarantee a true and correct representation of this Company event, inasmuch as consistent with the tariff scheme under which the provider receives, as remunerated for the management, the costs sustained.

This approach also respects the principle of the connection between costs and revenues. At 31 December 2015, the value amounts to Euro 8,059,956.

The item also includes the acquisition of the brand name on the waterworks houses of T.A.S.M. S.p.A. and the CAP Holding and CAP Group trademarks acquired in 2013, the value of which, at 31 December 2015, is Euro 4,252.

The item "*Non-routine maintenance on plans under concession*" includes programmed maintenance, capitalised by CAP Holding S.p.A. and mainly carried out through Amiacque S.r.l., on the plants of the town councils that have assigned the management of the infrastructures in the years 2010 and following, without

conferring ownership of the plants. This item amounts to Euro 762,324 after the deduction of the amortisation of the period.

In 2015, however, the item “*Intangible fixed assets*”, for Euro 977,871, which had been posted in 2013 under the item “*Non-routine maintenance on plants under concession*”, has been cancelled. The item had been entered, within the expense limits allowed by CAP Holding S.p.A., subsequent to the assumption, in 2013, of part of the loan taken out by the Province of Milan from Cassa Depositi e Prestiti, reference no. 4492128/00, necessary for the financing, pursuant to decree no. 3/2009 of the ATO [Ambiti Territoriali Ottimali: areas defined by the Regions for the purpose of the water services] Authority of the Province of Milan, of the works owned by other subjects but used by CAP Holding S.p.A. (regarding specifically certain sewer works in the town of Legnano). Towards the end of 2015 CAP Holding S.p.A. acquired (deed no. 16481, dossier no. 8934, of 22 December 2015, notary De Marchi of Milan) the ownership of AMGA Legnano S.p.A. which also included the said works. Therefore, subsequent to said transaction, the residual cost of Euro 977,871 has been reclassified to the item “*tangible fixed assets*”.

The item “*Fixed assets in progress*” refers to the costs for intangible fixed assets that have not yet been completed.

Said item, “*Fixed assets in progress*”, refers essentially to the costs for the Oracle software (ERP) not yet completed and works on the head office for Euro 1,756,750. The value of Euro 275,906 for the maintenance of networks and plants of third parties, not yet completed, assigned to Amiacque at 31 December 2015 and referring to networks and plants of CAP Holding S.p.A., have been reclassified as tangible fixed assets.

Non-routine maintenance for reinforcement, expansion or modernisation of the networks and systems owned by CAP Holding posted, in compliance with OIC accounting standard no. 24, under the item “*Other intangible fixed assets*” of the subsidiary, for Euro 10,553,600 at 31 December 2015, inasmuch as the improvements and expenses sustained cannot be separated from the assets themselves, nor do they function autonomously, have been reclassified on the consolidated financial statements to the item “*Plant and machinery*”.

The amortisation rates are the same as those of the preceding period:

Amortisation rates of intangible fixed assets	
Company constitution costs	33.33%
Usage rights of original works	33.33%
Costs of non-routine maintenance on systems under concession	20%
SET goodwill	33.33%
ENI goodwill	20%
Expansion costs	20%
Software	33.33%
Costs for planning and management of works on third party assets	25%
Concessions	5.26%
Easements	20%
Studies and research	33%
Concessions	5%
Trademarks	10%

For the costs of non-routine maintenance relating to works carried out on the Company's head office, however, the amortisation period has been defined on the basis of the residual term of the rental agreement.

B. II. Tangible fixed assets

Balance at 31.12.2015	806,659,155
Balance at 31.12.2014	689,450,317
Change	117,208,838

In compliance with the provision of OIC no. 16 of August 2014, "tangible fixed assets", some tangible fixed assets that the CAP Group destined for disposal (and which it effectively sold on 01 January 2016 to the company Brianzacque S.r.l., within the sphere of the transaction already mentioned in the Directors' Management Report of the consolidated financial statements) are classified separately from the tangible fixed assets, under a specific item of the current assets.

The following table shows the value of the fixed assets and changes during 2015. The following fixed assets are shown in separate columns:

- acquired by the incorporation of Idrà Milano S.r.l.;
- reclassified from intangible fixed assets to tangible fixed assets (subsequent to the aforesaid deed of sale of AMGA Legnano S.p.A., deed no. 16481, dossier no. 8934, of 22 December 2015, notary De Marchi of Milan);
- destined for sale, and therefore posted under the current assets (sale of the business unit, deed no. 25009/11071 of 28 December 2015, notary Ferrelli of Milan).

Tangible fixed assets	Balance at 31.12.2014	Depreciation provision 2014	Balance at 31.12.2014	Purchase of AGMA assets	Idra merger	Increases	Intrabank transfers	AGESP adjustments	Disposals/adjustments	Amortisation	Reclassification of fixed assets destined for sale	Balance at 31.12.2015
Land and buildings:	110,638,057	36,403,893	74,234,165	2,328,083	1,446,049	35,335	-	-	-	(2,737,869)	(21,727)	75,284,036
Total	110,638,057	36,403,893	74,234,165	2,328,083	1,446,049	35,335	-	-	-	(2,737,869)	(21,727)	75,284,036
Total plant and machinery	1,139,359,236	625,564,435	513,794,806	22,171,917	74,258,039	53,460,837	977,871	13,354	(2,067,943)	(44,374,028)	(10,573,633)	607,661,220
Industrial equipment	3,708,568	2,671,554	1,037,014	-	-	254,195	-	-	(40)	(230,781)	-	10,603,867
Other assets	13,279,345	10,408,202	2,871,143	-	-	419,701	-	-	(17,747)	(861,102)	-	2,411,994
Fixed assets in progress	97,505,776	-	97,505,776	-	411,853	74,495,353	-	-	(51,828,800)	-	(695,436)	119,888,746
Advances	7,413	-	7,413	-	-	345,359	-	-	-	-	-	352,772
Total tangible fixed assets	1,364,498,395	675,048,084	689,450,317	24,500,000	76,115,941	129,010,780	977,871	13,354	(53,914,530)	(48,203,780)	(11,290,796)	806,659,155

The depreciation rates for tangible fixed assets posted on the financial statements are those applied in the preceding period, shown in the following table (in bold type), adjusted from those of the merged company. They are reduced by half in the case of assets the use of which commenced during the period.

Depreciation rates of tangible fixed assets	
Industrial buildings	3.5%
Purification systems – civil works	3.5%
Purification systems – electromechanical works	12%
Purification systems – filtering stations	8%
Collectors and flocculation tanks	2.5%
Sewer network and connections	2.5%
Sewage lifting and purification stations	12%
Remote controlled systems	10%
Purification systems	8%
Purification machines	8%
Hydraulic works for purification	2.5%
Purification tanks	4%
Purification plant networks	5%
Water network and connections	5%
Cathodic protection	15%
Lifting and thrusting systems	12%
Wells	2.5%
Tanks	4%
Systems for purification to potable level	8%
Gravity filters	4%

Masonry works	3.5%
Temporary constructions	10%
Metres	10%
Automatic control systems	15%
Automatic washing systems	15%
Special plant	30%
Waterworks houses	12%
Metres	10%
Electrical systems	8%
Sundry small equipment	10%
Generic equipment and plant	8%
Sundry equipment	25%
Specific equipment	19%
Motor vehicles	20%
Cars	25%
Furniture and fittings	12%
Electronic office machines - telephony systems	20%
Mobile phones	20%
Equipment with unit value below Euro 516	100%

The data on the balance sheet regarding the acquisition of the business units of Amaga Energia e Servizi and of AMAGA correspond to those in the purchase deeds stipulated in June 2013; it has not yet been possible to stipulate the deed of adjustment since, despite the reminders, the companies have not yet presented the data of the companies.

Lastly, the tangible fixed assets with a residual value of Euro 1,973,983, relative to the demolition of a part of the sewer collectors of the sludge captation network at the Pero purification plant, rendered necessary due to the works for the elimination of interferences found on the EXPO 2015 site, were reclassified from the tangible fixed assets to item E21 of the income statement. The works for the demolition of sad collectors, composed of a single job, were completed in February 2015, once the EXPO company had installed new collectors on an alternative route compatible with the structure of the event. At 31 December 2015 the company is waiting to acquire ownership of the substitute works.

Most of the above-mentioned tangible and intangible fixed assets are directly used in the integrated water service activities. In which case the unit which generates the cash flows (see OIC no. 9 of August 2014) of reference is defined by the existing concession for the ATO which the assets serve. In other words, it is the total future tariff for the integrated water service of the ATO, together with the final indemnity on termination of the concession (see Reimbursement Value), which allows for recovering the values posted on the financial statements.

In the specific case, this depends on:

the agreement for the assignment of the integrated water service for a term of twenty years (2014-2032) signed in December 2013 between CAP Holding S.p.A. and the ATO authority of the Province of Milan;

- the condition of Provider, recognised by deeds laying down programmes/tariffs for the Monza and Brianza ATO (the last of which is the "2014-2015 CAP Holding S.p.A. Tariff" approved by resolution no. 9 of 31 March 2014 of the Board of Directors of the ATO office of the Province of Monza and Brianza) and resulting from the previous assignments to CAP Holding S.p.A. and/or its incorporated company I.A.No.Mi. S.p.A. (*)

- of the condition of Provider "wholesaler" recognised by, among other things, deeds containing programmes/tariffs for the ATO of the City of Milan (the second most recent tariff approved by AEEGSI with resolution no. 538/2014/R/IDR of 30 October 2014), relative to operating the East Milan purification plant (also known as the "Peschiera Borromeo" plant) used by the Group to service the eastern districts of the city of Milan.

Some other "groups" of fixed assets, however, are used indirectly within the integrated water service:

- water service infrastructures located in the ATO of Pavia. In this case (see the notes in the paragraph on transactions with related parties) the situation is similar to that of the preceding points, except for the fact that the agreement is with the company Pavia Acque S.c.a r.l. (ATO provider). For the moment, the term of the agreement is until 31 December 2015: however, for the expected future use of the assets in question please see the Director's Management Report;

- water service infrastructures of the ATO of Milan, but managed by Brianzacque S.r.l. These are assets acquired by the incorporated in 2015 of the former Idra Milano S.p.A. The tariff, relative to said assets, is received by Brianzacque S.r.l. at present. The reference is therefore the agreement/private deed of 12 March 2012 between Brianzacque S.r.l. and IDRA Patrimonio S.p.A., for which, on 26 June 2014, subsequent to the total spin-off of Idra Patrimonio S.p.A., the latter's position in said contract was taken by Idra Patrimonio S.p.A. (which latter, as mentioned, was then incorporated, in 2015, by CAP Holding S.p.A.) for the service of "presa in carico e gestione dei beni e per il rimborso di costi di esercizio e di investimento" [undertaking and managing the assets and for the reimbursement of management costs and investments]. For said infrastructures, CAP Holding S.p.A. receives a consideration proportioned to the coverage of the amortisation quotas and the financial charges that accrued from time to time (*);
- building/warehouse at Casalpusterlengo (Lodi), rented to the company S.A.L. S.r.l. (water company of Lodi);

(*) part of the said assets are, in any case, destined for sale, and therefore classified as current assets (sale of the business unit, deed no. 25009/11071 of 28 December 2015, notary Ferrelli of Milan).

(°) by effect of the purchase of the business unit, mentioned in the Management Report, (private deed, authenticated by the notary Ferrelli of Milan, deed no. 25010/11072, of 28 December 2015) it was purchased with effect as of 01 January 2016 by Brianzacque S.r.l., the manager of most of the infrastructures in question (except for operating the purification plant known as the "Trucazzano" plant), thus, in the future, the said assets will fall within the sphere of the concession (and, presumably, of the relative tariff and of the reimbursement value) of the integrated water service for the ATO of the former Province of Milan.

B. III. Financial fixed assets

Balance at 31.12.2015	10,916,786
Balance at 31.12.2014	11,618,018
Change	(701,232)

	Value at 31.12.2015	Value at 31.12.2014	Change
Equity investments	10,172,505	10,888,250	(715,745)
Credit	121,198	106,664	14,534
Treasury shares	623,083	623,104	(21)
Total financial fixed assets	10,916,786	11,618,018	(701,232)

B. III. 1. a) Equity investments in subsidiaries

	Value at 31.12.2014	Increases	Decreases	Value at 31.12.2015
Rocca Brivio Sforza S.r.l. - San Giuliano Milanese	1,973,356	407,096	(1,122,841)	1,257,611
Total equity investments in subsidiaries	1,973,356	407,096	(1,122,841)	1,257,611

Company name and registered office	Share capital	Shareholders' equity	Profit/loss of the period	Stake held	Value
Rocca Brivio Sforza Srl -San Giuliano Milanese (*)	53,100	2,464,165	(2,060,951)	51.04%	1,257,611
Total equity investments in subsidiaries	53,100	2,464,165	(2,060,951)		1,257,611

(*) financial statements 2015

Rocca Brivio Sforza in liquidation S.r.l.

The stake in the capital of Rocca Brivio Sforza S.r.l. (now in liquidation) was transferred to the accounts of CAP Holding S.p.A. by effect of the merger by incorporation of T.A.S.M. S.p.A. in 2013. The stake held is equal to 51.036%; it is valued with the net equity method, pursuant to art. 2426, no. 4, of the Civil Code, i.e. for an amount equal to the corresponding fraction of the shareholders' equity resulting from the draft balance sheet at 31 December 2015, calculated by the liquidator on the basis of the shareholders' resolution of 14 December 2015. At 31 December 2015, the value of the stake amounts to Euro 1,257,611.

B. III. 1. b) Equity investments in affiliates

Equity investments in affiliated companies are valued according to the cost method. The value is 0.

Company name and registered office	Share capital	Shareholders' equity	Profit/loss of the period	Stake held	Value
TASM SPA Romania Srl - Romania	582,600	(66,960)	(47,912)	40.00%	-
Total					-

1) Exchange rate for Euro = Romanian Leu conversion: 4.48421 (exchange rate at 31 December 2014)

TASM SPA Romania S.r.l.

T.A.S.M. Romania S.r.l. with registered office in Bucharest (Romania), share capital 2,612,500 Romanian LEU (at the exchange rate on 31 December 2015, Euro 576,285) of which 40% is held at 31 December 2015.

The stake in the capital of TASM Romania S.r.l. was transferred to the accounts of CAP Holding S.p.A. by effect of the merger by incorporation of T.A.S.M. S.p.A. in 2013. On the T.A.S.M. S.p.A. financial statements at 31 December 2012 it had already been written off, since it was already presumed that the situation was such as to render the invested value impossible to recover.

Already in 2009 T.A.S.M. S.p.A. had sold a portion its stake in the capital of TASM Romania S.r.l. which fell below the threshold of control, and this was the first deed that that was to lead to the complete disposal of the stake, in execution of an opinion expressed by the T.A.S.M. S.p.A. shareholders.

On 28 November 2014, the court ordered liquidation under bankruptcy of TASM Romania was accepted, and CAP Holding S.p.A. was admitted as a creditor for Euro 850,005.

In September 2015 the Bucharest Bankruptcy Court ordered the opening of the bankruptcy procedure of TASM Romania.

The liquidation procedure is in progress, in the hands of the Receiver appointed by the Court.

B. III. 1 c) Equity investments in holding companies

The CAP Group has no shares of holding companies, since the shareholders are Town Councils and Provinces (not the Metropolitan City of Milan and/or local bodies of this huge area), nor has it bought or sold any during the period, directly or through trust companies or proxies.

B. III. 1. d) Equity investments in other companies

Equity investments in affiliated companies are valued according to the cost method.

	Value at 31.12.2014	Increases	Decreases	Value at 31.12.2015
Pavia Acque Srl	8,914,894			8,914,894
Total equity investments in other companies	8,914,894	-	-	8,914,894

	Head office	Corporate purpose	Share capital	Shareholders' equity at 31 December 2014
Pavia acque S.c.a.r.l	Pavia	Assignee of the integrated water service in the province of Pavia	15,048,128	103,098,933

PAVIA Acque S.c.a.r.l.

Company with head office in Pavia, total share capital of Euro 15,048,128, the shareholders' equity at 31 December 2014 was Euro 103,096,933.

The stake held amounts to Euro 1,519,861, equal to 10.1% at 31 December 2015.

It is posted at cost, Euro 8,914,894.

Others

Cap Holding S.p.A. also holds 100% of the LIDA Participatory Foundation, with registered office in Assago (Milan) constituted on 31 July 2007, pursuant to artt. 14 and following of the Civil Code (payment of a provision of Euro 1,000,000 on the part of the former T.A.S.M. S.p.A., incorporated in 2013 into CAP Holding S.p.A.). The Foundation's balance sheet at 31 December 2015 shows a shareholders' equity of Euro 207,396.

B. III. 2. Receivables

B. III. 2. a) Receivables due from subsidiaries

None.

B. III. 2. d) Receivables due from others

At 31 December 2015, receivables from others amount to Euro 121,198. At 31 December 2014, they amounted to Euro 106,664.

With regard to the content of this item:

- in 2006 a loan of Euro 184,340 was granted to the former subsidiary Capital Acque. Repayment is contemplated in quarterly instalments composed of a fixed amount of the principal sum and a portion of the variable interests. The loan should have been extinguished with the last instalment of 24 January 2013, but due to delayed payments, the residual amount of the loan amounted to Euro 41,135 at 31 December 2013, and it was necessary to activate the credit recovery procedure which is still in progress. In 2013, Euro 41,135 was allocated to the provision for risks.

- a receivable from others is also included, for Euro 65,530, composed Euro 22,498 deposited by the incorporated I.A.No.Mi. S.p.A., and Euro 43,032 deposited directly by CAP Holding S.p.A. with the Provincial Treasury of the Milan Section of Cassa Depositi e Prestiti [the national deposits and loans fund] as indemnity for the various properties occupied and/or expropriated for the acquisition of the areas necessary for the construction of plants.

B. III. 4. Treasury shares

A resolution of the extraordinary shareholders' meeting of 19 March 2013 authorised the purchase of 1,145,266 treasury shares from the company Amiacque S.r.l.

They were bought on 08 May 2013, deed no. 23225, for Euro 1,226,123, i.e. a par value of about Euro 1.07 each.

The treasury shares were posted on the balance sheet at purchase cost. At the same time a shareholders' equity reserve for "own shares in the portfolio" was allocated on the Balance Sheet. This was pursuant to a shareholders' resolution of 19 March 2013.

Subsequently, on 23 December 2013 with deed no. 23760, treasury shares were sold the town councils of Bellinzago Lombardo, Inzago, Melzo, Truccazzano and Vignate for Euro 19 each (19 shares with a par value of 1 Euro each).

On 11 November 2014 (deed no. 24255, notary Anna Ferrelli of Milan) treasury shares were sold for Euro 563,195 to Milan City Council in exchange for Amiacque S.r.l. shares held by said council.

Lastly, on 28 October 2015 (deed no. 24900, notary Anna Ferrelli of Milan) 19 treasury shares were sold to the town council of Bascapè (Pavia), for a consideration of Euro 19.

The value of the treasury shares at 31 December 2015 is Euro 623,083 (for 581,938 treasury shares in the portfolio).

C. CURRENT ASSETS

C. I. 1. Inventories of raw, subsidiary and consumable materials.

The inventories item is composed of components of electrical and hydraulic parts, electrical pumps for wells, raw materials for purification, metres and other consumption materials held in the warehouse at 31 December 2015, for Euro 5,804,746 (Euro 5.358.663 at 31 December 2014).

During the financial period 2015 there was a net increase of Euro 446,083. The total value of this part of the inventories is adjusted by a depreciation provision of Euro 182,890, entered in 2013 for Euro 128,211 and in 2015 for Euro 54,679, by which the obsolete stocks destined for disposal were written down.

C.I.3 Works in progress to order.

This item includes Euro 513,872 which refers to the valorisation of the orders in progress for the planning, works management and construction of the works for the hydraulic repairs of the Cagnola water source, for the Region of Lombardy, assigned in several steps to the incorporated I.A.No.Mi. S.p.A.

Since the conditions exist, this item is valued according to the percentage of the works completed and on the basis of the contractual considerations.

The invoices issued on account are provisionally posted as advances received from clients before completion and acceptance by the client, and only after said completion and acceptance will they be included among the revenues of the period. Said advances amount to Euro 8,703,461 (Euro 5,413,682 at 31 December 2014).

The total of this item on the CAP Holding S.p.A. financial statements, compared to the period which closed at 31 December 2014, shows a decrease of Euro 4,431,297, posted under item A3 of the Income Statement consequent to the completion of stage 3 and the additional activities performed in 2015. The percentage of completion is estimated on the basis of the cost sustained compared to the total costs calculated on the basis of updated estimates.

C.I.6 Fixed assets destined for disposal.

This item includes Euro 11,739,497 representing the valorisation of the fixed assets destined for sale, and therefore classified as current assets, pursuant to the deed of sale of the business unit - notary Ferrelli of Milan, deed no. 25009/11071 of 28/12/2015 – with actual effect as of 01 January 2016.

The following schedule sums up the Inventories item.

	Value at 31.12.2015	Value at 31.12.2014	Change
Raw, ancillary and consumable materials	5,804,746	5,358,663	446,083
Works in progress to order	513,872	4,945,169	(4,431,297)
Fixed assets for sale	11,739,497		11,739,497
Total inventories	18,058,115	10,303,832	7,754,283

C. II. Receivables

Balance at 31.12.2015	300,926,543
Balance at 31.12.2014	298,107,244
Change	2,819,299

	Value at 31.12.2015	Value at 31.12.2014	Change
1. trade receivables	237,581,655	230,036,115	7,545,540
2. due from subsidiaries	246,520	619,516	(372,996)
3. due from affiliates	-	-	-
4-bis. tax receivables	18,187,759	18,392,928	(205,169)
4-ter. prepaid taxes	18,731,482	16,910,162	1,821,320
5. due from others	26,179,127	32,148,522	(5,969,395)
Total receivables	300,926,543	298,107,244	2,819,299

C. II. 1. Trade receivables

Trade receivables amount to Euro 237,581,655 (Euro 230,036,115 at 31 December 2014). This item includes receivables from customers and users net of the credit impairment provision.

	Value at 31.12.2015	Value at 31.12.2014	Change
invoices issued and to be issued to domestic users	137,449,023	138,837,916	(1,388,893)
provision for the impairment of receivables due from domestic users	(31,061,236)	(27,398,496)	(3,662,740)
total domestic users	106,387,787	111,439,420	(5,051,633)
invoices issued and to be issued to business users	9,044,392	8,679,171	365,221
provision for the impairment of receivables due from business users	(3,355,697)	(2,910,798)	(444,899)
total business users	5,688,695	5,768,373	(79,678)
trade invoices issued and to be issued	38,068,292	24,076,981	13,991,311
provision for impairment of receivables	(9,629,215)	(4,580,343)	(5,048,872)
total customers	28,439,077	19,496,638	8,942,439
invoices to be issued for adjustments	12,457,611	18,244,036	(5,786,425)
accrual	84,608,485	75,087,648	9,520,837
Total trade receivables	237,581,655	230,036,115	7,545,540

C. II. 2. Receivables due from subsidiaries

Receivables due from subsidiaries amount to Euro 246,520 and regard an outstanding and unpaid unsecured interest bearing loan that has not been renewed, collectable on sight and without deferred

repayment except pursuant to art. 2467 of the Civil Code, of which Euro 243,388 is the residual principal sum at 31 December 2015 and interests are Euro 3,132.

	Value at 31.12.2015	Value at 31.12.2014	Change
due to Rocca Brivio	246,520	619,516	(372,996)
provision for impairment of receivables	-	-	-
Total receivables due from subsidiaries	246,520	619,516	(372,996)

C. II. 3. Receivables due from affiliates

There are none.

C. II. 4-bis. Tax receivables

Tax receivables at 31 December 2015 amount to 18,187,759. Detail and movement at 31 December 2015 is as follows:

	Value at 31.12.2015	Value at 31.12.2014	Change
- IRES	1,309,575	205,061	1,104,514
- IRAP	1,348,367	528,831	819,536
- Receivables for VAT rebates	4,481,967	7,399,592	(2,917,625)
- VAT	6,445,577	5,529,196	916,381
-receivables for the electronic payment of stamp duties	21,724	-	21,724
- receivables for substitute tax on severance indemnities	6,527	6,424	103
- receivables for income tax rebates	4,574,022	4,723,824	(149,802)
Total tax receivables	18,187,759	18,392,928	(205,169)

IRAP and IRES receivables, of Euro 1,348,367 and Euro 1,309,575 respectively, are consequent to the fact that the advances paid during 2015 exceeded the amounts due for the period.

VAT receivables for previous years, for which rebates have already been requested, amount to a total of Euro 4,481,967 including interests. In January 2016, Euro 3,775,860 was cashed in. The difference was withheld by the Revenue Agency to cover the higher registration duties applicable in the case of certain business unit purchase deeds, against which appeal has been filed.

VAT receivables for Euro 6,445,576 will be used in part, for Euro 700,000, in 2016 to offset the payments of withholding taxes and contributions, and a rebate will be requested for the difference when the VAT return for 2015 is presented.

The receivables for income tax and IRES reimbursements, of Euro 4,574,022, are composed as follows:

- receivables for income tax for the year 2007, amounting to Euro 2,719,952. This receivable was posted in 2008 subsequent to a payment made by the company (then incorporated by Amiacque S.r.l.) CAP Gestione S.p.A., for IRES and IRAP plus interests and reduced sanctions, and for which a rebate has been requested by means of an application pursuant to art. 38 of Presidential Decree no. 602/1973. For said receivable, a provision for risks has been allocated of the same amount;
- receivables due from the state relative to the reimbursement, pursuant to art. 2, paragraph 1-quater, of Decree Law no. 201/2011, converted by Law no. 214 of 22 December 2011, of IRES for non-deduction of IRAP on the costs of employees and equivalent personnel in the years 2004-2006 and 2007-2011, including interests accrued, amounting to a total of Euro 1,606,769: the reduction of these receivables compared to 2014 is due to the rebate granted during the year.

Considering the estimated future revenues, the part that can presumably be claimed within 12 months amounts to Euro 11,725,706.

C. II. 4-ter. Receivables for prepaid taxes

Receivables for prepaid taxes amount to Euro 18,731,482 at 31 December 2015.

The item changed during 2015 by effect of the algebraic sum of the following movements:

- a decrease for the re-absorption of prepaid taxes relative to preceding years, for Euro 2,881,809, of which Euro 2,137,392 is due to the change in the IRES rate (24%) which will enter into force as of 2017 pursuant to the 2016 "stability" law (Law no. 208 of 28 December 2015);
- an increase of Euro 4,513,507 is calculated on the temporary differences in the taxable income of the current period resulting from the application of tax regulations compared to the provisions of the Civil Code.

The following table sums up the composition and movements of this item during the period:

	Value at 31.12.2015	Value at 31.12.2014	Change
For connection contributions from users	1,636,525	933,782	702,743
For allocations to the provision for lawsuits pending	702,783	1,077,652	(374,869)
For allocations to the provision for other risks	834,660	944,311	(109,651)
For allocations to the provision for risks relating to personnel costs	1,366,007	1,316,972	49,035
For allocations to the provision for amicable settlements	2,219,822	2,169,514	50,308
For allocations to the provision for future plant decommissioning expenses	1,407,390	1,029,875	377,515
For allocations to the provision for future tank rehabilitation expenses	685,113	-	685,113
For allocations to the provision for impairment of receivables beyond the tax limit	9,551,698	9,062,742	488,956
For amortisation of goodwill	76,623	93,104	(16,481)
For amortisation exceeding the deductible limit	249,799	280,802	(31,003)
For unpaid interests expense on arrears	1,062	1,408	(346)
Total receivables for prepaid taxes	18,731,482	16,910,162	1,821,320

Considering the estimated amounts that can be absorbed by future taxable income, the part that can presumably be collected within 12 months amounts to Euro 17,289,812.

C. II. 5. Assets tied in favour of others

The receivables due from others amount to Euro 26,179,127.

	Value at 31.12.2015	Value at 31.12.2014	Change
sundry receivables	26,552,884	33,074,337	(6,521,453)
provision for impairment of receivables	(373,757)	(915,185)	541,428
provision for impairment of interest income on arrears	-	(10,630)	10,630
Total receivables due from others	26,179,127	32,148,522	(5,969,395)

	Value at 31.12.2015	Value at 31.12.2014	Change
due from public bodies of reference	9,215,258	8,983,586	231,672
provision for impairment of receivables	(259,758)	(263,465)	3,707
<i>total due from public bodies of reference</i>	<i>8,955,501</i>	<i>8,720,121</i>	<i>235,380</i>
due from banks	925,093	15,869,792	(14,944,699)
sundry receivables	11,763,967	7,859,709	3,904,258
receivables due from others for consolidation	4,648,567	361,251	4,287,316
provision for impairment of receivables	(114,000)	(651,720)	537,720
provision for impairment of interest income on arrears	-	(10,631)	10,631
<i>total other receivables</i>	<i>16,298,534</i>	<i>7,558,609</i>	<i>8,739,925</i>
Total receivables due from others	26,179,127	32,148,522	(5,969,395)

The most relevant item of the receivables due from public bodies of reference is represented by the receivables due from the ATO of the provinces of Milan and Monza-Brianza, amounting to Euro 6,499,793, relating to contributions for plant expenses and/or portions of financing to cover expenses relative to projects included in the Hydrological Plans. To this regard, contributions for Euro 13,338,350 were collected in 2015.

The corresponding receivables due from the ATO of the Province of Pavia, amounting to Euro 265,655, are posted under the sundry receivables inasmuch as the Province of Pavia is not a shareholder of CAP Holding.

The receivables from banks amount to Euro 925,093 (Euro 15,869,792 at 31 December 2014) of which:

- Euro 117 is represented by interests on administrative deposits held by the State Territorial Accounting Department relating to land expropriation procedures;
- Euro 912,708 is represented by receivables due from the Cassa Depositi e Prestiti for unused loans; and
- Euro 12,268 refers to other receivables.

The item "Sundry receivables" includes:

- Euro 6,942,809 due from the partly held company Pavia Acque S.c.a r.l. relative to commercial agreements, which are dealt with at length in the introductory part of these Notes;
- receivables due from the former PIL [PatrimoniaIe Idrica Lodigiana] company subsequent to the sale of the business unit of Lodi, equal to Euro 2,336,833 and the relative loans transferred at the moment of the spin-off and which have not yet been novated in the latter's name;
- advances to suppliers, guarantee deposits, receivables due from employees and from welfare institutes, and other receivables of the company Amiacque S.r.l. for Euro 1,417,279 and of the parent company for Euro 608,334.

C. III. Financial assets not classified as fixed assets

There are none.

C. III. 6. Other securities

At 31 December 2015 there are no financial assets not classified as fixed assets.

C. IV. Cash and cash equivalents

This item, which totals Euro 93,985,570, comprises the balances of current accounts opened at various banks for Euro 93,856,402, the petty cash, revenue stamps and pre-paid credit cards amounting to Euro 34,782 and banker's cheques for Euro 4,386.

	Value at 31.12.2015	Value at 31.12.2014	Change
Bank and post office deposits	93,856,402	64,339,430	29,516,972
Cheques	4,386	101,019	(96,633)
Cash and valuables in hand	34,782	29,618	5,164
Total cash and cash equivalents	93,895,570	64,470,067	29,425,503

The cash and cash equivalents include Euro 14,476,157 on the escrow account in favour of the bank (Euro 15,091,245 at 31 December 2014) to guarantee the loan, deed no. 21070/9012, granted by Intesa Sanpaolo S.p.A. on 01 December 2012 to T.A.S.M. S.p.A., incorporated as of 01 June 2013 into Cap Holding S.p.A. Said sums represent lien in favour of Banca Intesa S.p.A. to guarantee the said loan.

Said account is tied to the execution of the expansion works of the purification plant of the town of Assago, phase I of the expansion of the purification plant of Melegnano, the adaptation of the existing line of the purification plant of Rozzano, and works on sewer network plant. The account will be released on presentation of the documentation of the expenses sustained for the execution of the above indicated works. The release of Euro 3,235,159 is expected within twelve months, and Euro 11,240,998 after twelve months.

The cash and cash equivalents at 31 December 2015 also include Euro 220,919 deposited on two current accounts opened at Banca Nazionale del Lavoro S.p.A., also tied as lien to guarantee two credit facilities granted by the Bank to Cogeser Servizi Idrici S.r.l. This latter transferred to Cap Holding S.p.A. a water-works business unit on 28 June 2012.

D. ACCRUALS AND DEFERRALS

Balance at 31.12.2015	2,031,964
Balance at 31.12.2014	4,975,460
Change	(2,943,496)

The balance at 31 December 2015 of Euro 2,031,964 is composed exclusively of deferred assets. Of these, Euro 254,379 (3,248,788 in 2014) relates to concession fees paid in advance to former providers. The strong reduction is due to the reabsorption of the advances paid to the former provider AMGA S.p.A. on the occasion of the above-mentioned transaction pursuant to deed no. 16481, dossier no. 8934, of 22 December 2015, notary De Marchi of Milan.

LIABILITIES

Total liabilities posted on the Balance Sheet at 31 December 2015 amount to Euro 1,243,775,888 (Euro 1,092,583,104 at 31 December 2014)

They include:

	Value at 31.12.2015	Value at 31.12.2014	Change
Consolidated Shareholders' equity	724,420,435	660,580,277	63,840,158
Provisions for risks and charges	33,875,749	28,001,116	5,874,633
Employee severance indemnity provision	6,768,529	7,281,439	(512,910)
Payables	324,829,698	282,730,936	42,098,762
Accruals and deferrals	153,881,477	113,989,336	39,892,141
Total liabilities	1,243,775,888	1,092,583,104	151,192,784

A. SHAREHOLDERS' EQUITY

The Group's shareholders' equity at 31 December 2015, amounting to Euro 724,420,435 (Euro 660,580,277 at 31 December 2014), held entirely to the Group for the acquisition, in 2014, on the part of CAP of 100% of the capital of Amiacque, is composed of the following:

	Value at 31.12.2015	Value at 31.12.2014	Change
Share capital	571,381,786	534,829,247	36,552,539
Share premium reserve	1,393,862	1,393,862	-
Legal reserve	1,987,604	1,757,030	230,574

Statutory reserves	-	-	-
Reserve for treasury shares in portfolio	623,083	623,104	(21)
Other reserves:	-	-	-
- consolidation reserve	20,206,722	20,206,722	2,544,795
- other	105,671,631	94,394,668	11,276,963
Profit (losses) brought forward	2,754,285	142,744	66,746
Profit (loss) of the period:	20,401,462	7,232,900	13,168,562
Total shareholders' equity appertaining to the Group	724,420,435	660,580,277	63,840,158

The share capital at 31 December 2015, fully paid up, is composed of 571,381,786 shares with a par value of Euro 1 for a total value of Euro 571,381,786 (Euro 534,829,247 at 31 December 2014). The increase is the result of the merger by incorporation of the company Idra Milano S.r.l. which took place in 2015.

The consolidation reserve of Euro 20,206,722 derives from the annulment of the stake in the subsidiary AMIACQUE S.r.l. which is posted at cost on the company's financial statement.

Lastly, the following schedule shows the connection between the shareholders' equity and the profit of 2015 of the holding company CAP Holding and the shareholders' equity and the consolidated profit of 2015.

Reconciliation statement between the parent company's profit and shareholders' equity and the consolidated financial statements at	31.12.2015		31.12.2014	
	Shareholders' equity 2015	Profit of the period 2015	Shareholders' equity 2014	Profit of the period 2014
From the financial statements of the period of CAP Holding SpA	695,098,965	14,025,530	637,624,855	4,611,475
From elimination of the book value of the stake:				
Result of AMIACQUE Srl	6,311,588	6,311,588	2,544,795	2,544,795
Consolidation reserve	20,206,722		20,206,722	
From elimination of the effects of transactions between consolidated companies:		64,344		76,630
Profit carried over to the consolidated financial statements	2,738,816		127,275	
Gains/losses on infra-group sales of assets	64,344		76,630	
Equity of minority shareholders	-		-	
Shareholders' equity and result of the period on the CAP Holding Spa consolidated financial statements	724,420,435	20,401,462	660,580,277	7,232,900
Shareholders' equity and result of the period ascribable to minority shareholders	-	-	-	-
Shareholders' equity and result of the period ascribable to the CAP Group	724,420,435	20,401,462	660,580,277	7,232,900

The breakdown of the shareholders' equity at 31 December 2015 in relation to the possibility of use of the profit and reserve items, conforming to the content of O.I.C. document no. 1, is illustrated in the following table

Nature / Description	Amount	Possibility of use	Portion available
	31/12/2015		31/12/2015
Capital	571,381,786	-	-
Share premium reserve (*)	1,393,862	ABC	1,393,862
Reserves of profit:			
Legal reserve	1,987,604	B	1,987,604
Reserve pursuant to art. 14 of Law 36/94	79,354,582	indivisible	79,354,582
Other extraordinary reserves	18,309,080	A B C	18,309,080
Reserve for treasury shares in portfolio. (***)	623,083		

Merger surplus reserve	8,007,969	A B C	8,007,969
Consolidation reserve	20,206,722		
Profit carried forward	2,754,285	A B C	2,754,285
Profit of the period	20,401,462	A B C	20,401,462
Total	724,420,435		132,208,844
Non-distributable portion			82,736,048
Remaining distributable portion			49,472,796
Appertaining to third parties			
Capital and reserves			
Profit of the period			
Total shareholders' equity	724,420,435		

B. PROVISIONS FOR RISKS AND CHARGES

Balance at 31.12.2015	33,875,749
Balance at 31.12.2014	28,001,116
Change	5,874,633

These amount to Euro 33,875,749 at 31 December 2015 (Euro 28,001,116 at 31 December 2014). The following table shows the breakdown.

	Value at 31.12.2015	Value at 31.12.2014	Change
Provisions for taxes	515,586	468,782	46,803
Provisions for taxes, including deferred taxes	807,624	906,917	(99,293)
Total provisions for taxes	1,323,209	1,375,699	(52,490)
Provision for risks relating to personnel costs	1,065,842	996,000	69,842
Provision for lawsuits pending	2,965,025	3,195,092	(230,067)
Provision for amicable settlements	9,249,258	7,889,143	1,360,115
Provision for risks of a claim for a rebate of 2007 taxes	2,719,952	2,719,952	-
Provision for other risks	10,891,775	8,080,230	2,811,545
Total provision for other risks	26,891,851	22,880,417	4,011,434
Provision for future plant decommissioning	5,660,689	3,745,000	1,915,689
Total provision for future expenses	5,660,689	3,745,000	1,915,689
Total provisions for risks and charges	33,875,749	28,001,116	5,874,633

In 2015 a provision was allocated for future tank rehabilitation expenses, in view of the forthcoming termination of the life cycle of the tanks with consequent re-naturalisation and reclamation of the areas occupied, for which any environmental damages potentially caused by percolation into the soil will have to be remedied. Said allocation, of Euro 2,854,638, is posted under item B7 of the Income Statement, in accordance with OIC standard no. 31 of August 2014.

The allocation, in 2015, to the provision for amicable settlements, for Euro 1,360,115, relates to the implementation of the works included in the three-year plan.

C. EMPLOYEE SEVERANCE INDEMNITY PROVISION

The provision totals Euro 6,768,529 at 31 December 2015 (Euro 7,085,003 at 31 December 2014).

	Value at 31.12.2014	Allocations/revaluations	Utilisations	Other changes	Total change	Value at 31.12.2015
Severance indemnity provision for managers/white collars	7,085,003	103,619	(846,052)	425,960	(316,474)	6,768,529
Severance indemnity provision	7,085,003	103,619	(846,052)	425,960	(316,474)	6,768,529

D. PAYABLES

Balance at 31.12.2015	324,829,698
Balance at 31.12.2014	282,730,936
Change	42,098,762

	Value at 31.12.2015	Value at 31.12.2014	Change
1. Bonds	5,925,940	7,407,420	(1,481,480)
4. Payables to banks	97,066,503	76,911,752	20,154,751
6. Advances	20,345,594	16,252,374	4,093,220
7. Trade payables	64,821,252	55,859,577	8,961,675
9. Payables due to subsidiaries	3,295	23,261	(19,966)
10. Payables due to affiliates	-	-	-
11. Payables due to holding companies	-	-	-
12. Tax payables	3,104,861	3,073,301	31,560
13. Payables to welfare and social security institutes	2,134,143	2,003,247	130,896
14. Other payables	131,428,110	121,200,004	10,228,106
Total payables	324,829,698	282,730,936	42,098,762

D. 1. Bonds

This item refers to the bond issue (ISIN code IT0003853568) of Euro 20,000,000 placed by an underwriting commitment in 2005 on the part of Banca per la Finanza alle Opere Pubbliche S.p.A. (now Intesa Sanpaolo S.p.A.), maturing in 2019. There are bonds maturing after 5 years. The bond is at variable interest rate accruing, on each occasion, at the 6-month Euribor rate plus a spread of 0.4. Redemption is in six-monthly instalments at constant percentages of the principal sum. At 31 December 2015 the residue of the principal amounts to Euro 5,925,940. The interests accrued for 2015 amount to Euro 29,704.

D. 4. Payables to banks

The payable to banks, posted at 31 December 2015 for Euro 97,066,503 (Euro 76,911,752 at 31 December 2014), mainly regards mortgages taken out for the construction of the new plants of Cap Holding S.p.A. and to finance the purchase of the head office in Legnano and for the construction of the new head office of Amiacque in Magenta.

The portion of the payable falling due after 5 years amounts to Euro 52,557,416.

The list of the loans is given below:

PAYABLES TO BANKS - CONSOLIDATED	BALANCE AT 31.12.2014	BALANCE AT 31.12.2015	DUE WITHIN THE PERIOD	DUE AFTER THE PERIOD	DUE AFTER 5 YEARS
cdp mortgages	29,351,279	22,003,510	4,814,696	17,188,814	1,897,189
intesa sanpaolo mortgages	34,304,733	30,193,735	4,344,085	25,849,650	18,454,717
bnl mortgages	1,264,912	5,847,616	724,989	5,122,627	2,538,462
mps mortgages	5,008,800	4,497,258	529,048	3,968,211	1,802,331
finlombarda spa loans	955,026	873,887	81,139	792,748	468,191
banca popolare di milano mortgage	5,825,271	5,529,360	310,872	5,218,488	3,809,383
UBI - BPCI mortgage	201,731	121,137	84,634	36,503	0,000
EIB loans	0,000	28,000,000	0,000	28,000,000	23,587,143
TOTAL PAYABLES TO BANKS - CONSOLIDATED	76,911,752	97,066,503	10,889,462	86,177,041	52,557,416

The portion of the payable falling due after 12 months amounts to Euro 86,177,041.

The payables to banks include:

- a loan from Monte dei Paschi Siena S.p.A. signed on 14 December 2011 by the company T.A.S.M. S.p.A. (subsequently incorporated into CAP Holding S.p.A. by merger deed of 22 May 2013, deed no. 23262, dossier no. 10176, notary Ferrelli of Milan), originally of Euro 2,000,000, with repayment instalments from December 2012 until December 2022, which is guaranteed by a mortgage, for Euro 4,000,000.00, on a property unit in Rozzano (sheet 15, parcel 995, sub-parcel 701, category E3, at Via dell'Ecologia, 8), on which a purification plant owned by the former T.A.S.M., now CAP Holding S.p.A., is situated (notarial deed of 06 March 2012, deed no. 22358/9707, notary Ferrelli of Milan). The nominal value of the residual debt of said loan at 31 December 2015 amounts to Euro 1,460,912;
- a loan from Banca Infrastrutture Innovazione e Sviluppo S.p.A., which has now become Intesa San Paolo S.p.A., taken out on 14 October 2010 by the company T.A.S.M. S.p.A. (later incorporated into CAP Holding S.p.A. by merger deed of 22 May 2013, deed no. 23262, dossier no. 10176, notary Ferrelli of Milan), originally for Euro 16,000,000, with repayments from 01 January 2013 until 30 November 2029. The value of said loan was credited on a special tied account as collateral in favour of the Bank and it will therefore be unavailable to the company financed until the Bank releases it subsequent to the progress of the expenses financed. The nominal value of the residual debt of said loan at 31 December 2015 amounts to Euro 14,172,003;
- at 31 December 2015, Euro 1,001,462 for two separate loans from BNL to the then Cogeser Servizi Idrici S.r.l., later acquired by Cap Holding S.p.A. pursuant to the sale of the business unit on 28 June 2012. Said loan is guaranteed by a lien on the sums deposited on two current accounts opened at the same bank (Euro 220.919 deposited on 31 December 2015);
- a loan from Monte dei Paschi di Siena, taken over in 2013 by Amiacque S.r.l. with the acquisition of the AMAGA business unit together with head office in Abbiategrasso, which was purchased with the loan in question. To guarantee the loan, a mortgage was taken out on the property in Abbiategrasso. Under the loan conditions, it must be repaid in quarterly instalments with debit of the interests calculated at the variable 3-month Euribor rate on the basis of a 360-day year increased by a spread of 0.85%. The expiry of the repayment plan is set at 01 September 2029. The residual amount of said loan at 31 December 2015 amounts to Euro 2,156,094.

We also mention that the payables due to banks also include the residual debt for the principal of: portions of loans transferred by the conferment of a business unit, pursuant to art. 2560 of the Civil Code, on Pavia Acque S.c.a r.l. (deed of 15 July 2008) of which a novation has not been possible, for a residual debt of Euro 232,874 with a receivable of Euro 476,411 due from Pavia Acque S.r.l. posted under item C.II.5 of the assets;

portions of loans transferred pursuant to the partial spin-off to Patrimoniale Idrica Lodigiana S.r.l. (deed of 28 May 2014) for a residual amount of Euro 2.216.930 not yet novated, and a receivable of Euro 2,331,838 due from Patrimoniale Idrica Lodigiana posted under item C.II.1 of the assets (the company P.I.L. S.r.l., with deed no. 94891, dossier no. 24276 of 14 December 2015, notary Mattea of Lodi, was incorporated into S.A.L. Società Acqua Lodigiana S.r.l.).

In fact, the European Investment Bank (EIB) granted Cap Holding S.p.A. a credit line for a maximum principal sum of Euro 70 million on 13 October 2014, to co-finance an important part, amounting to Euro 189 million, of the integrated water service works of the 2014-2017 investment plans.

The loan is issued by the Bank in instalments, the final date of the availability being 31 August 2017.

The EIB credit line is backed by a guarantee of Euro 80.5 million issued directly to EIB by a third party guarantor bank, for which CAP Holding S.p.A. must pay a commission calculated on the principal guaranteed/paid out. The loan is also backed by the transfer to EIB, in October 2014, of the right of CAP Holding S.p.A. to the payment of a portion of the residual value of the assets pursuant to the concession of the integrated water service (for a counter value of Euro 122.5 million).

The amount of the guarantee will be reduced in proportion to the reduction of the debt.

In 2015 two first tranches were issues:

- a second tranche of Euro 18,000,000 to be repaid in constant (fixed rate) six-monthly instalments from December 2019 until June 2029;
- a second tranche of Euro 10,000,000 to be repaid in constant (fixed rate) six-monthly instalments from December 2019 until June 2030.

Altogether, at 31 December 2015, the payable towards EIB amounts to a Euro 28,000,000.

D. 6. Advances

- Advances, which amount to Euro 20,345,594 at 31 December 2015 (Euro 16,252,374 at 31 December 2014), regard:
 - o advances posted on the CAP Holding S.p.A. financial statements, amounting to Euro 18,977,397, relating to works in progress pursuant to orders from private entities and public bodies and the Region of Lombardy, the latter being a long-term assignment for the rehabilitation of the Cagnola water source for Euro 8,703,461. Further information relating to said "Cagnola" operation is given in the paragraph above on works in progress to order for third parties.
 - o advances are posted on the Amiacque S.r.l. financial statements for Euro 1,368,197, received from customers for network extension and connection works still in progress at 31 December 2015.

D. 7. Trade payables

Trade payables, which amount to Euro 64,821,252 at 31 December 2015 (Euro 55,859,577 at 31 December 2014), regard ordinary payables accrued for costs sustained for the Group's core business operations and/or investments.

Of the said amount, Euro 28,980,399 is for invoices already received and Euro 35,840,853 is for invoices not yet received.

A part of the total, amounting to Euro 1,488,248, will fall due after 12 months.

There are no amounts falling due after 5 years.

D. 9. Payables due to subsidiaries

Payables to subsidiaries, which amount to Euro 3,295, are in favour of Rocca Brivio Sforza S.r.l. in liquidation.

D. 10. Payables due to affiliates

At 31 December 2015 there are no payables due to affiliates.

D. 12. Tax payables

Tax payables amount to Euro 3,104,861 at 31 December 2015 (Euro 3,073,301 at 31 December 2014), detail of which is given in the following table:

	Value at 31.12.2015	Value at 31.12.2014	Change
Withholding taxes work employer/director	1,002,959	289,063	713,897
IRAP payables	-	58,495	(58,495)
IRES payables	2,090,808	1,754,052	336,756
Stamp duty paid electronically	-	36,394	(36,394)
Other tax payables	7,332	-	7,332
Payables for income taxes	-	714,187	(714,187)
Other payables	3,762	221,110	(217,348)
Total payables	3,104,861	3,073,301	31,560

D. 13. Payables to welfare and social security institutes

This item amount to Euro 2,134,143 at 31 December 2015 (Euro 2,003,247 at 31 December 2014). They are amounts due to welfare and social security institutes for contributions and charges to be paid in the successive period.

D. 14. Other payables

Other payables amount to Euro 131,428,110 at 31 December 2015 (Euro 121,200,004 at 31 December 2014). Detail is given below:

	Balance at 31.12.2015	Balance at 31.12.2014	Change
due to public bodies of reference	23,051,664	22,995,457	56
due to public bodies of reference for assumption of loans	5,140,158	7,499,735	(2,359,577)
to ATO MI and MB for assumption of loans	22,194,431	26,145,134	(3,950,703)
to companies and consortia for considerations/contributions	14,675,781	19,379,668	(4,703,887)
to companies for provider's quota	11,650,167	3,939,180	7,710,987
land occupation and crossing fees	-	4,388	(4,388)
to employees and directors	4,591,797	3,973,532	618,265
to others for elimination of payables/receivables to/from Amiacque	329,119	417,668	(88,549)
Guarantee deposits from users and customers	41,334,911	32,843,109	8,491,802
payables to customers for connection contributions and other	3,991,814	3,429,702	562,112
other payables	4,468,268	572,431	3,895,837
Total other payables	131,428,110	121,200,004	10,228,106

The item "payables to public bodies of reference", which amounts to Euro 28,191,822, includes:

- a consideration of Euro 6,945,461 relative to the sewer system and to purification processes, that Amiacque S.r.l. must pay to the town councils that have managed the services themselves, which amount corresponds to that effectively already invoiced to the users. The consideration is recognised to the town councils and paid periodically on the basis of the amounts effectively collected;
- Euro 5,140,158 which represents the amount due to local authorities that own networks and plants and which manage the same themselves (so-called "non-conforming management");
- Euro 5,990,004 that Amiacque S.r.l. must pay to the ATO as a contribution pursuant to the law on urgent works, and which has already been invoiced to the users. In 2013 two agreements disciplining the debit-credit positions were stipulated with the ATO Offices of the provinces of Milan and of Monza and Brianza, under which payment schemes based on six-monthly instalments expiring on 30 June 2015 were established for the amount due at 31 December 2012. In both cases

the payment of further amounts, which will fall due subsequent to collection from users, will take place in the manner already set out in the agreement previously signed with the former ATO of the province of Milan. With regard to payables to the ATOs of the Provinces of Pavia, Varese, Como and Lodi, however, periodic payments must be made according to what is actually collected from the users;

- Euro 11,336,736 for other payables to public bodies, essentially representing the concession fee for integrated water service assets owned by town councils, proportioned to the periodic amount of the loan instalments to be repaid to the town councils.

Altogether, the part of this payable to public bodies of reference, falling due after 12 months, amounts to Euro 4,243,466, and Euro 1,797,639 falls due after five years.

The payable to the ATO for debt assumption corresponds to the loan taken out by the Province of Milan from the Cassa Depositi e Prestiti, ref. no. 4492128/00, required for financing decree no. 3/2009 of the ATO Authority of the Province of Milan, which CAP Holding S.p.A. assumed in 2013. At 31 December 2015 said payable amounts to Euro 22,194,431.

Of this loan that CAP Holding S.p.A. has assumed, the amount falling due after 12 months totals Euro 20,783,430, and Euro 15,174,102 falls due after five years.

In addition to the loans taken over in favour of the ATO, there are other loans taken out by local bodies:

- prevalently subsequent to contributions in nature conferred on CAP Holding S.p.A. (or its assignors, by CAP Gestione S.p.A. to CAP Impianti S.p.A. and to its companies incorporated in 2013) of water service assets on the part of the EELL, now shareholders, for a value, at 31 December 2015, of Euro 1,960,558. Of this loan that CAP Holding S.p.A. has assumed, the amount falling due after 12 months totals Euro 1,542,869, and Euro 334,297 falls due after five years.
- a payable assumed, towards the Metropolitan City of Milano (former Province of Milan) relative to the loan from Cassa Depositi and Prestiti, ref. no. 4430124, pursuant to agreements signed by the then Idra Patrimonio S.p.A. to finance the so-called "Idra Fanghi" plants (plants sold in 2015 by Idra Milano S.r.l.). The loan was transferred to CAP Holding S.p.A. by effect of the incorporation referred to above, for a value of Euro 3,179,600 at 31 December 2015. Of this loan that has been assumed, the amount falling due after 12 months totals Euro 2,700,598, and Euro 1,463,342 falls due after five years.

The "*Payables towards companies and consortia for considerations*" regard:

- payables bearing on Amiacque S.r.l. as remuneration for sewer and purification activities, amounting to Euro 11,998,408. They are amounts payable to companies that provide sewer and purification services that operate in towns in which Amiacque supplies only the aqueduct service;
- payables to the Villorresi reclamation company for the collection of the contributions pursuant to regional law, invoiced by Amiacque S.r.l. in the water bill, amounting to Euro 2,677,373.

The "*payables to companies for the provider's percentage*" include the residual payable of the provider's percentage to be paid to the companies for the amounts invoiced within 31 December 2015, amounting to Euro 11,650,167. The payables are settled on the basis of the amounts actually collected.

The "*Payables to companies and consortia for considerations and contributions*" and the "*Payables to companies for the provider's quota*" falling due within 12 months amount to a total of Euro 16,651,771.

Payables to employees and directors amount to Euro 4,591,797, of which Euro 2,346,468 is posted on the AMIACQUE S.r.l. financial statements and Euro 2,245,329 is posted on the CAP Holding S.p.A. financial statements. They mainly represent payables for fees and salaries relating to 2015 (e.g. in lieu of holidays, production bonuses, etc.).

The item "*payables to others subsequent to the elimination of payables/receivables due to/from Amiacque*", amounts to Euro 329,119 and they are payables due to third parties.

The item "*guarantee deposits from users and customers*" amounts to Euro 40,824,957, to be considered as falling due after 12 months.

The item "*payables to customers for connection grants*" amounts to Euro 3,991,814.

The item "Other payables", for Euro 4,468,268, includes, among other things, payables to trade unions, and to the compensation fund of the electrical sector for the compensatory grant applied on the tariffs of the integrated water service (Euro 450,098), payables for reimbursements to be made to customers and users (Euro 509,954) and payables for dividends. The item also includes the payables for the use and crossing of public land and the advances due to the Region and the Province on loans.

E. ACCRUALS AND DEFERRALS

Balance at 31.12.2015	153,881,477
Balance at 31.12.2014	113,989,336
Change	39,892,141

The value of this item at 31 December 2015 is Euro 153,881,477 (Euro 113,989,336 at 31 December 2014) and it comprises:

- Euro 23,750,750 for non-recoverable grants for plant expenses, issued by the Region of Lombardy involving a restriction on the use the funds which must be specifically for the construction of new plant, and contributions from private entities for network extension works;
- Euro 29,442,125 deriving from the registration, according to the accruals principle, of the total charges that will be generated by four Interest Rate Swap transactions, three concluded with Banca Intesa Infrastrutture e Sviluppo S.p.A., and one with BNP Paribas, during the several years of their duration. The deferrals falling due within 12 months amount to Euro 3,626,961, whereas those falling due after the next period amount to Euro 25,815,164 and those falling due after 5 years amount to Euro 6,866,655;
- Euro 96,610,610 for grants received for plant works and recognised by the ATO of the province of Milan for the execution of sewer and purification works;
- Euro 2,396,196 for grants for plant works pursuant to Decree 3/2006 of the ATO Authority of the Province of Milan;
- Euro 782,123 for grants for connections on the part of private subjects;
- Euro 69,153 for the accrued expenditure of the 1st six-monthly repayment instalment of 2016 on the loan of a nominal amount of Euro 16 million from Intesa Sanpaolo, with repayment instalments at 31 May and 30 November;
- Euro 12,895 for the accrued expenditure of the 1st six-monthly repayment instalment of 2016 on the loan of a nominal amount of Euro 6 million from BNL S.p.A. (former Idra Patrimonio S.r.l.) with repayment instalments at 16 May and 16 November;
- a deferred liability of Euro 3,617 towards the EIB for commissions on the amount not issued;
- deferred liabilities of Euro 598,199 represented by contributions for Euro 593,318 received from users for the completed execution of aqueduct and sewer connections which will be posted under the revenues in successive periods in connection with the amortisation of the relative assets; and
- Euro 219,426 for other deferred liabilities/accrued expense.

Of the values posted under the accrued expense and deferred liabilities, Euro 599,675 is ascribable to the Amiacque S.r.l. financial statements, representing the difference bearing on CAP Holding S.p.A.

MEMORANDUM ACCOUNTS

The memorandum accounts amount to a total of Euro 294,802,767, and they regard:

Liabilities for sureties for Euro 15,317,233, of which:

- Euro 7,990,392 represents guarantees issued by banks in favour of various subjects;
- Euro 7,226,841 for insurance sureties, of which Euro 6,200,579 is in the interests of Cap Holding for the agreement on the assignment of the integrated water services in favour of the ATO Authority of Milan, and Euro 1,026,262 is in the interests of Amiacque to guarantee the VAT rebate request of 2012;
- Euro 100,000 for guarantees issued by CAP Holding S.p.A. in favour of Banca Popolare di Milano in the interests of Rocca Brivio Sforza in liquidation S.r.l. for the issue of a bank loan;

Commitments for Euro 75,737,044, of which:

- Euro 43,835,827 represents the residual loan repayment instalments due to local bodies for the use in the period 2016-2033 of the networks and plant that they own (Euro 38,024,715 of which will fall due after 12 months);

- Euro 26,537,295 is the estimated amount of the interest expense which will be paid to lenders in the period successive to 01/01/2016, on loans taken out and/or assumed and which are to be repaid within the closure of the period;
 - Euro 101,994 due to Rocca Brivio Sforza S.r.l. as the residual amount to be contributed to the capital pursuant to a shareholders' agreement signed on 15/07/2005;
 - obligations towards third parties for Euro 5,261,928, of which:
 - Euro 214,352 for past obligations deriving from the conferment on Pavia Acque S.r.l. of the business unit pursuant to art. 2560 of the Civil Code (deed of conferment of 15 July 2008);
 - Euro 5,047,576 for past obligations deriving from the spin-off of Idra Patrimonio S.p.A. to the benefit of Idra Milano S.r.l. (this latter incorporated into CAP Holding S.p.A. in 2015) and Brianzacque S.r.l.;
- The concession of the use of plants** owned by local authorities for Euro 203,541,990, relative to integrated water service networks, collectors and systems used by the GAP Group;
Instalments falling due on leasing agreements for Euro 206,500.

DERIVATIVE FINANCIAL INSTRUMENTS – INTEREST RATE SWAPS

CAP Holding S.p.A., during the years 2006 and 2007, entered into certain Interest Rate Swap agreements (three with Banca Innovazione Infrastrutture e Sviluppo and one with BNP Paribas), and in 2013 it took over another from the incorporated company T.A.M. S.p.A. (with Monte dei Paschi) and in 2015 it acquired a sixth from the incorporated company Idra Milano S.r.l. (of which Banca Nazionale del Lavoro S.p.A. is the counterparty).

type of derivative contract	multi-phase IRS with MPS	interest rate swap with Intesa	interest rate swap with Intesa	interest rate swap with Intesa	interest rate swap with BNP Paribas	interest rate swap with BNL
	1	2	3	4	5	6
contract date	14/06/2006	17/02/2006	21/06/2006	11/07/2006	22/01/2008	16/05/2011
purpose	interest rate hedging	loan hedging	loan hedging	loan hedging	loan hedging	interest rate hedging
contract number	72399	602170669	606210341 (13079114)	607120274 (12049552)	10706142	5963433
notional value	1,626,816	55,313,163	22,972,885	20,000,000	19,389,639	6,000,000
existing principal	644,862	14,052,051	3,971,495	5,925,940	13,297,799	4,846,153
settlement date	31/12/2020	31/12/2021	31/12/2016	31/12/2019	31/12/2026	16/05/2026
underlying financial risk					variability of interest rates *	
mark to market	-79,020	-25,993,048	-1,370,420	- 4,810,333	- 3,157,092	- 90,363
asset/liability covered	MPS loan	Cassa Depositi e Prestiti loans	loan from Intesa (formerly Banca OPI 2002)	bond	loan from Intesa (formerly Banca OPI 2006)	loan from BNL, formerly Idra Patrimonio
type of derivative contract	multi-phase IRS with MPS	interest rate swap with Intesa	interest rate swap with Intesa	interest rate swap with Intesa	interest rate swap with BNP Paribas	interest rate swap with BNL

(*) N.B. the existence of the floor option on the interest rates determines, for the last four instalments, the possibility of collecting a periodic sum of Euro 300,000.

The accounting has been carried out according to the criteria and principles of previous periods and with periodic registration, according to the accruals system, of the cash flows generated by the swaps, under the economic financial statement item “*financial charges/income*”.

The basic principle, also according to art. 2423-bis of the Civil Code and the accounting standards, was that of the registration, according to the accruals method and according to prudence, of the already known total burden of the contract (known as the negative delta between the incoming and outgoing flows) to take into account the charges pertinent to the period.

Interests are posted on the income statement prudentially throughout the duration of the swaps.

They all refer to underlying liabilities of a financial type.

The first position (acquired from the company TAM S.p.A. subsequent to the aforementioned incorporation in 2013) is a pure hedge against the risk of interest rate variations.

The sixth position (acquired from the company IDRA Milano S.r.l. - which had in turn succeeded IDRA Patrimonio S.p.A., by the partial spin-off in 2014 - subsequent to the incorporation in 2015) is a hedge (at least partial) of the risk of interest rate variations.

The others are duration swaps, i.e. they are financial instruments created for the purpose of transforming and standardising, in terms of current value, debt repayment schemes.

Position no. 3 is nearing its natural maturity date (31 December 2016).

By their dynamics, duration swaps generally transform the distribution of the underlying instalments over time. In particular, in the case of fixed interest rate loans (the major part of the underlying loans), they have the purpose of mitigating the rates of the first years in exchange for a progressive increase in said rates as the expiry date of the loan approaches. Transformation on the payment dates in the implementation of duration swaps is not achieved free of charge: the bank which is counterparty to the swap applies a spread in its favour on the interest rate curve used for the remodelling of the instalment plan. Said spread is the bank's remuneration.

In other words, in general, a duration swap is similar to a loan which, under the risk conditions mentioned in the Directors' Management Report of the period in which it was signed, allows CAP Holding S.p.A. to obtain a saving in terms of the repayment of the principal and interests on the early repayment dates, obtained by a higher disbursement on the later repayment dates.

Only for swap no. 5, for the last years, and if the situation contemplated by a floating rate clause comes to pass (with reference to the trend of a Euribor rate) in the period from 31 December 2024 to 31 December 2026, will the Company benefit from a positive overall theoretic cash flow up to a maximum sum of Euro 1,200,000 (which allows the CAP Group the possibility of benefiting from a theoretic decrease in rates), considering, however, that this is a component which will be either zero or collected by the Company, there seems to be no risk in respect of cash flows.

For the swap listed under no. 4 (relating to the variable rate bond, ISIN code IT0003853568, issued by CAP Holding S.p.A.), on one side CAP Holding S.p.A. must pay an instalment, pre-determined and increasing over time, and the bank must pay the same quota of principal and the same quota of interests (net of a spread) contemplated by the underlying bond.

This has allowed CAP Holding S.p.A. to limit the interest rate risk, but at the same time it does not allow, during the term of the contract, to benefit from possible reductions in the variable interest rate to which the underlying liability is indexed.

IRS no. 1, stipulated by the former TAM S.p.A., and IRS no. 6, stipulated by the former Idra Patrimonio S.p.A., with the purpose of limiting the variations in the interest rate of the loan, are treated with a different accounting approach from the others: only the interest charges of the period are posted on the income statement.

ANALYSIS OF INCOME STATEMENT ITEMS

A. PRODUCTION VALUE

Balance at 31.12.2015	268,697,465
Balance at 31.12.2014	271,316,589
Change	(2,619,124)

The production value is Euro 268,697,465 (Euro 271,316,589 at 31 December 2014). Breakdown:

	Value at 31.12.2015	Value at 31.12.2014	change
Revenues from sales and services	238,922,718	238,074,525	848,193
Change in inventories of products being processed and semi-worked and finished products	-	-	-
Change in work in progress to order	(4,431,297)	91,452	(4,522,749)
Increase in fixed assets for internal works	15,910,449	14,137,935	1,772,514
Other revenues and income	18,295,595	19,012,677	(717,082)
Total	268,697,465	271,316,589	(2,619,124)

A. 1. Revenues from sales and services

Altogether, revenues from sales and services ascribable to the CAP Group at 31 December 2015 amount to Euro 238,922,718 (Euro 238,074,525 at 31 December 2014).

They mainly comprise income from tariffs.

It may be remembered that as of 01 January 2014, for the ATO coinciding with the former Province of Milan (excluding the capital city), the full tariff of the integrated water service was charged to the provider CAP Holding S.p.A. (with the stipulation of the twenty year agreement for the assignment of the integrated water service on 20 December 2013 between CAP Holding S.p.A. and the ATO Office of the Province of Milan, with effect from 01 January 2014 to 31 December 2033).

For the ATO of the Brianza area, although there is no agreement such as that between the ATO of the Province of Milan and the ATO Authority of the Monza-Brianza Province, in the document (approved by resolution no. 11 of 28 April 2014 of the Board of Directors of the Administration) entitled "*Relazione metodologica - Tariffa 2014-2015 Cap Holding S.p.A, l'Ufficio d'ambito della Provincia di Monza e Brianza*" [Methodological Report - 2014-2015 Tariff Cap Holding S.p.A., the ATO Office of the Province of Monza and Brianza], on page 4 it is stated, regarding the inter-ATO structures listed therein: "*Si evidenzia, pertanto, che per conseguenza naturale dell'attuale assetto industriale ed idrogeologico, il gestore dell'interambito MI/MB di acquedotto e depurazione, per come sopra individuato, sarà necessariamente il gestore unico dell'Ambito della Provincia di Milano (cioè sempre CAP Holding in conseguenza dell'Affidamento del Servizio Idrico Integrato siglato in data 20 dicembre 2013 per il periodo 2014-2033).*" [As a natural consequence of the present industrial and hydrogeological framework, the provider of the area containing the MI and MB aqueduct and purification districts, as identified above, must necessarily be the sole provider of the ATO of the Province of Milan (namely CAP Holding consequent to the assignment of the Integrated Water Service stipulated on 20 December 2013, for the period 2014-2033)].

Thus also for the Monza ATO as of 01 January 2014, CAP Holding S.p.A. will also be entitled to the tariff for the services performed by the CAP Group.

- i) Revenues from sales and services for the ATO of the Metropolitan City of Milan.

With regard to regulated revenues of the ATO of the Metropolitan Area of Milan, except for the capital city itself, on 24 July 2014 the AEEGSI (Electricity, Gas and Water Service Authority) with resolution 375, approved the regulatory scheme, the tariff proposed for the years 2014 and 2015, and the relative Economic Financial Plan drawn up by the ATO Office of the Province of Milan with resolution of 8 May 2014.

The tariff scheme of reference for 2015 was the so-called "Water Tariff Method" (Italian abbreviation: MTI) and the subject matter of resolution 643/2013/R/ldr entitled "*Approvazione del metodo tariffario idrico e delle disposizioni di completamento del 27.12.2013*" [Approval of the water tariff method and of the completing provisions" of 27 December 2013].

For this ATO, therefore, the revenue for 2015 has been determined on the basis of the rule of guaranteed revenues (Italian abbreviation "VRG") due to the Provider CAP Holding S.p.A. recognised by the AEEGSI.

Overall, the revenues of the integrated water service tariff of the ATO of the Province of Milan, determined according to the said VRG, amount to Euro 198,262,782 for 2015.

Thus the revenues of 2015 also include those tariff components which, by effect of art. 29 of the Annex of resolution 643/2013/R/ldr, refer to activities and therefore to costs considered "external", sustained in 2015, but which will be subject, on the occasion of the regulation of tariffs for 2017, to adjustment (specifically under "*contribution paid to AEEGSI*" and "*local works*", plus an estimate for electricity).

On the basis of the same mechanism, which most obviously reflects at regulatory level the "guaranteed revenue" logic adopted for the integrated water service tariff, the portion of revenues (and hence receivables) which, already recognized in the VRG for 2015, has not been materially billed for fuel consumption in 2015, but will be in subsequent years (so-called volatility and/or price shift effect) is also withheld on the 2015 accounts.

The same holds firm for receivables for invoices still to be issued at 31 December 2015, resulting from the VRG for the financial years 2012 and 2013 (based on the MTT [Transit Tariff Method] pursuant to AEEGSI resolution no. 585/2012/R/IDR, MTT) and for the financial year 2015 (based, instead, on the MTI).

Part of the above revenues are invoiced, as shown in the paragraph "*Transactions with Related Parties*", by the subsidiary Amiacque S.r.l. Another part was billed to users in 2015 by the company Brianzacque S.r.l., relating to the management that it carried out until 31 December 2015 for certain towns in the north-east of the province of Milan.

The total amount of income from tariffs in the same Province also includes the tariffs relating to the municipality of Corsico (Milan) where the subject that bills the purification and sewage service is not the subsidiary Amiacque S.r.l. but the company Metropolitana Milanese S.p.A., for Euro 1,885,386.

The revenues reported herein for 2015 include the New Investments Fund component, for a gross amount of Euro 9,091,108. This amount is part of the revenue recognized to the Provider and is destined to finance all the investments it has to make in compliance with the ATO Plan.

ii) Revenues from sales and services for the Monza Brianza ATO.

With regard to regulated revenues of the Monza and Brianza ATO, on 16 October 2014 the AEEGSI, with resolution 502, approved the regulatory scheme, the tariff proposed for the years 2014 and 2015 and the relative Economic Financial Plan transmitted by the ATO Office of the Province of Monza and Brianza on 30 April 2014.

Also for the Monza and Brianza ATO the tariff method of reference is the so-called Water Tariff Method (MTI) and the subject matter of resolution 643/2013/R/ldr "Approval of the water tariff method and of the completing provisions" of 27 December 2013.

Also for the Monza-Brianza ATO the considerations expressed in the paragraph on the Province of Milan ATO hold firm, regarding:

- the regulatory adjustments relative to the period of the external costs of 2015, which will be formalised in the VRG for 2017;
- the entry under the revenues (and therefore also under the receivables) of what has already been recognised in the VRG for 2015 but was not actually charged on the 2015 consumption bills.

Overall, the revenues of the integrated water service tariff of the Province of Monza and Brianza, determined according to the said VRG, amount to Euro 25,755,476 for 2015.

The revenues reported here for 2015 include the New Investments Fund component of Euro 620,829.

It is also worth mentioning that the aforementioned resolution 502 redefined, among other things, the 2012-2013 adjustments due to CAP Holding S.p.A. without acknowledging the validity of the calculation procedure adopted by the governing body of the Province of Monza and Brianza. Said adjustment will take effect as of 2016, with a reduction of the foreseen adjustment. This will involve a loss for CAP Holding S.p.A. of about Euro 613 thousand, posted on the financial statements of 2014 (under item B14 of the Income Statement), as a reduction of the invoices to be issued, registered in the financial period 2013. The dispute has not yet been settled.

iii) Revenues from sales and services for the ATO of Pavia

For the Pavia ATO, the entire tariff as of 01 01 January 2014 is due to the companies of the consortium Pavia Acque S.c.a.r.l. pursuant to the agreement assigning the service signed by said companies and the Pavia ATO Office on 20 December 2013.

Therefore the CAP Holding S.p.A. Group no longer has any income from tariffs for that ATO. However, since CAP Holding S.p.A., as a shareholder of Pavia Acque S.c.a.r.l., has been appointed to operate the various infrastructures in certain towns of the Pavia Province (for which it provides through its subsidiary Amiacque S.r.l.), it posts a consideration in its income arising from the prices recognised to the same by Pavia Acque S.c.a.r.l. For 2015, they amounted to Euro 3,440,312

Always for the Pavia ATO, CAP Holding S.p.A. enters under its revenues of the period an amount received for the use on the part of Pavia Acque S.c.a.r.l. of certain infrastructures owned by the former, at a value equal to the book depreciation of said assets plus the costs for the financial charges it pays for certain loans. For 2015, they amounted to Euro 757,794

All together revenues for activities performed in the Pavia ATO amount to Euro 4,198,106.

iii) Revenues from sales and services in other ATOs.

The remaining incomes posted under item A1, relate to minor ATOs and/or situations:

- with regard to the Varese ATO, solely for the town of Castellanza, the tariff due to CAP Holding S.p.A. for purification is Euro 266,604 and for sewer activities it is Euro 532,182, and for Gorla Minore it is Euro 101,336 as the quota part of the tariff and Euro 1,558,077 due to Amiacque;
- for the ATOs of Como, only for some of the towns, namely Cabiato (Euro 75,049) and Mariano Comense (Euro 4,963), Euro 80,012 is the consideration recognised by Amiacque S.r.l. for its use of the works of CAP Holding S.p.A. for the treatment of sewage discharged into CAP Holding S.p.A. plants;
- for the City of Milan, as tariff income for the activities performed by Amiacque S.r.l. on the second line of the purifier of Peschiera Borromeo, on waste treatment lines for the eastern districts of Milan, Euro 4.350.783.

To those of a tariff nature, other incomes are added.

Lastly, the revenues include Euro 3,733,176 pursuant to the agreement/private deed of 12 March 2012 between Brianzacque S.r.l. and IDRA Patrimonio S.p.A., for "accepting and managing assets and for reimbursement of overheads and of investments". The assets in question are located in the ATO of the Metropolitan City of Milano, but they partially also serve the ATO of Monza and Brianza.

A.3. Change in works in progress to order

These amount to a total of Euro (4,431,297) consequent to the completion of stage 3 of the pluriannual order for the creation of the Cagnola water source commissioned by the Region of Lombardy. In 2014 this item amounted to Euro 91,452.

A.4. Increases in fixed assets for internal works

In 2015 the increases in fixed assets for internal works amount to Euro 15,910,449 and they regard:

- the capitalisation of the costs of personnel on commissioned jobs, with capital expenditure for Euro 1,307,442;
- Euro 14,603,007, for the reclassification for the purposes of consolidation, of the revenues of Amiacque for non-routine maintenance commissioned (and then capitalised) by CAP.

In 2014 this item amounted to Euro 14,137,935.

A. 5. Other revenues and income

The item "Other revenues and income" includes income other than that from the Company's core business and which cannot be posted under the item Revenues for sales and services. The value at 31 December 2015 is Euro 18,295,595. The value at 31 December 2014 was Euro 19,012,677.

	Value at 31.12.2015	Value at 31.12.2014	Change
Sundry	10,976,134	11,288,376	(312,242)
Considerations	7,061,600	7,496,440	(434,840)
contributions to operating expenses	257,861	227,861	30,000
Total other revenues and income	18,295,595	19,012,677	(717,082)

Breakdown by macro-items is given below:

The revenues include:

- "Insurance premiums to cover leaks": these include the premiums for insurance effective in 2015 paid by users that adhere to the insurance proposed by Amiacque to cover risks deriving from hidden leaks downstream of the metre, for Euro 238,717;
- "Other revenues and income": this item includes revenues ascertained by Amiacque S.r.l. for fees debited on the bills for laboratory analyses, the issue of green certificates and other income of the period connected with the provision of the service, for Euro 941,868;
- The item "rentals and leases" for Euro 673,096, which includes the income for the rental of the building/warehouse at Casalpusterlengo (Lodi) to the tenant, namely the company S.A.L. S.r.l. (the Lodi water company), for Euro 116,298;

The item "Considerations" includes:

- Euro 876,911 for expansion/connection works requested by private subjects and by town councils, which are carried out by CAP Holding S.p.A., in previous periods they were mainly carried out by Amiacque S.r.l.;
- Euro 4,575,137 for the annual portion of ATO contributions on plants in function; the ATO contributions are deferred and used when the plants enter into service and begin to be depreciated;

- the amount of Euro 1,599,052 relative to contributions to plant costs; this is the annual portion of revenues on the contributions to plant expenses received by the Region and of the deferred contributions for network extensions.

The grants paid by private subjects for financing network extension works, excluding those deducted from primary urbanisation charges, and the grants for aqueduct and sewer connections, are deferred. They are therefore posted under the revenues when they enter into service, when their amortisation also commences, as in the case of plant contributions.

The contributions from private subjects to finance the network extension works, excluding those taken from primary urbanisation charges, and the contributions for aqueduct and sewer connections are deferred; they will be included in the revenues when the assets enter into service and when their depreciation begins, as in the case of contributions to plant expenses.

More specifically:

	Value at 31.12.2015	Value at 31.12.2014	Change
Sundry	10,976,134	11,288,376	(312,242)
Considerations	7,061,600	7,496,440	(434,840)
contributions to operating expenses	257,861	227,861	30,000
Total other revenues and income	18,295,595	19,012,677	(717,082)

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	Value at 31.12.2015	Value at 31.12.2014	Change
Income from rental and lease fees	673,096	695,040	(21,944)
Penalties to suppliers and customers	29,076	143,613	(114,537)
Premiums of insurance against leaks	238,717	273,335	(34,618)
Compensation for damages and other reimbursements	560,791	508,655	52,136
Reimbursement for personnel on transfer	1,083,847	39,186	1,044,661
Tariff adjustments	469,403	1,417,577	(948,174)
Other revenues and income	6,579,197	1,619,147	4,960,050
contingencies	1,342,007	-	1,342,007
Considerations from companies for invoicing services-cap	-	1,679,458	(1,679,458)
other contingencies	-	4,912,365	(4,912,365)
Considerations for the execution of works	-	-	-
Total	10,976,134	11,288,376	(312,242)
Considerations			
Considerations from private subjects and town councils	887,411	3,001,355	(2,113,944)
Contribution from ATO	4,575,137	2,799,881	1,775,256
Capital contributions	1,599,052	1,695,204	(96,152)
Total	7,061,600	7,496,440	(434,840)
contributions to operating expenses	257,861	227,861	30,000
Total	257,861	227,861	30,000
Total other revenues and income	18,295,595	19,012,677	(717,082)

B. PRODUCTION COSTS

Balance at 31.12.2015	224,181,716
Balance at 31.12.2014	227,794,039
Change	(3,612,322)

The value of the *Production costs*, amounting to Euro 224,181,716 at 31 December 2015 (Euro 227,784,039 at 31 December 2014) derives from:

B. 6. Costs for raw, ancillary and consumable materials and goods

The costs for raw, ancillary and consumable materials and goods amount to a total of Euro 10,103,478 at 31 December 2015 (Euro 9,318,490 in 2014).

	Value at 31.12.2015	Value at 31.12.2014	Change
Consumable materials	731,050	424,651	306,399
Consumable materials for safety in the workplace	582,939	541,332	41,607
Electrical and hydraulic components	2,226,165	2,057,792	168,373
Metres	1,966,908	2,039,560	(72,652)
Materials to be installed	2,830,612	3,189,278	(358,666)
Potabilisation filters and raw materials for potabilisation	489,522	-	489,522
Electrical pumps	275,585	228,803	46,782
Fuels and combustibles	681,083	461,985	219,098
Wholesale water purchases	319,614	375,089	(55,475)
Total costs for raw, ancillary and consumable materials and goods	10,103,478	9,318,490	784,988

B. 7. Costs for services

Ascertained costs for services amount to a total of Euro 81,232,716 at 31 December 2015 (Euro 83,909,688 in 2014).

	Value at 31.12.2015	Value at 31.12.2014	Change
Works financed by private subjects and public bodies	11,452,926	791,570	10,661,356
Estimates and projects financed by CAP Holding (not included in the investment plans)	-	-	-
routine maintenance	-	10,903,689	(10,903,689)
Works on plant and on waterworks houses	569,017	573,201	(4,184)
Demolition of tanks	136,603	287,405	(150,802)
Costs for industrial services	48,627,673	54,410,560	(5,782,887)
Total costs for industrial services	60,786,219	66,966,425	(6,180,206)
Other administrative, general and commercial costs	20,446,497	16,943,263	3,503,234
Total other administrative, general and commercial costs	20,446,497	16,943,263	3,503,234
Total costs for services	81,232,716	83,909,688	(2,676,972)

The breakdown of industrial services is given below

Costs for industrial services	Value at 31.12.2015	Value at 31.12.2014	Change
Electricity	32,576,489	36,628,713	(4,052,224)
Works financed by private subjects and public bodies	-	791,570	(791,570)
Estimates and projects financed by CAP Holding (not included in the investment plans)	10,828,447	-	10,828,447
Works on plant and on waterworks houses	569,017	573,201	(4,184)
Demolition of tanks	136,603	287,405	(150,802)
Routine maintenance	7,950,372	10,151,631	(2,201,259)
Non-routine maintenance	-	9,519,453	(9,519,453)
expense for the disposal of sludges and wastes	4,635,767	5,256,880	(621,113)
Regeneration with active carbon	1,499,178	1,378,015	121,163
various industrial services	2,590,346	329,570	2,260,776
Maintenance of equipment at headquarters and warehouses	-	702,478	(702,478)
Vehicle maintenance and services	-	169,573	(169,573)
Internal consumptions	-	1,177,936	(1,177,936)
total costs for industrial services	60,786,219	66,966,425	(6,180,206)

Costs for administrative, general and commercial services amount to Euro 20,446,497 and are detailed in the following schedule:

Costs for general administrative services	Value at 31.12.2015	Value at 31.12.2014	Change
board of directors' fee	270,292	335,958	(65,666)
Board of Statutory Auditors' fee	200,326	235,674	(35,348)
Supervisory board's fee	80,310	66,674	13,636
Remuneration for coordinated and continuous collaborations	353,772	241,331	112,441
Specialist consultancies	2,063,085	1,910,818	152,267
Services for the maintenance of offices, hw, sw, equipment etc.	1,294,447	601,597	692,850
Sewer network mapping	3,780	175,271	(171,491)
Performance of sundry services	1,395,422	1,477,050	(81,628)
Personnel costs	1,373,118	1,844,545	(471,427)
Service agreements	394,987	-	394,987
Cleaning and surveillance expenses	1,120,277	900,290	219,987
telephony expenses	721,834	721,352	482
expenses for billing users	2,259,029	2,236,053	22,976
insurances	1,868,941	2,064,860	(195,919)
bank and postal expenses	390,052	412,129	(22,077)
commercial services	392	145,742	(145,350)
other services	3,340,337	2,354,485	985,852
energy for lighting	-	-	-
Company hospitality expenses	1,207,320	323,930	883,390
Other office' management expenses	2,108,776	895,504	1,213,272
Grand total	20,446,497	16,943,263	3,503,234

B. 8. Costs for the use of third parties' assets

This item totals Euro 17,378,618 at 31 December 2015 (Euro 16,015,034 at 31 December 2014) and regards: concession fees, the rental fee of the head office premises, the costs for software licences and for the hire of office equipment and vehicles.

	Value at 31.12.2015	Value at 31.12.2014	Change
Rental fees and licences	1,442,482	1,288,999	153,483
Fees for the use of plants	-	-	-
Repayment of loans and concession fees	11,881,448	11,807,907	73,541
fee for the use of wells and crossings	1,136,160		1,136,160
Hire	2,918,528	2,918,128	400
Total costs for the use of assets owned by third parties	17,378,618	16,015,034	1,363,584

The aggregate item for Euro 17,378,618 in 2015 includes the consideration for the use of the water service plants that the town councils allow CAP Holding S.p.A. to use (for an amount equal to the annual rate of the loans taken out by the same to finance the works in question), amounting to a total of Euro 11,881,448. The difference also includes the concession fees paid to the previous providers, subsequent to agreements for taking over the management of the integrated water service assets on the part of Cap Holding.

The item for rentals includes the costs for renting cars, company PCs and the rental fee for the sludge drying plant at the purifier of San Giuliano West.

B. 9. Personnel costs

These, pursuant to labour agreements and the laws in force, regard salaries paid to personnel, allocations to the severance indemnity provision, ancillary costs for personnel and the Company's portion of the welfare and insurance contributions.

	Value at 31.12.2015	Value at 31.12.2014	Change
Salaries and wages	30,604,015	29,877,037	726,978
Social security charges	9,964,325	9,913,771	50,554
Employee severance indemnity	2,023,537	1,979,819	43,718
Retirement benefits	219,568	231,604	(12,036)
Other costs	903,649	934,484	(30,835)
Total personnel costs	43,715,094	42,936,715	778,379

B. 10. Depreciation, amortisation and impairment

This item comprises:

Depreciation, amortisation and impairment	Value at 31.12.2015	Value at 31.12.2014	Change
Amortisation of intangible fixed assets	1,916,874	2,433,252	(2,433,252)
Depreciation of tangible fixed assets	48,203,780	44,059,445	4,144,335
Impairment of receivables	10,568,730	7,146,722	3,422,008
Total depreciation, amortisation and impairment	60,689,384	53,639,419	5,133,091

B.11 Change in raw material inventories

The change in the inventories of raw materials, ensuing from the difference between the opening balance and the value at 31 December 2015, has increased and amounts to Euro 446,083, consequent to an increase in warehoused stocks.

B. 12. Allocations for risks

In 2015 allocations were made for Euro 2,208,803, of which:

	Value at 31.12.2015	Value at 31.12.2014	Change
Allocations for labour lawsuits pending	46,000	-	46,000
Allocations for other provisions and risks	427,471	388,034	39,437
Allocations for other lawsuits pending	375,218	133,150	242,068
Allocations to the provision for amicable settlements	1,360,115	3,301,538	(1,941,424)
Total allocations for risks	2,208,803	3,822,723	(1,613,920)

B. 13. Other allocations

The allocation for future plant decommissioning expense was allocated, for Euro 1,915,689, in regard to the plants at Varedo and Genzone.

In compliance with paragraph 16 of OIC standard no. 31 of August 2014, allocations for risks were allocated in 2015, posted under item B.7 of the income statement, for Euro 2,845,637, for the future expenses for the rehabilitation of tanks.

B. 14. Sundry management costs

This residual item of the production costs includes negative income components that cannot be classified under the above mentioned items.

The ascertained value of this item at 31 December 2015 is Euro 7,384,017 (Euro 16,126,933 at 31 December 2014).

The most important amounts include expenses for direct and indirect taxes, for Euro 473,266, and the running costs of the ATO Authority and AEEGSI, for Euro 1,041,495.

No amount was allocated (unlike in 2014 when Euro 5,264,706 was allocated) for the recognition of the property rights of town councils (art. 27 of Legislative Decree no. 285/92).

On this point, it should be noted that the agreement for the assignment of the integrated water service for a term of twenty years (2014-2032) signed in December 2013 between CAP Holding S.p.A. and the ATO authority of the Province of Milan, allows for application (art. 8) in the towns of the ATO in question.

AEEGSI resolution no. 375/2014 of 24 July 2015, relative to the 2014-2015 tariff (already mentioned) ruled that *“the proposal [ed. note: of the ATO in question] to include in the tariff for the year 2015 the fee relating to the recognition of town council property rights cannot be accepted”*. The reason adopted by AEEGSI would be the presumed incompatibility with the regulatory provisions of the sector.

In November 2014, the 'ATO of the Province of Milan appealed against that part of the resolution before the Regional Administrative Court of Lombardy. Many other town councils belonging to the ATO did the same.

On its part, also CAP Holding S.p.A. in the same month filed its own appeal before the same court for breach, among other things, of the “full cost recovery” principle (art. 9 of directive 200/60/EEC), and also on the grounds that the fees in question have already been paid and that their recovery would be uncertain as regards the *an* and when.

At the date of the drawing up of the draft financial statements, no dispute has been raised by CAP Holding S.p.A. or decided by a seised court.

It is to be noted that no amount was paid in 2015, in compliance with the decision of the Board of Directors of CAP Holding S.p.A. Other information is given in the Directors' Management Report.

A detailed summary of the sundry charges is given below:

	Balance at 31.12.2015	Balance at 31.12.2014	Change
Association subscriptions	90,582	149,382	(58,800)
Books magazines and newspapers	21,919	53,480	(31,561)
Costs for invoicing commissions	-	114,602	(114,602)
Fees for use of public land	-	790,107	(790,107)
Losses on receivables	11,701	347,721	(336,020)
Taxes and duties	1,211,624	1,148,646	62,978
Fees for recognition of public property rights	-	5,264,706	(5,264,706)
Expenses for ATO-AEEG running costs	1,041,495	1,342,860	(301,365)
socially useful charity donations	20,490	62,665	(42,175)
crossing fees and costs	-	77,912	(77,912)
Sanctions and fines	36,986	144,814	(107,828)
expense reimbursements to third parties	407,649	344,259	63,390
Sundry rights	75,315	88,598	(13,283)
Sundry other management costs	932,251	102,466	829,785
Capital losses on fixed assets	100,894	309,444	(208,550)
negative contingencies on VRG adjustments	1,060,443	1,302,926	(242,483)
Other negative contingencies	2,372,996	4,482,345	(2,109,349)
Consolidation entries	(328)	-	(328)
Total sundry management costs	7,384,017	16,126,933	(8,742,916)

DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A - B)

The difference between production value and costs at 31 December 2015 is positive for Euro 44,515,749 (plus Euro 43,522,550 in 2014).

C) FINANCIAL INCOME AND CHARGES

The balance of the financial income and charges amounts to a negative total of minus Euro 4,471,027.

The other financial income at 31 December 2015 totals Euro 2,158,693 and mainly regards interests on outstanding bills and interests for deferred payment arrangements granted to users.

At 31 December 2015, the financial charges amount to minus Euro 6,629,720.

Financial charges	Balance at 31.12.2015	Balance at 31.12.2014	Change
Subsidiaries	27,647	39,921	(12,274)
Debtore loans	27,411	54,557	(27,146)
Bank loans and mortgages	4,812,730	4,320,696	492,034
Swaps (to banks)	14,13,951	1,395,879	18,072
Assumption of business units	136,722	1,126,021	(989,299)
Other	211,261	49,682	161,579
Total financial charges	6,629,720	6,986,756	(357,036)

D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS

The shareholding in Rocca Brivio Sforza has been written down, for a total of minus Euro 1,122,841.

E. EXTRAORDINARY INCOME AND CHARGES

The total net amount at 31 December 2015 is negative at minus Euro 1,963,198.

At 31 December 2014 it was negative at minus Euro 15,510,604. It is the result of extraordinary income for Euro 590,801 and extraordinary charges for minus Euro 2,553,999.

E. 20. Extraordinary income

Extraordinary income	Balance at 31.12.2015	Balance at 31.12.2014	Change
Capital gains from disposals	-	20,696	(20,696)
Positive contingencies for revenues from users	465,000	-	465,000
Positive contingencies for capitalisation of costs	-	-	-
Positive contingencies for works financing	-	282,872	(282,872)
Positive contingencies for interest income on loans	-	-	-
Positive contingencies for capitalisation of costs	-	16,144	(16,144)
Other positive contingencies	590,336	3,784,439	(3,194,103)
Total extraordinary income	590,801	4,104,151	(3,513,350)

E. 21. Extraordinary charges

Extraordinary charges	Balance at 31.12.2015	Balance at 31.12.2014	Change
Capital losses on disposals	1,973,983	12,645	1,961,338
Negative contingencies on revenues	66,987	-	66,987
Negative contingencies for works financing	-	26,832	(26,832)
Negative contingencies for costs of purchases, services and works	1,439	704,424	(702,985)
Negative contingencies for financial charges and income	-	84,588	(84,588)
Negative contingencies for purchases and services	-	-	-
Negative contingencies for other costs	-	-	-
Negative contingencies for income tax	-	25,266	(25,266)
Other negative contingencies	511,590	18,509,608	(17,998,018)
Taxes relating to previous periods	-	251,392	(251,392)
Total extraordinary charges	2,553,999	19,614,755	(17,060,756)

In 2014 the balance of this item was Euro 19,614,755. The highest amount included therein referred to the allocation of Euro 17,907,434 to the reserve provision in compliance with art. 14 of Law 36/94, already described at length in the comment on the shareholders' equity.

In 2015 a similar need did not arise.

The highest amount among the above-mentioned extraordinary charges is the reversal of the tangible fixed assets with a residual value of Euro 1,973,983, which has been moved to item E21 of the Income Statement, relative to the demolition of a part of the sewer collectors of the sludge captation network at the Pero purification plant, rendered necessary within the sphere of the works for the elimination of interferences found on the EXPO 2015 site. The works for the demolition of said collectors, composed of a single job, were completed in February 2015, once the EXPO company had installed new collectors on an alternative route compatible with the structure of the event. At 31 December 2015 the company is waiting to acquire ownership of the substitute works.

The reclassification to item E21 corresponds to the non-ordinary nature of this entry.

RESULT BEFORE TAXES

The before-tax result of the financial period at 31 December 2015 amounts to Euro 36,958,683 (Euro 22,822,987 at 31 December 2014).

E. 22. Income tax for the period, current, deferred and pre-paid

Consolidated taxes for the period amount to a total of Euro 16,557,221 (Euro 15,590,087 at 31 December 2014).

Current taxes result from the application of IRAP and IRES pursuant to the laws in force.

Net prepaid taxes, as indicated in the following schedule, represent the difference between prepaid taxes - calculated on the temporary differences of the burden according to tax regulations and the burden bearing on the profit of the year under the Civil Code - and the reabsorption of the amounts allocated in previous years that are pertinent to the financial period 2015. They are posted under the item *Prepaid taxes* of the receivables, as contemplated by Legislative Decree 6/2003.

For prepaid taxes, the planned change in the IRES rate (24%) has been taken into account. The new rate enters into force as of 2017 pursuant to the so-called "2016 Stability Law" (Law no. 208 of 28 December 2015).

Prepaid taxes are posted if they can reasonably be recovered in future periods. It is estimated that future taxable incomes will allow for such recovery.

They derive from:

	Value at 31.12.2015	Value at 31.12.2014	Change
IRES	15,326,559	14,510,845	1,095,571
IRAP	2,961,654	4,260,232	(600,041)
Recovery of prepaid taxes of previous periods	2,881,809	1,468,272	24,355
Prepaid taxes of the period	(4,513,506)	(4,507,627)	(43,717)
Recovery of deferred taxes of previous periods	(317,658)	(452,199)	199,935
Deferred taxes of the period	218,363	310,564	1,136
Taxes taxes of the period	16,557,221	15,590,087	677,239

26. Profit of the period

The net profit of the period amounts to a total of Euro 20,401,462 entirely pertinent to the Group.

The Chairman of the Board of Directors
Alessandro Russo

Number of employees

	In service at 31.12.2014	Incoming	Outgoing	In service at 31.12.2015
Managers	12	6	5	13
Middle Managers	34	2	5	31
level 8	38	8	8	38
level 7	51	4	7	48
level 6	94	13	13	94
level 5	120	12	13	119
level 4	179	6	9	176
level 3	167	5	13	159
level 2	108	6	8	106
level 1	4	0	1	3
Total middle managers, clerks and blue collars	795	56	77	774
Permanent staff	31	25	11	45
Total employees in service	838	87	93	832

The General Director of Cap Holding took office on 01 June 2010 pursuant to art. 19, paragraph 5, of Presidential Decree 465 of 1997.

Fees for corporate bodies

	Balance at 31.12.2015	Balance at 31.12.2014	Change
- Board of Directors' fees	250,232	315,152	(64,920)
- Board of Statutory Auditors' fees	200,326	235,677	(35,351)
- Legal auditors' fee	34,940	34,840	100
Total	485,498	585,669	(100,171)

With reference to the indications requested by point 16.bis of art. 2427 of the Civil Code, we mention that the Group, for the legal audit of the accounts for the financial period 2015, pursuant to art. 13 of Legislative Decree no. 39/2010 and art. 2409-bis of the Civil Code (for the both the financial statements of the companies CAP Holding S.p.A. and AMIACQUE S.r.l. and the consolidated financial statements) had mandated the company Mazars S.p.a. (now BDO Italia S.p.a.),

The fee for the legal audit carried out in 2015 amounts to Euro 28,100.

No other fees have been recognised to BDO Italia S.p.A. in 2015, except a fee of Euro 6,840 for the voluntary audit of the financial statements for 2014 of the subsidiary Amiacque S.r.l., assigned for the need to also certify the consolidated financial statements (for that financial period, the legal audit of the accounts was the responsibility of the subsidiary's board of statutory auditors).



CAP Holding S.p.A.

Report on the consolidated financial statements
as of December 31^t, 2015

Independent auditors' report in accordance with art. 14 of legislative decree n0.39 of January 27th, 2010

To the shareholder of
CAP Holding S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of CAP Holding S.p.A. and its subsidiaries (the CAP Group), which comprise the balance sheet as of December 31, 2015, the statement of income and related explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of CAP Group as of December 31st 2015 and of the result of its operations for the year then ended in accordance with the Italian regulations and accounting principles governing financial statements.

Other matters

The consolidated financial statements for the year ended December 31, 2014 were audited by the auditor in charge at the time who expressed an unmodified opinion on those statements on June 8, 2015.

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

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

Milan, June 10 2016

BDO Italia S.p.A.

Signed by
Carlo Consonni

This report has been translated into english from the italian original solely for the convenience of international readers