

## 28 PROVISIONS FOR RISKS AND CHARGES

	31 December 16	Provisions	Financial expenses	Uses and other movements	Changes scope of consol.	31 December 17
Provision for closure and post-closure landfill costs	132.6	9.3	12.8	(11.5)	-	143.2
Provision for restoration of third-party assets	177.1	10.7	7.0	(1.2)	-	193.6
Provision for legal cases and disputes brought by personnel	24.3	2.7	-	(13.3)	0.4	14.1
Provisions for waste disposal	2.9	4.6	-	(6.2)	5.8	7.1
Other provisions for risks and charges	60.7	18.4	0.2	(5.0)	0.2	74.5
<b>Total</b>	<b>397.6</b>	<b>45.7</b>	<b>20.0</b>	<b>(37.2)</b>	<b>6.4</b>	<b>432.5</b>

The "provision for landfill closure and post-closure expenses", equal to 143.2 million euros, represents the amount set aside to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently managed. The future outlays, calculated for each landfill by means of a specific appraisal, have been discounted to present value in compliance with the provisions of IAS 37. The increases in the provision comprise the financial component derived from the discounting and provision procedure due to changes in the assumptions on future outlays, following the change in estimates both on current and closed landfills. Uses represent the effective outlays during the year. Changes in estimated closure and post-closure costs in relation to active or new landfills, which entailed the recording of an adjustment of the same amount as the value of the property, were classified under "Uses and Other movements".

The item "Uses and other movements" decreased by 11.5 million euros net, as follows:

- a decrease of 12.6 million euros due to actual cash outlays for the management of landfills, of which 5.6 million euros refer to internal costs (see note 2 "Other operating revenues");
- increases of 1.1 million euros relating to the reclassification of a fund for a closed landfill previously classified under the item "Other provisions for risks and charges".

The "provision for restoration of third-party assets", totalling 193.6 million euros, includes provisions made in relation to law and contractual requirements for the Group companies as lessees of the distribution networks of the entity that owns the assets. The allocations are made on the basis of depreciation rates held to be representative of the remaining useful life of the assets in question in order to compensate the lessor companies for the wear and tear of the assets used for business activities. The provision reflects the present value of these outlays which will be determined in future periods (usually on expiry of the agreements entered into with the area agencies, as far as the water service is concerned, and on expiry of the transitory period anticipated by current legislation as far as gas distribution is concerned). The increases in the provision comprise the sum total of the provisions for the year, including those discounted to present value, and the financial charges for the period associated with the cash flows discounted to present value.

The "provision for legal cases and disputes brought by personnel", amounting to 14.1 million euros, reflects the outcomes of lawsuits and disputes brought by employees. The provision includes 0.8 million euros relating to the dispute with INPS (7.4 million euros as at 31 December 2016). It should be noted that some Group companies have participated in proceedings against INPS relating to the finding that there is no obligation to pay INPS contributions for the redundancy fund (CIG), the extraordinary redundancy fund (CIGS), unemployment benefits, involuntary unemployment benefits, sick leave and the total non-payment of family (CUAF) and maternity benefits. In order to permanently close the dispute, the companies involved presented the Italian Revenue Office - Collections a request of favourable payment of the fees outlined in the notices, pursuant to legislative decree no. 193/2016, by dividing the payments still owed into multiple instalments and excluding sanctions and additional fees. Italian Revenue Office - Collections agreed to all of the requests and calculated and communicated the amount of the sums to be paid that cannot be written off. The payment took place 31 July 2017 and wholly resolved the dispute. This involved a de-provisioning in the amount of 4.4 million Euros as compared to the amount set aside in previous financial years. The residual value of to this dispute stems from a previous outstanding debt with INPS of Ravenna.

"Waste disposal fund", amounting to 7.1 million euro, is represented by the estimated costs of disposal of the waste already stored at the Group's plants. The allocations, equal to 4.6 million euro, reflect the estimated costs of 2017 deliveries not yet processed at the end of the year, while Uses, amounting to 6.2 million euro, represent the costs incurred during the year for the processing of residual waste at the end of the previous year, as well as for waste introduced by the "Tesecco" business unit, to which the value of "Change in the scope of consolidation" refers.

The item "Other provisions for risks and charges", amounting to 74.5 million euros, comprises provisions made against sundry risks. Below is a description of the main items:

- 11.3 million euros, due to the potential liability related to existing obligations (guarantee on financial exposure given by Acegas Spa) in case of abandonment of the operations run by the foreign subsidiaries AresGas Ad (Bulgaria) and SiGas (Serbia).
- 7.9 million euros for the potentially higher expenses that may be incurred in connection with extraordinary maintenance on the Ponte San Nicolò (Padua) landfill.
- 7.8 million euros related to the potential risk of the amount of the WTE green certificates not being recognised calculated according to the difference between auxiliary services resulting from total self-consumption and services estimated on the basis of the benchmark percentage;
- 7.4 million euros, for the future decommissioning of the WTE plants.
- 6.0 million euro related to interpretive uncertainty surrounding the determination of the reimbursement value of the networks when participating in tenders for gas distribution services in relation to certain areas already served by the Group;
- 4.1 million euro, constituted following the Decree of the Ministry of Economic Development of 20 November 2012 "New procedures to determine the component of the avoided fuel cost (CEC), under measure CIP6/92, and determination of the adjustment amount of CEC for 2011", which introduced new procedures for the determination of the component of avoided fuel cost (CEC) for 2010, 2011 and 2012;
- 3.3 million euros for the risk arising from the Authority's resolution 527/2016, which, in keeping with the findings of the GSE, established that the Fund for Energy and Environmental Services recover

the amounts that would have been unduly received for the electricity produced by the Granarolo (Bo) WTE plant from the company Frullo Energia Ambiente Srl .

The "provisions" for the year refer, in particular, to the following risks previously listed:

- 6.0 million euro related to interpretive uncertainty surrounding the determination of the reimbursement value of the networks;
- 4.3 million euros for tax disputes of various kinds;
- 2 million euros related to the risk that a portion of the green certificates produced by WTE plants will not be recognized

The item "Uses and other movements" decreased by 8 million euros net, as follows:

- Uses in the amount of 3.7 million euro for the payment of penalties related to the gas and electricity distribution service;
- de-provisioning for 2.8 million euro due to the annulment of liability for which the provision was established;
- reclassification in the amount of 1.5 million euro for the timely attribution of the nature of the underlying liability.