

# **BIM GESTIONE SERVIZI PUBBLICI SPA**

Via Tiziano Vecellio 27/29 – 32100 Belluno

## **Financial statements for the year as at 31/12/2022**

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### **Report on Operations**

### **Report of the Board of Statutory Auditors**

**Corporate Governance Report**  
**(ex Art. 6, paragraph 4, TUSP -Consolidated Law on State-owned Enterprises)**

Shareholders' meeting

1st Call 30 April 2023

2nd Call 4 May 2023



# FINANCIAL STATEMENTS

## General information on the company

### Master data

Name: BIM GESTIONE SERVIZI PUBBLICI SPA  
Registered office: VIA TIZIANO VECELLIO 27/29 32100 BELLUNO BL  
Share Capital: 2,010,000  
Fully paid-up share capital: yes  
CCIAA (Chamber of Commerce, Industry, Craftsmanship and Agriculture) code: Belluno  
VAT number: 00971870258  
Tax code: 00971870258  
REA (Economic and Administrative Index) no.: 86487  
Legal form: JOINT-STOCK COMPANY  
Company's main business segment (ATECO): 360000 Water collection, treatment and supply  
Company in liquidation: no  
Single-member company: no  
Company subject to third party management and coordination activities: no  
Name of company or entity that exercises management and coordination activities:  
Membership of a Group: no  
Name of the parent company:  
Parent Company's country:  
Cooperative registration number:

## Balance Sheet

	31/12/2022	31/12/2021
<b>Balance Sheet</b>		
<b>Assets</b>		
<b>B) Fixed assets</b>		
I - Intangible fixed assets		
4) concessions, licenses, trademarks and similar rights	1,231,283	1,052,815
6) fixed assets in progress and payments on account	1,870,767	817,998
7) other	18,044,801	15,539,628
Total intangible fixed assets	21,146,851	17,410,441
II - Tangible fixed assets		
1) land and buildings	1,748,401	1,769,270
2) plant and machinery	21,732,125	21,396,833

3) industrial and commercial equipment	2,485,762	1,780,411
4) other assets	1,044,429	822,461
5) fixed assets in progress and payments on account	1,910,639	1,132,925
Total tangible fixed assets	28,921,356	26,901,900
III - Financial fixed assets		
1) equity investments in		
d-bis) other companies	215,609	215,609
Total equity investments	215,609	215,609
2) Receivables		
d-bis) due from others		
due within the next financial year	444,169	442,956
due after the next financial year	6,409,203	5,332,873
Total receivables due from others	6,853,372	5,775,829
Total receivables	6,853,372	5,775,829
Total financial fixed assets	7,068,981	5,991,438
Total fixed assets (B)	57,137,188	50,303,779
<b>C) Current assets</b>		
I - Inventories		
1) raw and ancillary materials and consumables	956,898	804,196
3) contract work in progress	10,224	21,049
Total inventories	967,122	825,245
II - Receivables		
1) due from customers		
due within the next financial year	15,347,993	14,241,694
due after the next financial year	0	3,338,222
Total receivables due from customers	15,347,993	17,579,916
5-bis) tax receivables		
due within the next financial year	737,093	401,777
Total tax receivables	737,093	401,777
5-ter) Deferred tax assets	1,131,630	1,086,285
5-quater) due from others		
due within the next financial year	1,866,372	2,175,742
Total receivables due from others	1,866,372	2,175,742
Total receivables	19,083,088	21,243,720
IV - Cash and cash equivalents		
1) bank and post office deposits	33,285,665	31,225,544
3) cash at bank and in hand	2,153	3,315
Total cash and cash equivalents	33,287,818	31,228,859
Total current assets (C)	53,338,028	53,297,824
<b>D) Accruals and deferrals</b>	315,699	321,350
<b>Total assets</b>	110,790,915	103,922,953

<b>Liabilities</b>		
<b>A) Shareholders' Equity</b>		
I – Share capital	2.010.000	2.010.000
III - Revaluation Reserves	203.500	203.500
IV - Legal reserve	409.492	409.492
VI - Other reserves, indicated separately		
Extraordinary reserve	56.622.929	39.624.850
Various other reserves	0	1
Total other reserves	56.622.929	39.624.851
IX - Profit (loss) for the year	437.573	16.998.079
Total shareholders' equity	59.683.494	59.245.922
<b>B) Provisions for risks and charges</b>		
2) for taxes, including deferred taxes	133.476	139.840
4) other	1.320.591	959.587
Total provisions for risks and charges	1.454.067	1.099.427
<b>C) Employee severance indemnity</b>	274.260	286.590
<b>D) Payables</b>		
1) bonds		
due within the next financial year	600.000	600.000
due after the next financial year	17.790.491	8.505.982
Total bonds	18.390.491	9.105.982
4) payables due to banks		
due within the next financial year	3.358.947	4.145.441
due after the next financial year	13.034.223	16.370.416
Total payables to banks	16.393.170	20.515.857
6) payments on account		
due within the next financial year	178.282	232.977
Total payments on account	178.282	232.977
7) trade payables		
due within the next financial year	9.117.214	7.719.159
Total trade payables	9.117.214	7.719.159
12) tax payables		
due within the next financial year	346.494	276.485
Total tax payables	346.494	276.485
13) payables due to pension and social security institutions		
due within the next financial year	631.415	552.798
Total payables to pension and social security institutions	631.415	552.798
14) other payables		
due within the next financial year	3.288.740	3.556.008
due after the next financial year	813.195	1.217.617
Total other payables	4.101.935	4.773.625
Total payables	49.159.001	43.176.883
<b>E) Accruals and deferrals</b>	220.093	114.131
<b>Total liabilities</b>	110.790.915	103.922.953

## Income statement

	31/12/2022	31/12/2021
<b>Income statement</b>		
<b>A) Production value</b>		
1) revenue from sales and services	27,364,039	24,709,937
3) change in contract work in progress	(10,825)	18,265
4) Increases in fixed assets for internal work	1,792,401	1,480,199
5) other revenues and income		
operating grants	839,695	78,930
other	1,992,090	1,734,837
Total other income and revenues	2,831,785	1,813,767
Total value of production	31,977,400	28,022,168
<b>B) Production costs</b>		
6) for raw and ancillary materials, consumables and goods	1,911,329	1,897,014
7) for services	12,602,888	10,145,286
8) for use of third-party assets	2,185,407	2,432,222
9) for personnel		
a) wages and salaries	7,149,497	6,430,589
b) social security costs	2,208,623	1,955,848
c) employee severance indemnity	465,666	404,148
d) pension and similar obligations	58,310	53,852
e) other costs	158,574	124,960
Total personnel costs	10,040,670	8,969,397
10) amortisation, depreciation and write-downs		
a) amortisation of intangible fixed assets	1,381,156	1,388,116
b) depreciation of tangible fixed assets	1,639,699	1,503,120
d) write-downs of receivables included in current assets and cash and cash equivalents	200,000	200,000
Total amortisation, depreciation and write-downs	3,220,855	3,091,236
11) change in inventories of raw materials, consumables and goods	(152,702)	(260,279)
12) Provisions for risks	361,004	393,000
14) sundry operating expenses	840,105	644,268
Total production costs	31,009,556	27,312,144
<b>Difference between value and costs of production (A - B)</b>	967,844	710,024
<b>C) Financial income and expenses</b>		
15) income from equity investments		
other	0	16,943,982
Total income from equity investments	0	16,943,982
16) other financial income		
d) income other than the above		
other	379,457	315,182

Total income other than the above	379,457	315,182
Total other financial income	379,457	315,182
17) interest and other financial charges		
others	895,745	725,552
Total interest and other financial charges	895,745	725,552
Total financial income and expenses (15 + 16 - 17 + - 17-bis)	(516,288)	16,533,612
<b>Pre-tax profit (A - B + - C + - D)</b>	451,556	17,243,636
<b>20) Income taxes for the year – current, deferred and prepaid</b>		
current taxes	65,692	360,372
deferred and prepaid taxes	(51,709)	(114,815)
Total income taxes for the year – current, deferred and prepaid	13,983	245,557
<b>21) Profit (loss) for the year</b>	437,573	16,998,079

## Cash flow statement, indirect method

	31/12/2022	31/12/2021
Cash flow statement, indirect method		
A) Cash flow from operating activities (indirect method)		
Profit (loss) for the year	437,573	16,998,079
Income taxes	13,983	245,557
Interest expense/(income)	516,288	410,370
(Dividends)	0	(2,143,882)
(Gains)/Losses on disposal of assets	0	(14,800,100)
1) Profit (loss) for the year before income tax, interest, dividends and capital gains/losses on disposal	967,844	710,024
Adjustments for non-monetary elements that did not have a contra-item in net working capital		
Allocations to provisions	385,586	797,148
Amortisation/depreciation of fixed assets	3,020,855	2,891,236
Other upward/(downward) adjustments for non-monetary items	0	87,996
Total adjustments for non-monetary elements that did not have a contra-item in net working capital	3,406,441	3,776,380
2) Cash flow before changes in net working capital	4,374,285	4,486,404
Variations in net working capital		
Decrease/(Increase) in inventories	(141,877)	(278,544)
Decrease/(Increase) in trade receivables	2,231,923	(898,686)
Increase/(Decrease) in trade payables	1,398,055	566,353
Decrease/(Increase) in accrued income and prepaid expenses	5,651	(35,107)
Increase/(Decrease) in accrued expenses and deferred income	105,962	(7,609)
Other decreases/(Other increases) in net working capital	(580,031)	397,354
Total changes in net working capital	3,019,683	(256,239)
3) Cash flow after changes in net working capital	7,393,968	4,230,165
Other adjustments		
Interest collected /( paid)	(358,641)	(385,095)
(Income taxes paid)	(237,271)	(66,604)
Dividends received	0	2,143,882
(Use of provisions)	(36,912)	(431,461)
Total other adjustments	(632,824)	1,260,722
<b>Cash flow from operating activities (A)</b>	<b>6,761,144</b>	<b>5,490,887</b>
B) Cash flows from investment activities		
Tangible fixed assets		
(Investments)	(3,549,658)	(2,492,840)
Disinvestments	0	0
Intangible fixed assets		
(Investments)	(5,236,805)	(1,709,822)
Disinvestments	0	0



Financial fixed assets		
(Investments)	(1,077,543)	0
Disinvestments	0	21,441,905
<b>Cash flow from investing activities (B)</b>	<b>(9,864,006)</b>	<b>17,239,243</b>
C) Cash flows from financing activities		
Third party financing		
Obtainment of loans	9,899,756	0
(Repayment of loans)	(4,737,935)	(3,826,085)
Equity		
<b>Cash flow from financing activities (C)</b>	<b>5,161,821</b>	<b>(3,826,085)</b>
<b>Increase (decrease) in cash and cash equivalents (A ± B ± C)</b>	<b>2,058,959</b>	<b>18,904,045</b>
Cash and cash equivalents at beginning of year		
Bank and post office deposits	31,225,544	12,324,365
Cheques	0	0
Cash at bank and in hand	3,315	449
<b>Total cash and cash equivalents at beginning of year</b>	<b>31,228,859</b>	<b>12,324,814</b>
Of which not freely usable	0	0
Closing cash and cash equivalents		
Bank and post office deposits	33,285,665	31,225,544
Cheques	0	0
Cash at bank and in hand	2,153	3,315
<b>Total closing cash and cash equivalents</b>	<b>33,287,818</b>	<b>31,228,859</b>

## **Explanatory Notes to the financial statements - initial part**

Dear Shareholders, these Explanatory Notes to the Financial Statements form an integral part of the financial statements as at 31/12/2022.

The financial statements comply with the provisions of articles 2423 et seq. of the Italian Civil Code and with the national accounting standards as published by the Italian Accounting Standards Board; therefore, they clearly represent, and provide a true and fair view of the company's equity and financial situation and the economic result for the year.

The content of the balance sheet and income statement is that required by articles 2424, 2424 bis, 2425 and 2425 bis of the Italian Civil Code, while the cash flow statement has been prepared pursuant to article 2425-ter.

The Explanatory Notes, prepared in accordance with article 2427 and 2427 bis of the Italian Civil Code, also contain all the information needed to provide a correct interpretation of the financial statements.

The company's corporate structure sees the company engaged almost exclusively in the Integrated Water Service, by virtue of the direct assignment operated by the Autorità d'Ambito Ottimale Alto Veneto (AATO - Alto Veneto Optimal Area Authority), now the Dolomiti Bellunesi Basin Council, in place since 1 January 2004.

Sixty-two municipalities in the province of Belluno belonging to the Bacino Imbrifero Montano del Piave area have equal stakes in the share capital, with the exception of the new municipalities of Quero Vas, Longarone, Val di Zoldo (double), Alpago and Borgo Valbelluna (triple), deriving from recent mergers, and the municipalities of Arsié and Lamon, which recently acquired 1 share, thus joining the shareholding structure.

By way of a preliminary remark, it is noted that, pursuant to article 3 para. 2 of Legislative Decree 175/2016 (Testo Unico sulle Società Pubbliche), "In publicly owned joint-stock companies, the statutory audit of the accounts cannot be entrusted to the board of statutory auditors" and, furthermore, that article 14.1, letter q), of the "Convenzione per l'affidamento del Servizio Idrico Integrato" (Convention for the Assignment of the Integrated Water Service), entered into between Bim Gestione Servizi Pubblici S.p.A. and the "Dolomiti Bellunesi" Basin Council, requires the Company to have its financial statements certified by an authorised independent auditing company.

Lastly, it should be noted that the Company, as of the year 2016, must comply with the obligations of separate reporting on the activities of the Integrated Water Service, based on the provisions of Resolution 137/2016/R/IDR of 24/03/2016 of the Authority for Electricity, Gas and the Water System (AEEGSI), now renamed, following the extension of the regulatory and control functions on the waste cycle, the Regulatory Authority for Energy, Networks and Environment (ARERA).

### **Activities performed**

The company operates mainly in the Integrated Water Service, as direct assignee in 58 of the 59 municipalities of the province that make up the Alto Veneto Optimal Territorial Area.

There are residual minor activities, primarily the supply of liquefied petroleum gas (LPG) through proprietary local networks.

### **Significant events during the year**

The year 2022 was a year full of critical issues, from the COVID-19 pandemic phase-out to the international situation brought about by the Russian-Ukrainian conflict, which contributed to a general rise in raw materials prices, which then spilled over into the costs of external processing; the exponential increase in the costs of energy sources that followed also generated uncertainties in the regulated services sector, which has only recently achieved a reasonable margin of safety.

The water service has also been affected by a persistent drought, which still persists, leading to additional supply costs, when not rationing the resource.

2022 was also the year in which the Company's efforts were devoted to the preparation of important projects for the regeneration of parts of the Integrated Water Service, which were accepted in the proposals that were awarded funding from PNRR funds (Sludge Hub project - EUR 1.3 million financed - Leakage Reduction project - EUR 20 million financed - Marisiga Purifier Upgrade project - EUR 2.9 million financed).

On the organisational side, the Company continued the optimisation process undertaken in 2021 by strengthening the most relevant sectors in order to carry out the new works envisaged in the Works Programme (Engineering and Procurement) and consolidating a management organisational model, capable not only of managing emergencies and works for users, but also of planning medium- to long-term activities and thus freeing up resources for structural initiatives. In September 2022, the process of internalising the purification service was completed, undertaken with the aim of achieving higher standards of efficiency in the purification treatment process and improving the quality of the discharged effluent, resulting in a lower impact on the environment. The activity carried out in-house also ensures a greater focus on day-to-day plant management and predictive and scheduled maintenance in order to increase the service life of electromechanical equipment and improve energy efficiency. The Sewage Service, which is now fully staffed, employs a total of 27 people (8 technical profiles, 17 operational profiles, 2 management administrative profiles).

On the tariffs front, in 2022 the Company applied the tariffs determined by the Area Management Authority (EGA) - Dolomiti Bellunesi Basin Council - with Resolution dated 30 November 2020, in accordance with ARERA Resolution no. 580/2019/R/IDR (MTI-3), which was followed by ARERA's approval with Resolution no. 26 of 26 January 2021. ARERA Resolution 639/2021/R/IDR of 30 December 2021 provided for the tariff update for the two-year period 2022-2023, with an expected expiry date of 30 April 2022. However, the Lombardy Regional Administrative Court suspended the effectiveness of the measure challenged by the company Acqualatina S.p.A., ordering a review by ARERA within 60 days. The grounds for the appeal related to the cost of electricity recognised in the tariff, which, in view of the exponential increases in costs due to international market dynamics, not only did not guarantee coverage of the entire cost incurred already for 2021, but for the years 2022 and 2023 was determined to be significantly underestimated in relation to costs that were still growing. The review by ARERA was concluded with the issuance of Resolution 229/2022/R/IDR of 24 May 2022, which established mechanisms for the advance payment of expenditure that can be activated upon specific request, thus restarting the deadlines for the 2022-2023 tariff update. The Company did not make use of the new mechanisms, enjoying an extremely favourable financial situation. The economic coverage of the higher energy costs is provided for within the framework of the full recovery cost mechanisms, a principle underlying the tariff method regulated by the Authority, which outlines the recognition of the costs incurred for energy at the end of the year. The average sector cost of the electricity supply for 2022, which represents the maximum value recognisable in the tariff, was subsequently published by ARERA with Resolution 64/2023/R/IDR of 21 February 2023: the value established, together with the measures implemented by the Government to cope with the exponential increase in energy costs, of which the Company has punctually taken advantage, has allowed for the full recovery of the cost incurred in 2022 for electricity.

On 04/11/2022, the Operator delivered to the EGA - Dolomiti Bellunesi Basin Council - the tariff tool in the version including the updated Works Programme approved by the EGA Shareholders' Meeting on 30/9/2022 and the latest requests received from the EGA, resulting from the Resolution of the Institutional Committee no. 80 of 25/10/2022; on 18/11/2022, the Operator acknowledged a further request for amendment and provided the tool in the version approved by the EGA Shareholders' Meeting on 28/11/2022, from which it emerged that the tariff theta for 2022 has been confirmed, which therefore does not require any tariff adjustments to be made to the Users, and a smaller increase for 2023, compared to the previous determination. We now await the approval of the tariffs by ARERA.

On the financial front, as mandated by the Extraordinary Shareholders' Meeting of 23 December 2021, on 21 February 2022 a bond issue called Hydrobond 4 was finalised, through Viveracqua Hydrobond 2022 S.r.l., in which six in-house operators of the Veneto Integrated Water Service, shareholders of Viveracqua s.c.a.r.l., participated as issuers, with the purpose of raising funds to be allocated to the implementation of the infrastructure investments of the Integrated Water Service. The Company participated in the transaction by issuing two bonds for a total of EUR 10 million, of which EUR 5 million was subscribed within the 'long' segment, with a term of 24 years, and EUR 5 million subscribed within the 'short' segment, with a term of 16 years. Viveracqua Hydrobond 2022 S.r.l. financed the payment of the issue price through the issuance of securities subscribed exclusively by institutional investors; in particular, all securities issued within the 'long' segment have the European Investment Bank as the sole subscriber.

As envisaged for the Hydrobond 1 and Hydrobond 2 transactions, this last transaction also requires each counterparty, to an extent proportional to its participation in the transaction, to provide a guarantee through

the establishment for the benefit of Viveracqua 2022 S.r.l. of irregular pledges to support the credit risk (credit enhancement).

On 20 July 2022, the supplementary company contract for the year 2022 was signed with the RSU (unitary workplace union structures) and union representatives, which provides for the payment to employees of a performance bonus linked to the achievement of certain objectives:

- Achievement of EBITDA as per the approved Business Plan for the year 2022;
- Commercial quality - improvement of the level of quality linked to billing frequency;
- Quality of service - implementation of the "Agenda" for activation, reactivation and replacement processes;
- Maintenance of ISO 9001 and ISO 45001 certification;
- Achievement of ISO 14001 site-specific Environmental Certification.

Partial 'agile working' continued on an experimental basis, under the extended emergency regulations, and, from October 2022, through the signing of individual agreements.

The containment measures put in place to cope with the health emergency caused by the SARS-CoV-2 coronavirus which the WHO declared as a pandemic have gradually eased, helping the Company to operate as it did before the pandemic. A number of operating methods remain in place that have proved particularly effective and welcome, such as user access to the branch by appointment.

On the collection side, payment times are still slightly higher than the pre-Covid average, although the situation is clearly improving. In any case, the company continues to provide its users with ample opportunity to request deferment and instalment plans, in order to help the more vulnerable individuals in a period that remains an emergency. In the year 2022, the Company continued to support the management of the water service in the Municipality of Sappada as agreed with CAFC S.p.A. - Operator of the Water Service in the Central Friuli Optimal Territorial Area based in Udine - on the basis of the agreement signed at the end of 2020, which expired on 31 December 2022. This activity ceased as from 1 January 2023.

## Drafting principles

### Structure and Content of the Financial Statements

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The Financial Statements for the year ended 31 December 2022, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, correspond to the results of the accounting records duly kept and have been prepared in accordance with the provisions of articles 2423 and 2423-bis of the Italian Civil Code, as well as the accounting principles and recommendations issued by the Italian Accounting Standards Board (O.I.C.).

The financial statements have therefore been prepared in accordance with the principles of clarity, truthfulness and fairness and the general principle of materiality. Data or information is considered relevant when its omission or misstatement could influence the decisions made by the recipients of the financial statement information.

The financial statements have been prepared on a going concern basis. Their structure conforms to that outlined in articles 2424 and 2425 of the Italian Civil Code, based on the premises laid down in article 2423-ter, while the Explanatory Notes comply with the contents of articles 2427, 2427-bis and all other provisions referring to them.

The entire document, in the parts of which it is composed, has been prepared in such a way as to give a true and fair view of the financial position of the Company, as well as the economic result for the year, providing, where necessary, additional information for this purpose.

Pursuant to Art. 2423-ter for each item, the amount for the previous year is indicated, and if offsetting is permitted by law, the gross amounts subject to offsetting are indicated in these notes.

For information on the Company's economic and financial performance and on relations and transactions with related parties, please refer to the Report on Operations.

### Accounting standards

In accordance with article 2423-bis of the Italian Civil Code, the following standards were observed in preparing the Financial Statements:

- individual items were measured in accordance with the principles of prudence and on a going concern basis, as well as taking into account the substance of the transaction or contract;
- only profits actually realised during the financial year have been shown;
- income and expenses pertaining to the financial year, regardless of their payment or collection, have been indicated;
- account was taken of the risks and losses pertaining to the financial year, even if they became known after its closure;
- dissimilar elements included in the various balance sheet items have been valued separately.

The measurement criteria provided for in article 2426 of the Italian Civil Code have been maintained unchanged from those adopted in the previous year.

The Financial Statements, as well as these Notes to the Financial Statements, have been drawn up in euro units.

### Exceptional cases pursuant to article 2423(5) of the Italian Civil Code

During the financial year, there were no circumstances that made it necessary to resort to the derogations provided for in article 2423 paragraph 4 of the Italian Civil Code.

### Comparability and adaptation issues

Please note that in these financial statements, payables to supplementary pension funds, amounting to EUR 132,995, have been reclassified from line D 14) Other payables to line D 13) Payables to pension and social security institutions. Accordingly, the corresponding portion of payables as at 31/12/2021, amounting to EUR 134,097, was also reclassified.

## Measurement criteria applied

The measurement criteria set forth in article 2426 of the Italian Civil Code were applied in the preparation of these Financial Statements, unchanged from the previous year.

### Intangible fixed assets

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Intangible fixed assets were recorded at acquisition or internal production cost, including directly attributable ancillary costs incurred up to the period prior to their completion.

Investment grants, if any, are accounted for using the direct method, i.e. by deducting the historical cost of the asset, and depreciation is calculated on the net amount.

The relative amounts have been shown net of depreciation, calculated systematically at the rates indicated below, taking into account their residual possibility of utilisation.

Description	Rates or criteria applied
Software licences	20% or 33% based on economic-technical durability
Network and plant information systems - Integrated water service	20%
Extraordinary maintenance of networks and installations - Integrated water service	economic-technical life of the relevant assets (see tangible fixed assets)
Other leasehold improvements	the shorter of the economic-technical duration and the remaining duration of the usage contract

There were no changes in depreciation rates compared to the previous year.

Fixed assets, whose value at the end of the financial year is permanently lower than the value as determined above, have been recorded at this lower value; this is not maintained in subsequent financial statements if the reasons for the adjustment no longer apply, with the exception of goodwill.

Any advance payments to suppliers for the purchase of intangible fixed assets are entered under item B.I.6 and recognised on the date on which the obligation to pay these amounts arises. Accordingly, payments on account are not subject to depreciation.

The same item includes intangible assets under construction, which are initially recognised at the date the first costs are incurred for the construction of the asset and include internal and external costs incurred for its realisation. These costs remain under this item until the project is completed and are then subject to depreciation.

### Tangible fixed assets

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Tangible fixed assets were entered in the balance sheet at purchase or internal production cost. This cost includes ancillary charges, as well as directly attributable costs incurred up to the period prior to their completion.

Investment grants, if any, are accounted for using the direct method, i.e. by deducting the historical cost of the asset, and depreciation is calculated on the net amount.

The assets, whose book value derived from revaluations as of 1 January 1999, carried out on the basis of a special appraisal drawn up by the transferor Azienda Bim Piave Belluno Consortium, were depreciated by applying the rates adopted by the transferor, and their value was completely written off.

The relative amounts are shown net of depreciation, calculated systematically with reference to the rates indicated below, in relation to their residual possibility of utilisation, taking into consideration the use, destination and economic-technical life of the assets.

The useful lives adopted and the related depreciation rates for the general categories of fixed assets are as follows:

Description	Useful life in years	Rates applied
Technical Equipment	10	10%
Office furniture and equipment	10	10%
Electronic machines and data processing centres	5	20%
Vehicles	5	20%
Mobile phone	5	20%

The useful lives adopted and the relative depreciation rates for specific categories of plant and equipment are as follows:

Description	Useful life in years	Rates applied
Industrial buildings	40	2.5%
Intake/capture work	40	2.5%
Water supply connections	40	2.5%
Sewer connections	50	2.0%
Water supply pipelines	40	2.5%
Sewer pipelines	50	2%
Tanks	40	2.5%
Sewage treatment plants	20	5%
Water purification plants	20	5%
Other purification treatments	12	8.3%
Water supply lifting plants	8	12.5%
Sewage lifting plants	8	12.5%
Meters	10	10%
Flow meters	10	10%
Remote control systems	8	12.5%

There were no changes in depreciation rates compared to the previous year.

Fixed assets, whose value at the end of the financial year is permanently lower than the value as determined above, have been recorded at this lower value; this is not maintained in subsequent financial statements if the reasons for the adjustment no longer apply.

Since land does not exhaust its usefulness over time, it is not depreciated.

Tangible fixed assets in progress include costs related to projects not yet completed and/or advance payments for the acquisition of tangible fixed assets.

Any advances to suppliers for the purchase of tangible fixed assets, recorded under item B.II.5, are recognised on the date on which the obligation to pay these amounts arises. Accordingly, payments on account are not subject to depreciation.

The same item includes tangible assets under construction, which are initially recognised on the date the first costs are incurred for the construction of the asset.

These costs remain under this item and are not amortised until the project is realised. The entry was made at cost, on the basis of invoices from the supplier-builder or work accounts, with reference to contractual agreements.

## Financial fixed assets

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Financial fixed assets consisting of equity investments have been valued according to the cost method, including ancillary charges; the book value is determined on the basis of the purchase or subscription price or the value attributed to the assets transferred.

The cost as determined above is reduced in the event of an impairment loss; if the reasons for the adjustment no longer apply, the value of the investment is reinstated within the limit of the acquisition cost.

The value thus determined is not higher than the value that would have been determined by applying the criteria set forth in article 2426, point 4 of the Italian Civil Code.

Receivables recorded as financial fixed assets are recognised in the balance sheet according to the amortised cost criterion, taking into account the time factor and the presumed realisable value.

The amortised cost criterion is not applied when the effects of applying this criterion are insignificant compared to the criterion adopted.

## Inventories, securities and financial assets not held as fixed assets

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Inventories, securities and financial assets not constituting fixed assets were recorded at the lower of purchase cost, including directly attributable ancillary expenses, and presumed realisable value, based on market trends.

Raw and ancillary materials and finished products have been recorded using the weighted average cost method.

Contract work in progress includes job orders with a duration of several years and is valued on the basis of the consideration accrued with reasonable certainty, according to the percentage of completion criterion, estimated through the incurred cost method.

Any losses on orders estimated with reasonable approximation have been fully charged to the income statement in the year in which they become known.

The market value is determined on the basis of the current costs of inventories at the end of the financial year.

The value of obsolete and slow-moving inventories is written down in relation to their possible future use or realisation.

## Receivables

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Receivables are recorded at amortised cost, taking into account the time factor; differences arising from subsequent revisions of the value of the receivable are recorded under financial income and expenses.

Receivables due within 12 months are, however, recorded at nominal value, as the effects are insignificant, compared to the amortised cost criterion, pursuant to article 2423 paragraph 4 of the Italian Civil Code.

Receivables are recorded net of all premiums, discounts, allowances and are inclusive of any costs directly attributable to the transaction that generated the receivable (the latter are recorded as prepaid expenses if the amortised cost criterion is not applied).

Receivables were subsequently adjusted to their presumed realisable value through the allocation of a special allowance for bad debts, to which an amount corresponding to the risk of uncollectability of the receivables shown in the balance sheet is set aside annually, in relation to the general economic conditions and the sector to which they belong, as well as the origin of the debtor.

Receivables include invoices issued and those yet to be issued, but referring to services pertaining to the year under review.

Receivables from customers subject to bankruptcy proceedings or in a state of proven financial distress, for which it is useless to initiate enforcement actions, are carried at a loss in full or to the extent that the information obtained and the proceedings in progress suggest that they are definitively unrecoverable.



## **Cash and cash equivalents**

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This item includes cash and cash equivalents, revenue stamps and cash balances resulting from the company's accounts with credit institutions, all stated at their nominal value.

## **Accruals and deferrals**

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Accruals and deferrals were determined on an accrual basis.

## **Provisions for risks and charges**

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Provisions have been set aside to cover losses or liabilities of a given nature, whose existence is certain or probable, but whose amount or date of occurrence could not be determined at the close of the financial year.

In measuring these provisions the general principles of prudence and accrual accounting were observed, and no generic risk provisions were set up without economic justification.

The related provisions are recognised in the income statement for the year in which they accrue, based on the "by nature" classification of costs.

Contingent liabilities were recorded in the financial statements and booked to provisions given deemed likely and given that the amount can be reasonably estimated.

Risks for which the occurrence of a liability is only possible, are described, if necessary, in the explanatory notes, with no allocation made to the provision for risks according to the reference accounting standards. No account is taken of remote risks.

## **Employee severance indemnity**

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The provision for Employee severance indemnity corresponds to the Company's actual commitment to each employee, determined in accordance with current legislation and, in particular, the provisions of article 2120 of the Italian Civil Code and by collective labour and supplementary company agreements.

This liability is subject to revaluation on the basis of indexes.

## **Payables**

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Payables are recorded at amortised cost, taking into account the time factor; differences arising from subsequent revisions of the value of the payable are recorded under financial income and expenses.

Payables expiring within 12 months are, however, recorded at nominal value, as the effects are insignificant, compared to the amortised cost criterion, pursuant to article 2423 paragraph 4 of the Italian Civil Code.

Payables are recorded net of all premiums, discounts, allowances and are inclusive of any costs directly attributable to the transaction that generated the payable.

## **Criteria for the translation of amounts stated in foreign currency**

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The Company held no assets or liabilities in foreign currency at the balance sheet date.

## Recognition of revenues and costs

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Revenues and income are stated net of returns, discounts and rebates, and net of taxes directly related to the sales of products and services rendered.

In particular:

- the tariff revenues of the Integrated Water Service are determined in accordance with the provisions established by the Regulatory Authority for Energy, Networks and Environment (ARERA) and include the effects of the planned mechanism for the adjustment of external costs;
- revenue from the LPG delivery service in the network is recognised at the time of delivery to the counterparty;
- revenues from services are recognised as provided and in accordance with the relevant contracts;
- revenues related to contract work in progress are recognised in proportion to the progress of the work;
- revenues from the sale of goods are recognised at the time of transfer of ownership, which normally coincides with delivery to the counterparty;
- investment grants are entered in the balance sheet after receipt of the formal disbursement order, upon fulfilment of the conditions set out therein;
- costs are accounted for on an accrual basis;
- provisions for risks and charges are recorded by nature, where possible, in the relevant class of the income statement;
- financial income and expenses are recognised on an accrual basis.

## Income Taxes

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Income taxes for the year are accrued on an accrual basis, and are determined in accordance with the laws in force and on the basis of estimated taxable income; in the balance sheet, the liability is recognised under 'Taxes payable' and the receivable under 'Taxes receivable'.

With reference to the recognition of the tax effects arising from timing differences between the presentation of economic components in the financial statements and the time at which they are recognised for tax purposes, the following is specified.

Deferred taxes have been calculated on the basis of taxable temporary differences by applying the tax rate that is deemed to be in force at the time when such temporary differences will generate an increase in the tax base.

In accordance with the principle of prudence, deferred tax assets have been calculated on deductible temporary differences by applying the tax rate that is deemed to be in effect at the time these differences will generate a decrease in taxable income, based on the principle of the reasonable certainty of the existence of future taxable income sufficient to absorb the above changes.

The amount of prepaid taxes is reviewed each year in order to verify the continued reasonable certainty of earning taxable income in the future, such that the full amount of deferred tax assets can be recovered.

The amount of deferred and prepaid taxes is also subject to restatement in the event of a change in the tax rates originally considered.

## Explanatory Notes - Assets

### Fixed assets

#### Intangible fixed assets

The breakdown of intangible fixed assets and changes during the year are shown in the following table.

Balance sheet item	Opening balance	Changes	Closing balance
Concessions, licences, trademarks and similar rights	1,052,815	178,468	1,231,283
Fixed assets in progress and payments on account	817,998	1,052,769	1,870,767
Other intangible fixed assets	15,539,628	2,505,173	18,044,801
<b>Totals</b>	<b>17,410,441</b>	<b>3,736,410</b>	<b>21,146,851</b>

Intangible assets as at 31/12/2022 amounted to EUR 21,146,851 (EUR 17,410,441 at the end of the previous year) net of amortisation.

#### Concessions, licences, trademarks and similar rights

The net balance amounts to EUR 1,231,283 (EUR 1,052,815 at the end of the previous year) and is mainly represented by software licences.

#### Intangible fixed assets in progress and payments on account

The balance amounts to EUR 1,870,767 (EUR 817,999 at the end of the previous year) and mainly includes costs related to improvements on third-party plants that had not come into operation at year-end.

#### Other intangible fixed assets

The net balance amounts to EUR 18,044,802 (EUR 15,539,629 at the end of the previous year), and is mainly represented by "leasehold improvements" for extraordinary maintenance work on water service plants owned by the entrusting municipalities and to information systems on networks and plants.

## Movements in intangible fixed assets

The following table shows the changes in intangible fixed assets (art. 2427, point 2 of the Italian Civil Code).

	Concessions, licences, trademarks and similar rights	Intangible fixed assets in progress and payments on account	Other intangible fixed assets	Total intangible fixed assets
Opening value				
Cost	3,253,047	817,998	20,439,887	24,510,932
Amortisation (accumulated amortisation)	2,200,232	0	4,900,259	7,100,491
Book value	1,052,815	817,998	15,539,628	17,410,441
Changes during the year				
Increases for acquisitions	422,979	1,521,025	6,419,670	8,363,674
Reclassifications (of book value)	126,952	(468,256)	231,613	(109,691)
Decreases due to disposals and divestments (of book value)	0	0	9,548	9,548
Amortisation for the year	371,463	0	1,009,693	1,381,156
Other changes	0	0	(3,126,869)	(3,126,869)
Total changes	178,468	1,052,769	2,505,173	3,736,410
Closing value				
Cost	3,802,978	1,870,767	23,954,753	29,628,498
Amortisation (accumulated amortisation)	2,571,695	0	5,909,952	8,481,647
<b>Book value</b>	<b>1,231,283</b>	<b>1,870,767</b>	<b>18,044,801</b>	<b>21,146,851</b>

The **increase** in the item **Concessions, licences, trademarks and similar rights**, amounting to EUR 423,000, relates to investments in application software that came into operation during the year.

The main **increases** in **Fixed assets in progress and payments on account**, totalling EUR 1.5 million, refer to the following improvements to existing works and the implementation of a GIS system to reduce network leaks, which had not been completed at year-end:

Municipality	Initiative	Amounts €/1000
Belluno	Nogarè sewer collector	111
Belluno	Water supply network Nevegal	92
Cortina d'Ampezzo	Adaptation of sewage network and collection system (section)	79
Alleghe	Completion of the sewage network along the lake (section)	59
Belluno	Marisiga plant upgrade (1st and 2nd sections)	59
Calalzo di Cadore	Water supply network Calalzo	57
Auronzo di Cadore	Adaptation of pre-treatment works Auronzo Tarlisse purification plant	56
S.Pietro di Cadore	Moving sewage from Costalta towards Mare	55
Miscellaneous	GIS Utility (water network leak reduction, digitalisation and monitoring)	100

The **increase** of EUR 6.4 million in the item **Other Intangible fixed assets** mainly refers to the following works on third-party assets, which were in operation at year-end:

Municipality	Initiative	Amounts €/1000
Sedico	Decommissioning of the Meli purification plant and expansion of the Oselete purification plant	1,319
Limana, Borgo Valbelluna	Replacement of the Mountain Community Water Supply Pipeline Section - 3rd work	449
Agordo	Removal of imhoff tank I Pass	149
Rocca Pietore	Masarè-Rocca Pietore Network	134
Lorenzago	Rectification of T. Piova overhead sewer pipeline crossing	94
Entire Prov.	Hydrogeological Studies - Spring Protection Areas	84
Tambre	Adaptation of the sewerage and purification scheme in S.Anna district	65
Miscellaneous	Minor works on water and sewage networks	3,353
Miscellaneous	Minor works on other installations	455

**Reclassifications** include the reclassification of EUR 473,000 corresponding to items of Intangible Fixed Assets related to works completed during the year and entered into operation, of which EUR 114,000 was reclassified to Tangible Fixed Assets.

Grants pertaining to the year are shown under **Other changes**.

## Investment grants

In 2022, the Operator's Revenue Constraint (VRG) includes the tariff component New Investment Fund (FoNI) in the amount of EUR 3,066,157, of which EUR 2,902,962 is attributed to the upgrading and enhancement of plants, classified among intangible assets.

Below, we detail the grants accruing in 2022, broken down by type, allocated to intangible fixed assets.

Type of grant	Amount in Euro
FoNI	2,902,962
VAIA emergency	219,308
Basin Council Grants	4,600
<b>Overall total</b>	<b>3,126,870</b>

## Tangible fixed assets

The breakdown of property, plant and equipment and the changes during the year are shown in the following table.

Balance sheet item	Opening balance	Changes	Closing balance
Land and buildings	1,769,270	-20,869	1,748,401
Plant and machinery	21,396,833	335,292	21,732,125
Industrial and commercial equipment	1,780,411	705,351	2,485,762
Other assets	822,461	221,968	1,044,429
- Furniture and furnishings			
- Electronic office machines			
- Cars and motorbikes			
- Vehicles			
- Assets other than the above			
Fixed assets in progress and payments on account	1,132,925	777,714	1,910,639
<b>Totals</b>	<b>26,901,900</b>	<b>2,040,325</b>	<b>28,921,356</b>

Tangible fixed assets, net of accumulated depreciation, amounted to EUR 28,921,356 (EUR 26,901,900 at the end of the previous year).

## Movements in tangible fixed assets

The following table shows the components that contributed to the determination of the net book value in the Financial Statements (art. 2427, point 2 of the Italian Civil Code).

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other tangible fixed assets	Tangible fixed assets in progress and payments on account	Total tangible fixed assets
Opening value						
Cost	1,907,743	27,850,013	4,413,755	3,142,613	1,132,925	38,447,049
Depreciation (accumulated depreciation)	138,473	6,453,180	2,633,344	2,320,152	0	11,545,149
Book value	1,769,270	21,396,833	1,780,411	822,461	1,132,925	26,901,900
Changes during the year						
Increases for acquisitions	15,762	1,564,579	1,013,048	582,781	862,669	4,038,839
Reclassifications (of book value)	3,811	168,504	22,331	0	(84,955)	109,691
Decreases due to disposals and divestments (of book value)	0	132	0	59	0	191
Depreciation for the year	40,442	926,279	312,224	360,754	0	1,639,699
Other changes	0	(471,380)	(17,804)	0	0	(489,184)
Total changes	(20,869)	335,292	705,351	221,968	777,714	2,019,456
Closing value						
Cost	1,927,316	29,111,584	5,431,330	3,724,283	1,910,639	42,105,152
Depreciation (accumulated depreciation)	178,915	7,379,459	2,945,568	2,679,854	0	13,183,796
<b>Book value</b>	<b>1,748,401</b>	<b>21,732,125</b>	<b>2,485,762</b>	<b>1,044,429</b>	<b>1,910,639</b>	<b>28,921,356</b>

### Land and buildings

The **increase** for the year in the item **Land and Buildings**, totalling EUR 16,000, relates to the construction of drainage structures for the sewage spillways.

### Plant and machinery

The **increase** in the item **Plant and Machinery**, amounting to a total of EUR 1.6 million, refers mainly to the following works that were completed at year-end:

Municipality	Initiative	Amounts €/1000
Colle Santa Lucia	Canazei - Colcuc aqueduct extension	115
Falcade	Falcade Purifier Reef	69
various	Water supply connections	832
various	Sewer connections	178
various	Other disinfection-filtration treatments	171
various	Water supply remote control installations	75

### Industrial and commercial equipment

The **increase** in the item **Industrial and commercial equipment**, totalling EUR 1 million, refers mainly to the following assets:

Purchases	Amounts €/1000
Water meters	659
Equipment	124
Technical capture equipment	123
Flow meters	79

### Other assets

The **increase** in the item **Other tangible fixed assets**, totalling EUR 583,000, refers mainly to the following purchases:

Purchases	Amounts €/1000
Vehicles	483
Electronic machines and data processing centres	71
Telephony	25
Furniture and furnishings	4

### Assets under construction and payments on account

These amount to EUR 1,910,639 (EUR 1,132,925 at the end of the previous year) and refer to the construction of new plants not completed at year-end.

The main **increases**, totalling EUR 863,000, relate to the following works:

Municipality	Initiative	Amounts €/1000
Borca di Cadore	Sewerage collectors and purification plant serving the Borca municipality	230
Rocca Pietore	Purification plant serving Alleghe	89
S. Stefano di Cadore	Sewerage collectors	66
Longarone	Construction of sludge dewatering plant	63
Cortina d'Ampezzo	Adaptation of sewage network and collection system (section)	56

**Reclassifications** include the reversal of EUR 65,000, corresponding to items of fixed assets in progress and payments on account relating to works completed during the year and entered into operation.

Grants pertaining to the year are shown under **other changes**.



## Investment grants

Also for tangible fixed assets, a portion of the Fondo Nuovi Investimenti (FoNI) tariff component included in the Operator's Revenue Constraint (VRG) is allocated for a total of EUR 3,066,157 and, specifically, EUR 163,194 was allocated to the upgrading and enhancement of plants, classified under tangible fixed assets.

Below, we detail the grants accruing in 2022, broken down by type, allocated to intangible fixed assets.

Type of grant	Amount in Euro
FoNI	163,194
VAIA emergency	67,406
Grants from Local Authorities	15,373
<b>Overall total</b>	<b>245,973</b>

We also note the share of contributions to be borne by users for new connections to the water supply and sewerage system, for a total of EUR 243,209, in relation to the tariff system for the same, which requires the applicant to be reimbursed for the cost of constructing the part on public land.

## Finance lease transactions

The Company did not have any finance lease agreements in place at the end of the financial year.

## Financial fixed assets

Financial fixed assets consist of equity investments and receivables of a financial nature, as shown in the table below.

Balance sheet items	Opening balance	Changes	Closing balance
Equity investments in			
d-bis) other companies	215,609		215,609
Receivables from:			
d-bis) others	5,775,829	1,077,543	6,853,372
<b>Totals</b>	<b>5,991,438</b>	<b>1,077,543</b>	<b>7,068,981</b>

Detailed information and schedules of the individual items are provided below.

## Changes in equity investments, other securities and fixed derivative assets

The equity investments recorded under fixed assets represent a long-term and strategic investment by the company. Their value as at 31/12/2022 totalled EUR 215,609, unchanged from the previous year.

The following table shows the components that contribute to the determination of the net book value in the financial statements (art. 2427, point 2 of the Italian Civil Code).

	Equity investments in other companies	Total equity investments
Opening value		
Cost	215,609	215,609
Book value	215,609	215,609
Changes during the year		
Total changes	0	0
Closing value		
Cost	215,609	215,609
<b>Book value</b>	<b>215,609</b>	<b>215,609</b>

Pursuant to art. 2361 of the Italian Civil Code, it should be noted that no equity investment entails the assumption of unlimited liability.

## Details of long-term equity investments in other companies

Name	City or Foreign country	Share	Shareholders'	Profit/	% held	Book	Equity value pertaining to the year
		capital	equity	Loss		value	
La Dolomiti Ambiente S.p.A.	Belluno	2,035,104	1,874,118	(343,774)	7.6	139,640	142,433
Viveracqua S.c.a.r.l.	Verona	105,134	242,258	1,935	4.8	5,160	11,677
BIM Belluno Infrastrutture S.p.A.	Belluno	7,040,500	43,713,060	4,162,798	0.13	54,809	56,827
Società Informatica Territoriale S.r.l.	Belluno	100,000	476,353	7,446	16	16,000	76,216

The figures for shareholders' equity and the result for the year of investee companies included under equity investments in other companies are taken from the latest approved financial statements as at 31/12/2021.

The investment in Viveracqua S.c.a.r.l., for an amount of EUR 5,160, relates to a consortium created by the Operators of the Integrated Water Service in Veneto.

The equity investment in the company Bim Belluno Infrastrutture S.p.A., in the amount of EUR 54,809, was assumed in 2014 as consideration for the contribution of the "Methane gas distribution" and "Hydroelectric energy production" business units.

The equity investment in Società Informatica Territoriale S.r.l., in the amount of EUR 16,000, was assumed in 2007 as consideration for the contribution of the 'Mapping' business unit.

There were no verified cases of write-backs.

## Changes in and expiry of non-current receivables

The following table shows the formation and composition of non-current receivables (art. 2427, point 2 of the Italian Civil Code), as well as amounts due in more than five years (art. 2427, point 6 of the Italian Civil Code).

	Opening value	Changes during the year	Closing value	Amount due within one year	Amount due after one year	Of which with a residual maturity of more than 5 years
Other non-current receivables	5,775,829	1,077,543	6,853,372	444,169	6,409,203	2,742,937
<b>Total non-current receivables</b>	<b>5,775,829</b>	<b>1,077,543</b>	<b>6,853,372</b>	<b>444,169</b>	<b>6,409,203</b>	<b>2,742,937</b>

This item includes the receivable from the Comuni B.I.M. Piave Belluno Consortium deriving from the payment in instalments of a grant to support investments in the water service. Of this grant already approved in 2011 for a total amount of EUR 10 million, EUR 2,400,000 remains to be collected; the amount over 12 months is EUR 2,000,000, of which EUR 400,000 beyond 5 years.

There is also a receivable due from the Comuni B.I.M. Piave Belluno Consortium for a grant on LPG networks, disbursed in instalments, which, at year-end, amounted to EUR 560,612; the amount beyond 12 months was EUR 516,443, of which EUR 326,937 beyond 5 years.

This item also includes a receivable totalling EUR 3,700,000 related to the establishment of irregular pledges to support the credit (Credit Enhancement) provided for in connection with the Hydrobond securities issue transactions. It should be noted that the amounts pledged may be used by the special purpose vehicle to pay for the bonds issued by it on the secondary market if, for any reason, even one of the issuers fails to honour its obligations pro-tempore. Without prejudice to this exception, as of the year 2027, the special purpose vehicle is obliged to repay the pledges taken out in the context of the Hydrobond 1 and 2 transactions, while the repayment of the pledges taken out in 2022 in support of the Hydrobond 4 transaction will take place as of the year 2030. In both cases, repayment will be in instalments based on the remaining amortisation schedule of the bond debt.

Also as part of the Hydrobond transactions, receivables of EUR 46,025 and EUR 17,823 are recognised as participation in the reserves set up in the vehicle companies, (Viveracqua Hydrobond 1 S.r.l. for the Hydrobond 1 and 2 transactions and Viveracqua Hydrobond 2022 S.r.l. for the Hydrobond 4 transaction), for the incurring of expenses related to the transaction.

The remainder of the item refers to deposits paid mainly for water concession renewal procedures.

## Breakdown of non-current receivables by geographic area

Pursuant to art. 2427, point 6 of the Italian Civil Code, a summary of non-current receivables by geographic area is provided below.

Geographic area	Other non-current receivables	Total non-current receivables
Italy	6,853,372	6,853,372
<b>Total</b>	<b>6,853,372</b>	<b>6,853,372</b>

It should be noted that this item only includes receivables from entities based in the national territory.

## Value of financial fixed assets

Financial fixed assets were not booked to the financial statements at a value exceeding their fair value.

## Current assets

### Inventories

Pursuant to art. 2427, point 4 of the Italian Civil Code, details of the composition of this item are provided below.

	Opening value	Change during the financial year	Closing value
Raw materials and consumables	804,196	152,702	956,898
Contract work in progress	21,049	(10,825)	10,224
<b>Total inventories</b>	<b>825,245</b>	<b>141,877</b>	<b>967,122</b>

It should be noted that the criteria adopted for the measurement of the individual items resulted in the recognition of values that did not differ significantly from the current costs of the assets recognised at the end of the financial year (article 2426point 10 of the Italian Civil Code).

The **inventories of raw materials and consumables** consist mainly of meters, water and sewage network components and consumables.

The item **contract work in progress** relates to design activities performed for a job in agreement with the municipality of Falcade, aimed at the construction of a building included in PNRR funds obtained by the municipality.

## Receivables recorded under current assets

### Changes in and expiry of receivables booked to current assets

The following table shows the composition, change and expiry of receivables in current assets (article 2427, points 4 and 6 of the Italian Civil Code).

	Opening value	Change during the financial year	Closing value	Amount due within one year	Amount due after one year	Of which with a residual maturity of more than 5 years
Receivables due from customers booked to current assets	17,579,916	(2,231,923)	15,347,993	15,347,993	0	0
Tax receivables recorded as current assets	401,777	335,316	737,093	737,093	0	0
Deferred tax assets recognised as current assets	1,086,285	45,345	1,131,630			
Receivables from others recorded as current assets	2,175,742	(309,370)	1,866,372	1,866,372	0	0
<b>Total receivables recorded as current assets</b>	<b>21,243,720</b>	<b>(2,160,632)</b>	<b>19,083,088</b>	<b>17,951,458</b>	<b>0</b>	<b>0</b>

### Breakdown of receivables booked to current assets by geographic area

Receivables in current assets are broken down according to the geographic areas of operation of the debtor (art. 2427, point 6 of the Italian Civil Code):

Geographic area	Italy	Total
Receivables due from customers booked to current assets	15,347,993	15,347,993
Tax receivables recorded as current assets	737,093	737,093
Deferred tax assets recognised as current assets	1,131,630	1,131,630
Receivables from others recorded as current assets	1,866,372	1,866,372
<b>Total receivables recorded as current assets</b>	<b>19,083,088</b>	<b>19,083,088</b>

For the purpose of the required disclosure of the geographic breakdown of receivables and payables, it should be noted that all receivables are from entities domiciled in Italy.

## Receivables from customers

Receivables from Customers	31/12/2022	31/12/2021	Change 2022
Water receivables for invoices issued	7,192,352	7,308,211	(115,859)
Water receivables for invoices to be issued	4,702,041	4,844,024	(141,983)
Water receivables for tariff adjustment 2004-2011	3,486,559	5,791,279	(2,304,720)
Water receivables for VRG (constraint on operator revenues) adjustment	3,092,257	2,412,332	679,925
Total water receivables	18,473,209	20,355,846	(1,882,637)
Receivables from other sectors	182,210	420,554	(238,343)
Total receivables gross of write-down	18,655,419	20,776,399	(2,120,980)
Bad debt provision	(3,307,426)	(3,196,484)	(110,943)
<b>Total receivables net of write-down</b>	<b>15,347,993</b>	<b>17,579,916</b>	<b>(2,231,923)</b>

**Water receivables for invoices issued** decreased in connection with the strong performance of collections.

The decrease in **receivables for tariff adjustment 2004-2011** is determined by the collection of the surcharge to recover past items, applied in bills starting from 2014 within the framework of the tariffs approved by ARERA with Resolution 506/2013/R/IDR of 7 November 2013, for EUR 2.4 million. On the contrary, accrued interest income, calculated using the method recognised by the Area Authority, was recognised in the amount of EUR 139,000.

The remaining portion of the receivable for tariff adjustments, amounting to EUR 3.5 million, is fully due within 12 months. The envisaged repayment plan is detailed in the Report on Operations.

The **water receivables for VRG adjustment** include the credit accrued for tariff adjustments and collection extensions granted during the 2020-2023 tariff setting. The credit was adjusted based on the results of the 2022-2023 two-yearly tariff update and the estimated 2022 external cost adjustment that will be reflected in the 2024 VRG. It should be noted that the regulations in force allow for the revenue due to the Operator to be determined in the year of accrual, guaranteeing a tariff mechanism for the recovery of the balancing items with the turnover of the second subsequent year; this discipline has also been endorsed from a fiscal point of view on the basis of response to specific request for a tax ruling.

Receivables from **other segments** mainly include receivables from CAFC S.p.A. for technical management in the Municipality of Sappada governed by a specific agreement, as well as receivables related to the sale of LPG in local networks and various services. Also shown here are trade receivables from Bim Belluno Infrastrutture S.p.A., which, as at 31 December 2022, amounted to EUR 11,000.

## Tax receivables

Description	Previous FY	Change	Current FY
IRES credits	221,266	162,386	383,652
IRAP credits	15,578	18,195	33,773
VAT credits	131,117	-85,651	45,466
Other tax receivables	33,816	240,385	274,201
<b>Totals</b>	<b>401,777</b>	<b>335,316</b>	<b>737,093</b>

As regards **tax credits** within 12 months:

- receivables for IRES and IRAP arise from excess advance payments made;
- VAT credits relate to the last month of the financial year;
- other tax credits include EUR 22,000 for LPG consumption tax and EUR 252,000 for the tax credit, accrued and not yet used, to partially offset the higher charges incurred in 2022 for the purchase of electricity and natural gas.

## Other receivables

Current assets include **deferred tax assets**; for a detailed description please refer to the section on deferred taxation.

**Receivables from others** as at 31/12/2022 are summarised as follows:

Description	31/12/2022	31/12/2021	Change
Receivables for grants	839,979	1,351,736	(511,757)
Advances to suppliers	814,185	733,017	81,167
Other receivables	212,208	93,656	118,552
<b>Overall total</b>	<b>1,866,372</b>	<b>2,178,409</b>	<b>(312,038)</b>

**Receivables for grants** relate, for EUR 712,000, to investments in the Water Service, subsidised by the Veneto Region and other local authorities, and, for EUR 128,000, to expenses incurred for water supplies with tanker trucks carried out in emergencies due to the continuing drought.

**Advances to suppliers** are mainly related to financial advances paid to suppliers upon request made pursuant to law and contracts.

The residual item **Other Receivables** includes EUR 114,000 of receivables from banks for interest receivable paid in the first few days of 2023 and EUR 49,000 referring to the portion of the tariff surcharge collected from the users of Sappada in 2022 by CAFC S.p.A., the current Operator of the Integrated Water Service in the Municipality of Sappada, due to the Company.

The nominal value of receivables was adjusted to their presumed realisable value by means of a special **provision for bad debts**, which underwent the following changes during the year:

Description	Opening balance	Uses	Provisions	Closing balance
Provision for the write-down of receivables included in current assets	3,196,484	89,058	200,000	3,307,426

Utilisations relate to write-offs of receivables based on the outcome of recovery procedures undertaken, receivables from parties involved in bankruptcy or similar procedures, and receivables of small amounts for which it was not deemed appropriate to proceed with legal recovery actions.

## Cash and cash equivalents

The balance as detailed below represents the amount of and changes in cash and cash equivalents existing at the close of the financial year (art. 2427, point 4 of the Italian Civil Code).

	Opening value	Change during the financial year	Closing value
Bank and post office deposits	31,225,544	2,060,121	33,285,665
Cash at bank and in hand	3,315	(1,162)	2,153
<b>Total cash and cash equivalents</b>	<b>31,228,859</b>	<b>2,058,959</b>	<b>33,287,818</b>

The cash and cash equivalents realised in 2021 from the sale of the stake in Ascotrade remains extremely high. It should be noted that EUR 21 million is deposited in term current accounts, which provide a better return. The investment methods were selected on the basis of a liquidity management policy that the Company has adopted in order to guarantee the capital invested.

## Accrued income and prepaid expenses

The composition of and changes in this item are detailed as follows (art. 2427, point 7 of the Italian Civil Code):

	Opening value	Change during the financial year	Closing value
Accrued income	109	20,775	20,884
Prepaid expenses	321,241	(26,426)	294,815
<b>Total accrued income and prepaid expenses</b>	<b>321,350</b>	<b>(5,651)</b>	<b>315,699</b>

Description	Previous FY	Current FY	Change
Prepaid expenses:	321,241	294,815	-26,426
- on software support fees	128,103	130,052	1,949
- on insurance premiums	119,556	112,699	-6,857
- on hardware support fees	31,349	19,658	-11,691
- on surety commissions	11,251	11,232	-19
- others	30,982	21,174	-9,808
Accrued income:	109	20,884	20,775
- on remuneration of Cash Collateral - Hydrobond	109	20,884	20,775
<b>Totals</b>	<b>321,350</b>	<b>315,699</b>	<b>(5,651)</b>

Prepaid expenses mainly relate to the portion of rents, insurance premiums and surety commissions, paid in 2022 but pertaining to subsequent years.

The accrued income relates to the portion of income accrued as remuneration of the Cash Collateral under the "Credit Enhancement Creditor Agreement" in connection with Hydrobond Transactions 1, 2 and 4.



## Explanatory Notes – Liabilities and shareholders' equity

### Shareholders' equity

#### Change in shareholders' equity items

Shareholders' Equity at the close of the year amounted to EUR 59,683,494 and recorded the following changes (art. 2427, point 4 of the Italian Civil Code).

	Opening value	Allocation of the previous year's result		Other changes			Result for the year	Closing value
		Allocation of dividends	Other allocations	Increases	Decreases	Reclassifications		
Share capital	2,010,000	0	0	0	0	0		2,010,000
Revaluation reserves	203,500	0	0	0	0	0		203,500
Legal reserve	409,492	0	0	0	0	0		409,492
Other reserves								
Extraordinary reserve	39,624,850	0	16,998,079	0	0	0		56,622,929
Various other reserves	1	0	0	(1)	0	0		0
Total other reserves	39,624,851	0	16,998,079	(1)	0	0		56,622,929
Profit (loss) for the year	16,998,079	0	(16,998,079)	0	0	0	437,573	437,573
<b>Total shareholders' equity</b>	<b>59,245,922</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>0</b>	<b>437,573</b>	<b>59,683,494</b>

#### Details of the various other reserves

Description	Amount
Euro translation reserve	(1)
Other reserves	1
<b>Total</b>	<b>0</b>

## Availability and use of shareholders' equity

Details are provided on the reserves that make up the Shareholders' Equity, specifying their origin or nature, their possibility of utilisation and the limits on their distributability, as well as their utilisation in previous years (art. 2427, point 7-bis of the Italian Civil Code):

	Amount	Origin/nature	Possible uses	Amount available	Summary of uses made in previous three financial years	
					to cover losses	for other reasons
Share capital	2,010,000			0	0	0
Revaluation reserves	203,500	C	A, B	203,500	0	0
Legal reserve	409,492	U	B	7,492	0	0
Other reserves						
Extraordinary reserve	56,622,929	U	A, B, C	56,622,929	0	0
Total other reserves	56,622,929			56,622,929	0	0
Total	59,245,921			56,833,921	0	0
Undistributable portion				210,992		
Residual distributable portion				56,622,929		

Key column 'Origin/nature': C = share capital reserve; U = profit reserve.

Key column 'Possibility of use': A: for share capital increase B: to cover losses C: for distribution to shareholders D: for other statutory obligations E: other

## Origin, possibility of utilisation and distributability of various other reserves

Description	Amount
Euro translation reserve	(1)
Other reserves	1
<b>Total</b>	<b>0</b>

The elimination of tax impediments from the annual financial statements resulted, pursuant to the combined provisions of article 4, paragraph 1, letter h and article 109, paragraph 4 of Legislative Decree no. 344/2003, in the establishment of a regime for deferred tax encumbering 'per masse' (grouping together of homogeneous items) shareholders' equity reserves amounting to EUR 360,865 referable to accelerated depreciation.

## Provisions for risks and charges

The breakdown and changes in the individual items are shown in the following table (art. 2427, point 4 of the Italian Civil Code).

	Provision for pensions and similar obligations	Provision for taxes, including deferred taxes	Derivative liabilities	Other provisions	Total provisions for risks and charges
Opening value	0	139,840	0	959,587	1,099,427
Changes during the year					
Provision in the financial year	0	0	0	361,004	361,004
Use in the financial year	0	6,364	0	0	6,364
Other changes	0	0	0	0	0
Total changes	0	(6,364)	0	361,004	354,640
<b>Closing value</b>	<b>0</b>	<b>133,476</b>	<b>0</b>	<b>1,320,591</b>	<b>1,454,067</b>

**Provisions for taxes** include deferred tax liabilities of EUR 133,000. The utilisation for the year of EUR 6,364 refers to the reversal of a portion of accelerated depreciation.

In the section of these Explanatory Notes on the presentation of the effects of deferred taxation, details are provided on the provision for deferred tax liabilities.

This table provides a breakdown of the item relating to other provisions for risks and charges, as well as the change from the previous year (art. 2427, point 7 of the Italian Civil Code).

Description	Previous FY	Change	Current FY
Other provisions for risks and charges:			
Provision for risks relating to legal proceedings	10,000	37,500	47,500
Provision for Province sanction risks	7,500	22,500	30,000
Provision for risks for quality penalties	176,087	54,004	230,091
Provision for miscellaneous risks	766,000	247,000	1,013,000
<b>Totals</b>	<b>959,587</b>	<b>361,004</b>	<b>1,320,591</b>

The provision for the year to the **Provision for risks for quality penalties** of EUR 54,000 was allocated to cover the penalties envisaged for failure to achieve the contractual quality objectives of the integrated water service (RQSII) and the technical quality of the integrated water service (RQTI) envisaged by ARERA. It should be noted that this provision includes, in addition to a similar amount set aside in 2021, an amount of EUR 124,000 set aside in 2020 to cover the penalty envisaged for the failure to achieve certain technical quality objectives, related to the rate of realisation of investments in the four-year period 2016-2019, which was 82% of the investments planned. On the occasion of the two-year tariff update, the conditions for reassessing the size of the penalty were not met.

The **provision for miscellaneous risks** includes:

- probable charges for the regularisation of water concession procedures for EUR 594,000, of which EUR 88,000 was set aside during the year;
- probable penalties on the purification service, as a result of the European Court sentencing Italy on 6 October 2021 for the Falcade and Borca di Cadore sites, in the amount of EUR 290,000, of which EUR 30,000 was set aside during the year;
- the accrual for the year of EUR 129,000 to cover the risk of a reduction in tariff revenues in 2024 as a result of the receipt of operating grants, in relation to the tax credit for electricity and gas from which the Company benefited in 2022.

## Employee severance indemnity

The provision accrued represents the Company's actual liability as of 31 December 2022 towards employees in force at that date, net of severance indemnities paid, and corresponds to the indemnities accrued up to 31 December 2006, and does not include the indemnities accrued as of 1 January 2007, which are allocated to supplementary pension plans pursuant to Legislative Decree no. 252 of 5 December 2005, or transferred to the INPS treasury.

The formation and utilisation are detailed in the schedule below (art. 2427, point 4 of the Italian Civil Code).

	<b>Employee severance indemnity</b>
Opening value	286,590
Changes during the year	
Provision in the financial year	4,051
Use in the financial year	36,912
Other changes	20,531
Total changes	(12,330)
<b>Closing value</b>	<b>274,260</b>

The utilisation in the year relates to severance payments to employees in the year 2022. Other changes are attributable to the revaluation of allowances set aside in previous years.

## Payables

### Changes in and expiry of payables

The composition of payables, changes in individual items, and their breakdown by maturity are shown in the following table (art. 2427, point 4 of the Italian Civil Code).

	Opening value	Change during the financial year	Closing value	Amount due within one year	Amount due after one year	Of which with a residual maturity of more than 5 years
Bonds	9,105,982	9,284,509	18,390,491	600,000	17,790,491	12,480,000
Payables due to banks	20,515,857	(4,122,687)	16,393,170	3,358,947	13,034,223	5,258,540
Payments on account	232,977	(54,695)	178,282	178,282	0	0
Trade payables	7,719,159	1,398,055	9,117,214	9,117,214	0	0
Tax payables	276,485	70,009	346,494	346,494	0	0
Payables to pension and social security institutions	552,798	78,617	631,415	631,415	0	0
Other payables	4,773,625	(671,690)	4,101,935	3,288,740	813,195	0
<b>Total payables</b>	<b>43,176,883</b>	<b>5,982,118</b>	<b>49,159,001</b>	<b>17,521,092</b>	<b>31,637,909</b>	<b>17,738,540</b>

### Bonds

The item 'Bonds' includes the debt associated with the Hydrobond transactions. During the year, EUR 600,000 of principal falling due relating to the Hydrobond 1 and 2 transactions was repaid. During the year, the item included an increase of EUR 10 million related to the new transaction called Hydrobond 4, described above.

### Payables due to banks

Description	Previous FY	Current FY	Change
a) Payables due to banks within the next financial year	4,145,441	3,358,947	(786,494)
Mortgages	4,145,441	3,358,947	(786,494)
b) Payables due to banks after the next financial year	16,370,416	13,034,223	(3,336,193)
Mortgages	16,370,416	13,034,223	(3,336,193)
<b>Total payables to banks</b>	<b>20,515,857</b>	<b>16,393,170</b>	<b>(4,122,687)</b>

This item showed a decrease of EUR 4.1 million compared to 31 December 2021 due to the repayment of instalments on medium- and long-term loans that fell due during the year.

### Payments on account

Description	Previous FY	Current FY	Change
a) Payments on account within the next financial year	232,977	178,282	(54,695)
Advances from customers	232,977	178,282	(54,695)
Total payments on account	232,977	178,282	(54,695)

The item **Payments on account** includes advances received from customers relating to water and sewerage networks connection works that had not yet been carried out as at 31/12/2022.

## Trade payables

Description	Previous FY	Current FY	Change
a) Trade payables within the next financial year	7,719,159	9,117,214	1,398,055
Suppliers within the next financial year:	3,875,765	4,196,216	320,451
- trade-related payables due to local authorities	139,794	146,093	6,299
- others	3,735,971	4,050,123	314,152
Invoices to be received within the next financial year:	3,843,394	4,920,998	1,077,604
- trade-related payables to related parties	56,258	47,996	(8,262)
- others	3,787,136	4,873,002	1,085,866
<b>Total trade payables</b>	<b>7,719,159</b>	<b>9,117,214</b>	<b>1,398,055</b>

Total items as at 31 December 2022 amounted to EUR 9.1 million, an increase of EUR 1.4 million over the previous year, mainly due to the increase in invoices to be received, which amounted to EUR 4.9 million.

This includes trade payables to municipalities and mountain unions for EUR 146,000 and to Bim Belluno Infrastrutture S.p.A. for EUR 48,000.

All payables to suppliers relate to current accruals, as the Company has not had any past due amounts for many years.

## Tax payables

Description	Previous FY	Current FY	Change
Treasury - employee withholdings	261,147	308,842	47,695
Treasury - withholding tax professionals/associates	8,400	11,022	2,622
Substitute taxes	6,270	12,685	6,415
Payables for other taxes	668	13,945	13,277
Total tax payables	276,485	346,494	70,009

The item **tax payables** mainly refers to IRPEF (personal income tax) withholdings deducted on employees' salaries and remuneration paid to associates and professionals, not yet paid to the Treasury as of 31/12/2022.

## Payables to pension and social security institutions

Description	Previous FY	Current FY	Change
Payables due to INPS (National Social Security Institute) and Inpdap (National Social Insurance Institute for Civil Servants)	397,138	453,560	56,422
Payables to Inail (National Institute for Insurance against Accidents at Work)	15,804	39,110	23,306
Other payables to pension and social security institutions	139,856	138,745	(1,111)
<b>Total social security and insurance payables</b>	<b>552,798</b>	<b>631,415</b>	<b>78,617</b>

Payables to pension and social security institutions mainly include payables to INPS, INPDAP and supplementary pension funds.

## Other payables

Description	Previous FY	Current FY	Change
a) Other payables within the next financial year	3,556,008	3,288,740	(267,268)
Payables to employees/similar	1,158,207	1,094,049	(64,158)
Other payables:			
- to related company	402,977	404,421	1,444
- fees accrued and not yet claimed for reimbursement	817,072	615,903	(201,169)
- security deposits SII users	856,456	899,021	42,565
- other	321,295	275,346	(45,950)
b) Other payables after the next financial year	1,217,617	813,195	(404,422)
Other payables:			
- to related companies	1,217,617	813,195	(404,422)
<b>Total Other payables</b>	<b>4,773,625</b>	<b>4,101,935</b>	<b>(671,690)</b>

Amounts due to employees relate to salaries and accruals accrued as at 31/12/2022 to be paid or enjoyed in the following year.

Payables to related companies are related for EUR 1.2 million (of which EUR 813,000 maturing beyond the year) to the take-over of the Banca Intesa loan to the related company Bim Belluno Infrastrutture S.p.A., which took place on 25/09/2014 for the amount of EUR 5,600,000. This amount was reduced as a result of offsetting with receivables from the related company; a repayment plan with a similar time horizon to that of the above-mentioned loan is envisaged for the remaining debt.

Payables for fees accrued and not yet requested for reimbursement refer to estimated concession fees not yet supported by a specific request for reimbursement in the year 2022.

Sundry payables are of a residual nature and mainly relate to tariff components (UI1, UI2, UI3, UI4) charged to users and to be paid to the Cassa per i servizi energetici e ambientali (CSEA), as well as interest on loans for the fourth quarter of 2022 settled on an accrual basis.

## Breakdown of payables by geographic area

A table is also provided on the breakdown of debts according to the geographic areas of operation of the creditor.

Geographic area	Italy	Total
Bonds	18,390,491	18,390,491
Payables due to banks	16,393,170	16,393,170
Payments on account	178,282	178,282
Trade payables	9,117,214	9,117,214
Tax payables	346,494	346,494
Payables to pension and social security institutions	631,415	631,415
Other payables	4,101,935	4,101,935
<b>Payables</b>	<b>49,159,001</b>	<b>49,159,001</b>

It should be noted that this item only includes payables to entities based in Italy.

## Payables secured by collateral on company assets

Further details are provided in respect of debts secured by collateral on company assets (art. 2427, point 6 of the Italian Civil Code):

	Payables secured by collateral				Payables not secured by collateral	Total
	Payables secured by mortgages	Payables secured by pledges	Payables secured by special liens	Total payables secured by collateral		
Bonds	0	3,700,000	0	3,700,000	14,690,491	18,390,491
Payables due to banks	0	0	0	0	16,393,170	16,393,170
Payments on account	0	0	0	0	178,282	178,282
Trade payables	0	0	0	0	9,117,214	9,117,214
Tax payables	0	0	0	0	346,494	346,494
Payables to pension and social security institutions	0	0	0	0	631,415	631,415
Other payables	0	0	0	0	4,101,935	4,101,935
<b>Total payables</b>	<b>0</b>	<b>3,700,000</b>	<b>0</b>	<b>3,700,000</b>	<b>45,459,001</b>	<b>49,159,001</b>

A pledge of EUR 3.7 million is recorded on the bond debt; for more information, please refer to the comment on 'Credit Enhancement' in the section on non-current receivables.

## Accrued expenses and deferred income

An indication of the composition and movements of this item is provided (Art. 2427, point 7 of the Italian Civil Code).

	Opening value	Change during the financial year	Closing value
Accrued expenses	114,131	105,962	220,093
<b>Total accrued expenses and deferred income</b>	<b>114,131</b>	<b>105,962</b>	<b>220,093</b>

Description	Previous FY	Current FY	Change
Deferred income:			
Accrued expenses:	114,131	220,093	105,962
- on interest expense	114,131	220,093	105,962
<b>Totals</b>	<b>114,131</b>	<b>220,093</b>	<b>105,962</b>

Accrued expenses relate to interest accrued in 2022, included in the bond repayment instalments paid in January and February 2023.



## Explanatory Notes – Income Statement

The income statement shows the economic result for the year.

It provides a representation of operations by summarising the positive and negative income components that contributed to the economic result. The positive and negative components of income, recorded in the financial statements in accordance with article 2425-bis of the Italian Civil Code, are distinguished according to whether they belong to the different managements: core, accessory and financial.

Core business identifies the components of income generated by transactions that occur on an ongoing basis and in the sector relevant to the performance of operations, which identify and qualify the unique and distinctive part of the economic activity carried out by the company, for which it is intended.

Financial activities consist of transactions that generate income and expenses of a financial nature.

On a residual basis, ancillary activities consist of transactions that generate income components that are part of ordinary activities but are not part of core business and financial activities.

### Value of production

The breakdown of the value of production, as well as the changes in individual items, compared to the previous year, is provided:

Description	Previous FY	Current FY	Change
Revenues from sales and services	24,709,937	27,364,039	2,654,102
Changes in inventories of work in progress, semi-finished and finished products			
Changes in contract work in progress	18,265	(10,825)	(29,090)
Increases in fixed assets for internal work	1,480,199	1,792,401	312,202
Other revenues and income	1,813,767	2,831,785	1,018,018
<b>Totals</b>	<b>28,022,168</b>	<b>31,977,400</b>	<b>3,955,232</b>

### Breakdown of revenue from sales and services by business category

In accordance with the provisions of article 2427, point 10, the breakdown of revenue from sales and services by business category is provided.

Business category	Current year value
Integrated Water Service	27.147.768
LPG service	200.462
Others	15.809
<b>Total</b>	<b>27.364.039</b>

The change in revenue from sales and services is closely related to what is stated in the Report on Operations.

**Revenues from sales and services** are broken down as follows:

Sector	Activity	31/12/2022	31/12/2021	Change
Revenues from the integrated water service	Provision of Integrated Water Service - User Turnover	24,179,755	21,781,605	2,398,150
	Provision of Integrated Water Service - VRG Adjustment	2,371,483	2,104,995	266,488
	Provision of Integrated Water Service - wholesale disposals	304,573	321,590	(17,017)
	Various services - Integrated Water Service	291,957	295,538	(3,581)
Revenues from the Integrated Water Service - Total		27,147,768	24,503,727	2,644,041
LPG service revenues	LPG supply revenues	198,989	180,129	18,860
	Miscellaneous LPG services	1,473	5,220	(3,747)
LPG service revenue - Total		200,462	185,349	15,113
Miscellaneous revenues		15,809	20,861	(5,052)
<b>Overall total</b>		<b>27,364,039</b>	<b>24,709,937</b>	<b>2,654,101</b>

**Revenues from the Integrated Water Service** show an increase of EUR 2.6 million compared to the previous year, attributable to higher external costs for electricity, incurred during the year and for which the conditions for full recognition in the tariff have been met.

**Revenues from the LPG service** increased compared to the previous year, mainly due to the increase in raw material revenues.

### Breakdown of revenues from sales and services by geographic area

In accordance with the provisions of article 2427, point 10, the breakdown of revenue from sales and services by geographic area is provided.

Geographic area	Current year value
Italy	27,364,039
Total	27,364,039

It should be noted that this item only includes revenue from entities based in Italy.

**Increases in fixed assets for internal work**, in the amount of EUR 1.8 million, are related to internal labour (EUR 1.3 million) and warehouse material (EUR 0.5 million), connected to the construction of water service works, network connections, and the installation of meters.

**Other income and revenues** are broken down as follows:

Description		2022	2021	Change
Operating grants	Water Service and LPG grants	257,901	78,930	178,971
	Energy Tax Credit	581,794	0	581,794
<b>Operating grants - Total</b>		<b>839,695</b>	<b>78,930</b>	<b>760,765</b>
Others	Services to other companies	637,390	658,186	(20,796)
	Insurance compensation	360,436	75,390	285,046
	Treatment and lifting plant services	331,244	355,618	(24,374)
	Reimbursement of debt collection costs	225,222	49,275	175,947
	Reimbursements for seconded personnel	134,927	66,021	68,906
	Revenues from previous years	122,249	50,824	71,425
	Sale of Energy Efficiency Certificates	21,060	86,777	(65,716)
	Reimbursement of training costs	12,500	25,040	(12,540)
	Miscellaneous revenues	147,062	367,676	(220,614)
<b>Other - Total</b>		<b>1,992,090</b>	<b>1,734,807</b>	<b>257,283</b>
<b>Total other income and revenues</b>		<b>2,831,785</b>	<b>1,813,767</b>	<b>1,018,018</b>

**Operating grants**, recorded under **Other revenues and income**, include the operating portion of the contributions for the connection of the Integrated Water Service and the LPG Service (EUR 258,000), the income of EUR 582,000 related to the tax credit on electricity and methane gas.

The item **Other** includes revenues for services to other companies for a total of EUR 637,000, of which EUR 428,000 for services rendered to the related companies Bim Belluno Infrastrutture S.p.A. and Società Informatica Territoriale S.r.l., and EUR 60,000 for services to Estenergy S.p.A. (formerly Ascotrade S.p.A.) and EUR 149,000 for services to CAFC S.p.A., under relations regulated by specific agreements.

This item also includes insurance settlements of EUR 360,000, of which EUR 310,000 related to the enforcement of the definitive deposit of the project for the construction of the purification plant in Borca di Cadore, and revenues for services on treatment and lifting plants (EUR 331,000).

Other revenues include income for quality-related bonuses in the management of the Water Service in the years 2018 and 2019 in the amount of EUR 98,000, recognised to the Operator by ARERA in the year 2022.

## Costs of production

The following table shows the breakdown and changes in the item 'Cost of production'.

Description	Previous FY	Current FY	Change
For raw and ancillary materials, consumables and goods	1,897,014	1,911,329	14,315
For services	10,145,286	12,602,888	2,457,602
For use of third party assets	2,432,222	2,185,407	(246,815)
For personnel:			
a) wages and salaries	6,430,589	7,149,497	718,908
b) social security costs	1,955,848	2,208,623	252,775
c) employee severance indemnity	404,148	465,666	61,518
d) pension and similar obligations	53,852	58,310	4,458
e) other costs	124,960	158,574	33,614
Amortisation/depreciation and write-downs:			
a) intangible fixed assets	1,388,116	1,381,156	-6,960
b) tangible fixed assets	1,503,120	1,639,699	136,579
d) write-downs of receivables under current assets	200,000	200,000	
Changes in inventories of raw materials, consumables and goods	-260,279	(152,702)	107,577
Provision for risks	393,000	361,004	(31,996)
Sundry operating expenses	644,268	840,105	195,837
<b>Totals</b>	<b>27,312,144</b>	<b>31,009,556</b>	<b>3,697,412</b>

The **costs of raw and ancillary materials, consumables and goods** relate to the purchase of stock materials, mainly related to plant management and the construction and maintenance of networks and connections of the Integrated Water Service. This item also includes consumables for vehicles, stationery, printed material for users and items for office equipment. The balance is in line with the values recorded in the previous year.

The main **costs for services** and their changes were as follows:

Description	2022	2021	Change
Management and maintenance services	5,260,530	4,974,270	286,260
Electricity	4,412,309	2,335,135	2,077,174
Invoicing and collection services	561,142	592,756	(31,615)
Water analysis	375,267	375,418	(151)
Staff services	269,656	230,170	39,486
Insurance	242,405	217,876	24,529
Dedicated Call Centre Service	141,576	137,219	4,357
Water supplies	128,179	-	128,179
Telephony services	104,399	156,212	(51,813)
Technical consultancy	93,854	132,108	(38,254)
Administrative consultancy	92,457	139,998	(47,541)
Legal Services	81,561	63,603	17,958
Expenses for payment reminders	78,900	63,088	15,812
Services for office use	70,492	85,434	(14,942)
IT consultancy	68,154	49,441	18,712
Promotion and disclosure expenses	67,911	45,256	22,655
Expenses for associated services	63,181	50,028	13,153
Personal training	53,123	80,232	(27,109)
Gas consumption	51,176	25,897	25,280
SIT mapping services	45,818	44,184	1,634
Payroll processing services	37,555	34,178	3,377
Audit and control services	32,920	31,050	1,870
Director's fees	28,027	28,000	27
Services from related company	27,508	32,155	(4,647)
Remuneration of Board of Statutory Auditors	22,484	21,525	959
Bank charges	20,210	18,768	1,442
Postal charges	15,316	15,345	(29)
Other costs	156,779	165,940	(9,160)
<b>Total</b>	<b>12,602,888</b>	<b>10,145,286</b>	<b>2,457,602</b>

The main costs for services relate to the **management and maintenance** of networks and plants (EUR 5.3 million), accounting for 42% of the item total.

Another significant cost is related to the procurement of **electricity** (EUR 4.4 million), which accounts for 35% of the total item and shows an increase of EUR 2 million compared to the previous year; within energy consumption, it should be noted that the **cost for gas consumption** also almost doubled compared to the previous year.

Costs for **billing and collection** services (EUR 561,000), consisting of meter reading, bill printing and delivery, and collection services, show a saving of EUR 32,000 compared to 2021, mainly due to lower costs for the meter reading service.

**Personnel services** consist mainly of the cafeteria service established on the basis of union negotiations (EUR 230,000), which is provided to employees by means of meal vouchers.

The cost of the **dedicated call centre service**, which for some years now has been supporting the in-house call centre in order to meet the onerous obligations imposed by ARERA Resolution no. 655/2015/R/IDR, is equal to EUR 142,000 in 2022, with a further increase in telephone contacts compared to the previous year.

During the year, costs were incurred for **water supplies** by tanker trucks in the amount of EUR 128,000, in order to supply the areas most affected by the drought. These costs have also been claimed for reimbursement through regional water emergency funds.

**Training** costs (EUR 53,000) are partly related to the implementation of a training plan financed by Fondimpresa. The related reimbursements are recorded in the item Other revenues and income in A5) of the income statement.

**Expenses for payment reminders**, an activity carried out in compliance with the rules imposed by the Authority with Resolution 311/2019/R/IDR of 16/07/2019, recorded a slight increase compared to the previous year. It is highlighted that these are punctually recharged in the bill and thus their corresponding revenue is posted under other revenues and income.

**Promotion and disclosure expenses** refer to educational/dissemination projects for schools, social media management and the preparation of material for use by users.

**Expenses for associated services** refer to the operating costs of the Viveracqua Consortium in which the company participates. As regards the services rendered by the Consortium, we highlight, in terms of relevance, those related to some monitoring activities on Hydrobonds, the function of central purchasing body and the participation in specific round-table working groups on some issues of general interest in the field of water service management.

The **mapping services** that remain at operating cost refer to pipe reporting activities to be provided to companies operating in the vicinity of water/sewerage networks.

The **services provided by the related company** Bim Belluno Infrastrutture S.p.A. consist of the technical-administrative management of the LPG supply service in the local networks owned by the Company. These services are governed by a special agreement between the parties.

**Other costs for services** comprise individually minor cost items and are of a residual nature in relation to the item total.

### Lease and rental costs

They are mainly related to the annual fee for the use of the water network and related facilities, represented by the repayment due to the grantor municipalities of the instalments of the loans, taken out to carry out the works, which have not yet been repaid, the amount of which is summarised below and compared with the previous year:

	2022	2021	Change
Loan repayments to municipalities	1,166,857	1,387,162	(220,305)

It should be noted that these costs are related to accrued revenues, in application of the tariff mechanisms established by ARERA.

For the remaining part, these costs relate to EUR 631,000 in annual fees for the derivation of drinking water and water crossings, EUR 314,000 in rents and use of buildings, and EUR 73,000 in vehicle and equipment rental fees.

### Personnel costs

The item includes all expenses for employees, including therein merit pay increases, promotions, automatic cost-of-living increases, the cost of holidays accrued but not taken and legal provisions and collective contracts. It should be noted that overtime work and the use of holidays and leave are constantly monitored.

Personnel costs increased by EUR 1.1 million, mainly due to the expansion of the Engineering and Procurement and Sewage Treatment Service sectors, now fully internalised, in addition to the adjustments provided for in the national collective labour agreement and the supplementary company agreement.

## Depreciation of tangible fixed assets

With regard to depreciation, it is specified that it was calculated on the basis of the useful life of the asset and its exploitation in the production phase.

The value of depreciation shows an increase due to the commissioning of new works.

## Write-downs of receivables included in current assets and cash and cash equivalents

The annual provision for credit risk was calculated on the basis of the actual assessment of the collectability of receivables, also considering the average insolvency risk of the sector prudentially assessed in relation to the general economic situation. The provision made was in line with the previous year and allowed the provision for bad debts to be reduced to a size deemed consistent with the valuation of receivables at their presumed realisable value.

## Provisions for risks

The annual provision of EUR 361,000 was set aside to cover probable future charges arising from the risk of:

- probable lower tariff revenues in 2024 as a result of the receipt of operating grants, in connection with the tax credit for electricity and gas from which the Company benefited in 2022; a provision of EUR 129,000 was set aside for this eventuality;
- probable penalties on the purification service (EUR 30,000) as a result of the European Court's sentence condemning Italy on 6 October 2021 in relation to the Falcade and Borca di Cadore sites;
- probable charges for the regularisation of water concession procedures on state-owned areas currently being regularised (EUR 88,000);
- probable penalties arising from the failure to achieve commercial and technical quality objectives (EUR 54,000), as already commented in the specific section on *Provisions for risks and charges*.

## Sundry operating expenses

Sundry expenses are broken down as follows:

Description	2022	2021	Change
Costs pertaining to previous years	331,660	172,012	159,648
Basin Council Operating Fee	270,144	271,185	(1,041)
Taxes other than income taxes, duties and fees	91,497	70,796	20,701
Service charter penalties	37,650	38,640	(990)
Compensation to users and third parties	39,360	35,368	3,992
Trade association membership fees	20,079	20,314	(236)
Fines and Penalties	771	12,407	(11,636)
ARERA contribution	6,536	6,470	67
Other	42,406	17,076	25,329
<b>Overall total</b>	<b>840,104</b>	<b>644,268</b>	<b>195,835</b>

The item includes cost components pertaining to previous years, of which EUR 254,000 related to adjustments to tariff revenues as a result of the actual adjustments determined with the two-year tariff update, the Dolomiti Bellunesi Basin Council's operating fee, as well as taxes other than income taxes, duties and fees. Finally, it includes penalties arising from the application of the Service Charter, compensation to third parties for damages caused, which are reflected in insurance compensation, and trade associations membership fees.

## Financial income and expenses

### Breakdown of interest expense and other financial charges by payable type

In accordance with the provisions of article 2427, point 12 of the Italian Civil Code, details are provided of interest and other financial charges relating to bonds, payables due to banks and other items.

	<b>Interest and other financial charges</b>
Bond loans	503,743
Payables due to banks	380,867
Other	11,135
<b>Total</b>	<b>895,745</b>

Interest on bonds refers to the Hydrobond issues that took place on 3 July 2014, 22 January 2016 and 21 February 2022.

Interest accrued on bank debts is divided between interest for current account financing (EUR 3,000) and average interest on credit (EUR 366,000); the latter recorded a decrease of EUR 55,000 compared to the previous year, attributable to the trend in the amortisation schedules of existing loans.

The caption Other mainly refers to interest payable to suppliers, of which EUR 9,000 related to interest accrued by the related company Bim Belluno Infrastrutture S.p.A. for the Banca Intesa loan taken over on 25/09/2014.

A breakdown of item 'C.16.d) Income other than above' is also given.

Description	Subsidiaries	Associated companies	Parent companies	Subject to the control of parent companies	Other	Total
Interest on bonds					31,648	31,648
Bank and postal interest					148,473	148,473
Interest from trade receivables					182,292	182,292
Other interest income					17,044	17,044
<b>Totals</b>					<b>379,457</b>	<b>379,457</b>

**Other financial income** consists of:

- interest income accrued on sums securing Hydrobond transactions in the amount of EUR 32,000;
- bank interest income of EUR 148,000;
- interest income accrued on the receivable for tariff adjustment of the Integrated Water Service for EUR 139,000, better described in the Report on Operations, and interest on arrears applied on Water Service invoices for EUR 43,000;
- interest income for the deferred collection of capital grants disbursed by the Bim Piave Belluno Consortium in the amount of EUR 17,000.



## Income taxes for the year – current, deferred and prepaid

### Income taxes for the year

The breakdown of the balance sheet item 'Income Taxes for the Year' is shown in the following table:

Description	Previous FY	Change	Current FY
Current taxes	360,372	(294,680)	65,692
Deferred taxes	(6,589)	225	(6,364)
Prepaid taxes	(108,226)	62,881	(45,345)
<b>Totals</b>	<b>245,557</b>	<b>(231,574)</b>	<b>13,983</b>

### Deferred Taxation (art. 2427, point 14 of the Italian Civil Code)

Deferred taxes have been calculated by taking into account the amount of all temporary differences generated by the application of tax rules and applying the rates in force at the time these differences arose.

Prepaid taxes have been recognised as there is a reasonable certainty of the existence in future years of taxable income not less than the amount of the differences that will be reversed.

The following table provides a description of the temporary differences that led to the recognition of deferred and prepaid taxes, specifying their amount, the tax rate applied, the tax effect, the amounts credited or debited to the income statement and the items excluded from the calculation, with reference to both the current and previous years. The table also shows the amount of prepaid taxes recognised in the financial statements relating to losses for the year and previous years.

Item	Previous FY		Changes in the FY		Current FY	
	IRES	IRAP	IRES	IRAP	IRES	IRAP
<b>PREPAID TAXES</b>	Amount of temporary differences					
Excess bad debt provision	3,480,309		106,723		3,587,032	
Change in provision for risks	959,587		71,004		1,030,591	
Statutory and tax amortisation misalignment	86,295		(5,389)		80,906	
Unpaid directors' fees			693		693	
Surplus ACE (aid to economic growth)			15,907		15,907	
Total deductible temporary differences	4,526,191		188,938		4,715,129	
Tax losses						
IRES and IRAP rates	24.00	3.90			24.00	3.90
<b>Deferred tax assets</b>	<b>1,086,286</b>		<b>45,345</b>		<b>1,131,631</b>	
<b>DEFERRED TAXES</b>	Amount of temporary differences					
Statutory and tax amortisation misalignment	501,338		(26,515)		474,823	
Default interest	81,336				81,336	
Total taxable temporary differences	582,674		(26,515)		556,159	
IRES and IRAP rates	24.00	3.90			24.00	3.90
<b>Deferred tax liabilities</b>	<b>139,842</b>		<b>(6,364)</b>		<b>133,478</b>	
Net prepaid taxes (deferred taxes) - IRES and IRAP	946,445		51,709		998,154	
<b>Total net prepaid taxes (deferred taxes)</b>	<b>946,445</b>		<b>51,709</b>		<b>998,154</b>	
- charged to the income statement			51,709			

### Tax Reconciliation - IRES

A table containing the information required by Accounting Standard no. 25, concerning the reconciliation between the tax charge shown in the financial statements and the theoretical tax charge, is provided.

Description	Value	Taxes
<b>Profit before tax</b>	<b>451.556</b>	
<b>Theoretical tax charge %</b>	<b>24</b>	<b>108.373</b>
<b>Temporary differences taxable in subsequent years:</b>		
Total	0	
<b>Temporary differences deductible in subsequent years:</b>		
- allocation to provision for bad debts	106.723	
- allocation to provision for risks	361.004	
- statutory and tax amortisation misalignment	3.549	
<b>Total</b>	<b>471.969</b>	
<b>Reversal of temporary differences from previous years:</b>		
- statutory and tax amortisation misalignment	(7.162)	
<b>Total</b>	<b>(7.162)</b>	
<b>Differences that will not be reversed in subsequent years:</b>		
- car expenses	114.232	
- contingent liabilities	16.691	
- vehicle depreciation	32.911	
- telephony depreciation	1.672	
- TLC plant depreciation	91.342	
- telephone charges	20.911	
- fines and penalties	451	
- interest on arrears (collected net of accruals)	3.411	
- director's fees pertaining to previous year	(1.667)	
- 10% IRAP	(5.267)	
- employee IRAP deduction	(16.068)	
- energy/gas tax credit	(581.794)	
- 2011 assessment	(5.561)	
- TFR (employee severance indemnity) deduction set aside	(16.831)	
- ACE (aid to economic growth)	(585.120)	
<b>Total</b>	<b>(930.687)</b>	
<b>Taxable IRES</b>	<b>0</b>	
<b>Current IRES for the financial year</b>		<b>0</b>

## Reconciliation of taxes - IRAP

A table containing the information required by Accounting Standard no. 25, concerning the reconciliation between the tax charge shown in the financial statements and the theoretical tax charge, is provided.

Description	Value	Taxes
<b>IRAP taxable amount (A - B + b9 + b10 letter c) and d) + b12 + b13)</b>	<b>11,569,518</b>	
<b>Costs not relevant for IRAP purposes:</b>		
- directors' fees	28,027	
- directors' social security contributions	2,504	
- project-based contract and occasional collaboration costs	1,774	
- IMU (single municipal tax)	77	
- employee welfare cost	159,399	
- fines and penalties	451	
Revenues not relevant for IRAP purposes:		
- energy/gas tax credit	581,794	
<b>Total</b>	<b>11,179,956</b>	
<b>Theoretical tax charge %</b>	<b>4.20</b>	<b>469,558</b>
<b>Deductions:</b>		
- INAIL	442	
- Employee cost deductions	9,615,429	
Total	9,615,871	
Temporary differences taxable in subsequent years:		
Total	0	
Temporary differences deductible in subsequent years:		
Total	0	
Reversal of temporary differences from previous years:		
Total	0	
<b>Taxable IRAP</b>	<b>1,564,085</b>	
<b>Current IRAP for the year</b>		<b>65,692</b>

## Explanatory Notes – Cash Flow Statement

As shown in the cash flow statement, prepared using the indirect method, there was an increase in liquidity of EUR 2 million during the year.

The Cash flow from operating activities amounted to EUR 6.8 million, which partially supported the outlays for net investments of EUR 9.9 million.

The cash flow from financing activities amounted to EUR 5.2 million, which is the positive difference between the new Hydrobond 4 bond issue loan and the repayment of maturing loan instalments in the amount of EUR 4.7 million.

## Explanatory Notes – Other information

### Employment data

In accordance with the provisions of article 2427, point 15 of the Italian Civil Code, the average composition of employees as at 31/12/2022 is provided below.

	Average number
Executives	1
Middle managers	13
White-collar employees	119
Blue-collar workers	66
Other employees	0
<b>Total Employees</b>	<b>199</b>

The employment contract applied for the personnel is the Gas-Water Sector CCNL (national collective labour agreement) renewed on 30/09/2022.

Staff	Units at <sup>1</sup>		Change	Average units <sup>in3</sup>		Change	Average units <sup>al2</sup>		Change
	31/12/2022	31/12/2021		31/12/2022	31/12/2021		31/12/2022	31/12/2021	
Executives	1	1	0	1	1	0	1	1	0
Technical employees	65	61	4	63.5	57.25	6.25	64.5	60.5	4
Administrative clerks	77	70	7	69.75	68.5	1.25	73.25	67	6.25
Blue-collar workers	68	63	5	64	52.5	11.5	68	63	5
Personnel attached/seconded to another company <sup>4</sup>	-2	-2	0	-1.75	-1	-0.75	-1.75	-1.75	0
<b>Total</b>	<b>209</b>	<b>193</b>	<b>16</b>	<b>196.5</b>	<b>178.25</b>	<b>18.25</b>	<b>205</b>	<b>189.75</b>	<b>15.25</b>

<sup>1</sup> no. employees in force at the end of the financial year, including employees with fixed-term employment contracts and employees absent due to leave not paid for by the company

<sup>3</sup> no. employees in relation to full-time units in the financial year (incidence of part-time contracts, absences due to leave not paid for by the company and recruitments/ terminations during the year)

<sup>2</sup> no. employees in relation to full-time units on the date indicated (incidence of part-time contracts)

<sup>4</sup> 1 employee on partial secondment to Bim Belluno Infrastrutture + employee on full secondment to Bim Belluno Infrastrutture

The workforce, expressed in *full-time equivalent* units employed as of 31/12/2022, shows a significant change compared to 31/12/2021, resulting in the increase in personnel costs discussed above.

### Fees, advances and loans granted to directors and statutory auditors and commitments assumed on their behalf.

The following table shows the fees, advances, loans granted to the Directors and members of the Board of Statutory Auditors, as well as the commitments undertaken on their behalf for the financial year as of 31/12/2022, as required by point 16 of article 2427 of the Italian Civil Code.

	Directors	Statutory Auditors
Fees	30,531	22,484

## Fees to the independent auditor or independent auditing company

Pursuant to art. 2427, point 16-bis, details of the fees due to the independent auditing company for services rendered, relating to statutory auditing services, are provided below.

	Value
Independent audit of the annual accounts	47,272
<b>Total fees payable to the independent auditor or independent auditing company</b>	<b>47,272</b>

## Categories of shares issued by the company

As prescribed in point 17 of article 2427 of the Italian Civil Code, the data on the shares making up the share capital and the number and nominal value of the shares subscribed during the year can be inferred from the table below.

Description	Opening balance, number	Opening balance, nominal value	Closing balance, number	Closing balance, nominal value
Ordinary	4,020	2,010,000	4,020	2,010,000
<b>Total</b>	<b>4,020</b>	<b>2,010,000</b>	<b>4,020</b>	<b>2,010,000</b>

The share capital consists entirely of 4,020 ordinary shares with a nominal value of EUR 500 each.

## Off-balance sheet commitments, guarantees and contingent liabilities

Pursuant to article 2427 no. 9 of the Italian Civil Code, the total amount of off-balance sheet commitments, guarantees and contingent liabilities is reported, with an indication of the nature of the collateral provided; existing commitments regarding pensions and similar obligations, as well as commitments to subsidiaries, associated companies, as well as parent companies and companies controlled by the latter, are indicated separately.

	Amount
Guarantees	3,980,973

Guarantees mainly include the value of the sureties provided in favour of the Dolomiti Bellunesi Basin Council, in accordance with the provisions of the tender specifications, and other entities to guarantee the regular execution of works within the scope of the management of the Integrated Water Service.

## Information on related party transactions

Pursuant to art. 2427 point 22-bis, it should be noted that transactions with related parties during the year were conducted at arm's length. In any case, transactions with related parties are set out in the table below:

Item	Parent companies	Associated companies	Executives	Other related parties
Revenues				421.892
Costs				66.621
Financial income/expenses				8.886
Trade receivables				40.118
Financial debts				1,217.617
Trade-related payables				47.999

For further information, please refer to what is set out and detailed in the Report on Operations.

## Information on off-balance sheet agreements

Pursuant to art. 2427, point 22-ter, it should be noted that there are no off-balance sheet agreements that have significant risks or benefits and that are necessary for assessing the company's assets, financial and economic situation.

## Information on significant events after the close of the year

The Company is in the process of defining a merger project with the related company Bim Belluno Infrastrutture S.p.A., following the exit of the methane gas distribution branch, which is expected to be finalised in June 2023. The path for the merger by incorporation of the residual activities, consisting of hydroelectric production from micro-power plants and of the district heating service in the municipality of Santo Stefano di Cadore, was illustrated at the Shareholders' Meeting of 3 February 2023 and discussed in detail in special meetings in Valley Meetings convened by the Comuni BIM Piave Consortium, as well as in individual meetings requested by some municipalities.

The Shareholders' Meeting of 22 March 2023 resolved to initiate the merger project, requesting that it be accompanied by a business plan in which the objectives and projects pursued with the extraordinary merger operation are set forth, as well as a clear indication of the destination of the proceeds from the gas tender and the projects and investment areas in which the corporate assets from BIM Belluno Infrastrutture S.p.A. will be used.

## Information pursuant to art. 1(125) of Law no. 124 of 4 August 2017

Pursuant to article 1, paragraph 125-bis of Law 124/2017, we report the amount of subsidies, grants, paid assignments and in any case economic advantages of any kind received by public administrations and entities related to them, which are not of a general nature and are not of a consideration, remuneration or compensation nature:

P.A. entity	On account	Grant objective	Amount collected
Comuni B.I.M. Piave Belluno Consortium	investments	Various installations - Integrated Water Service	400,000
Comuni B.I.M. Piave Belluno Consortium	investments	LPG installations in the province of Belluno	42,956
Arera (Csea)	investments	Completion of Biois Valley water supply intake (1OP19/0026) - (Arera resolution 675/2022/R/IDR)	672,070
Municipality of Sedico	investments	planned extraordinary maintenance works on AC and FG networks - Sedico Via Galilei	20,000
Veneto Region	investments	1OP19/0010 - Adaptation of the purification and sewerage system in the Lentiai area (extraordinary maintenance of the Villaghe plant)	179,970
Commissioner Delegate	investments	VAIA emergency investment grants - Ord.4/2020	65,490
Commissioner Delegate	FY	VAIA emergency operating grants - Ord.5/2020	1,613
<b>Total</b>			<b>1,382,098</b>

## Proposed allocation of profits or coverage of losses

### Allocation of profit for the year

Pursuant to art. 2427 no. 22-septies, the following allocation of the profit for the year is proposed to the shareholders' meeting convened to approve the financial statements:

Description	Value
Profit for the year:	
- to the Extraordinary reserve	437,573
<b>Total</b>	<b>437,573</b>

### Explanatory Notes - final part

We confirm that these financial statements, consisting of the Balance Sheet, Income Statement, Cash Flow Statement and Explanatory Notes, give a true and fair view of the financial position of the Company, as well as the results of operations for the year, and correspond to the accounting records. We therefore invite you to approve the draft financial statements as at 31/12/2022 together with the proposed allocation of the year's profit.

The financial statements are true and real and correspond to the accounting records

Belluno, 27 March 2023

For the Board of Directors

The Chairperson

Mr. Attilio Sommavilla



### Declaration of compliance of the financial statements

The undersigned Attilio Sommavilla, as Chairperson of the Board of Directors of Bim Gestione Servizi Pubblici S.p.A., pursuant to article 31 paragraph 2-quinquies of Law 340/2000, hereby declares that this document is a true copy of the original filed at the company.

Belluno, 27 March 2023 Signature \_\_\_\_\_







**Report of the independent auditors  
pursuant to Art. 14 of Legislative Decree no. 39 of 27  
January 2010**

**Ria Grant Thornton S.p.A.**  
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*To the Shareholders of*  
**BIM Gestione Servizi Pubblici S.p.A.**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of BIM Gestione Servizi Pubblici S.p.A. (the Company) consisting of the balance sheet as at 31 December 2022, the income statement, the cash flow statement for the year ended as at said date and the explanatory notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of the results of its operations and its cash flows for the year ended as at said date in accordance with the Italian regulations governing the criteria for their preparation.

**Elements underlying our opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA Italy). Our responsibilities under these standards are further described in the section on Responsibilities of the Independent Auditors for the Audit of the Annual Financial Statements of this report. We are independent from the Company in accordance with the rules and principles governing ethics and independence applicable in the Italian legal system to the auditing of financial statements. We believe that we have acquired sufficient and appropriate evidence on which to base our opinion.

**Responsibility of the directors and the board of auditors for the financial statements**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Italian regulations governing the criteria for their preparation and, within the terms of the law, for that part of the internal control they deem necessary to enable the drafting of financial statements that do not contain any material errors due to fraud or unintentional conduct or events.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the annual financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure. The directors use the going concern assumption in the preparation of the annual financial statements unless they have assessed that conditions exist for the liquidation of the company or for discontinuing operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms of the law, the process of preparing the Company's financial reports.

### **Responsibility of the independent auditors for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or unintentional conduct or events, and to issue an audit report that includes our opinion.

Reasonable assurance is defined as a high level of certainty, which, however, does not provide assurance that an audit performed in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement, if any. Errors may result from fraud or unintentional conduct or events and are considered material if they could reasonably be expected, individually or as a whole, to influence the economic decisions taken by users on the basis of the financial statements.

In performing our audit in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgment and maintained professional scepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or unintentional conduct or events; we have defined and performed audit procedures in response to those risks; and we have obtained sufficient appropriate audit evidence on which to base our opinion. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional conduct or events, since fraud may involve collusion, falsification, intentional omissions, misleading representations or forcing internal control;
- we obtained an understanding of internal control relevant to the audit for the purpose of designing audit procedures that are appropriate in the circumstances and not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have assessed the appropriateness of the accounting standards used as well as the reasonableness of the accounting estimates made by the directors, including the related disclosures;
- we have reached a conclusion as to the appropriateness of the directors' use of the going concern assumption and, based on the evidence obtained, as to whether there is any material uncertainty about events or circumstances that may cast significant doubt about the Company's ability to continue as a going concern. If a material uncertainty exists, we are required to draw attention to it in the audit report on the relevant financial statement disclosures, or, if such disclosures are inadequate, to reflect that fact in the formulation of our opinion. Our conclusions are based on the evidence acquired up to the date of this report. However, subsequent events or circumstances may result in the Company ceasing to operate as a going concern;
- we have assessed the presentation, structure and content of the annual financial statements as a whole, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that gives a true and fair view.

We disclosed to those charged with governance activities, identified at an appropriate level as required by ISA Italia, among other matters, the planned scope and timing of the audit and the significant findings, including any significant deficiencies in internal control identified during the audit.

### **Report on other legal and regulatory provisions**

#### **Opinion pursuant to article 14, paragraph 2, letter e) of Legislative Decree 39/10**

The directors of BIM Gestione Servizi Pubblici S.p.A. are responsible for the preparation of the report on operations of BIM Gestione Servizi Pubblici S.p.A. as at 31 December 2022, including its consistency with the related financial statements and its compliance with legal regulations.

We have performed the procedures specified in Auditing Standard (SA Italy) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of BIM Gestione Servizi Pubblici S.p.A. as at 31 December 2022 and on its compliance with the law, as well as to issue a statement on any significant errors.



In our opinion, the report on operations is consistent with the financial statements of BIM Gestione Servizi Pubblici S.p.A. as at 31 December 2022 and has been prepared in accordance with the law.

With reference to the declaration referred to in Art. 14, paragraph 2, letter e) of Legislative Decree No. 39/10, issued on the basis of the knowledge and understanding of the company and its environment acquired in the course of the audit, we have nothing to report.

Padua, 14 April 2023



Ria Grant Thornton S.p.A.  
Mauro Polin  
Partner



## **BIM GESTIONE SERVIZI PUBBLICI S.p.A.**

**Registered Office in via Tiziano Vecellio 27/29 - 32100 Belluno - share capital  
EUR2,010,000.00 fully paid-in**

### **REPORT on OPERATIONS of the Financial Statements as at 31 December 2022**

**Dear Shareholders,**

we submit for your examination and approval the Financial Statements for the financial year 2022, which closed with a *Value of Production* of EUR 32 million and a *Profit for the year* of EUR 437,573.

While we refer you to the Explanatory Notes to the Financial Statements for clarifications on the data resulting from the Balance Sheet and Income Statement, we would like to present here some considerations on the Company's management, both with reference to the financial year ended and the future outlook, all in accordance with art. 2428 of the Italian Civil Code.

#### **General information on the company's situation and development**

The year 2022 was marked by significant tension in the energy source markets, which generated concerns about the company's economic balance. Although the cost for electricity is classified among the *external costs* for which provision is made in the tariff for a recovery mechanism, the amount of the *standard cost* that would be paid to Operators by ARERA during the year was not known. Let us recall the precedent of 2021, in which the increases in energy costs that occurred in the last months of the year resulted in an average cost that was higher than what was recognised in the tariff by ARERA, with a higher energy cost that affected the operating result by EUR 180,000. The operating results expected after the sale of the shareholding in Ascotrade certainly do not allow for the absorption of significant costs that are not adequately covered by tariff revenues and impose a restructuring of the energy sources to be drawn on, so as to curb market risks as well as the impact on the tariff to the user. The cost for energy in 2022 was then fully covered by the regulatory forecasts, together with the support measures implemented by the Government, as explained in more detail in the section on *Integrated Water Service Tariffs*.

During 2022, the Company also had to contend with the drought emergency, which began in March 2022 and is still ongoing, and the resulting rainfall deficit accumulated over the year (-32% compared to the historical average). This has entailed, throughout the territory served, increased research and repair of leaks in the network, the installation of bypasses to increase the water supply in the network and to interconnect the water supply systems, the recovery of disused water sources, especially in the most vulnerable areas, the alternative supply, by means of tankers, in storage tanks with greater instability, and the rationing, where necessary, of the supply to users at night.

The Company was the recipient of financing from the PNRR (national recovery and resilience plan) funds that will require major additional efforts from the structure for the tendering, implementation and reporting phases of the works; in particular:

- with Decree of the Ministry of the Environment and Energy Security no. 206 of 21 December 2022, the **Basin sludge hub project** was admitted for financing for a total amount of EUR 1,284,077 (total amount of the work EUR 1,450,000), which envisages the construction of a new sludge pre-treatment line in the Longarone purification plant, with mechanised thickening and centrifuge dewatering in

special closed buildings, integrated with the existing biological treatment;

- with Decree No. 1 of 10 January 2023 of the Ministry of Infrastructures and Transport, the “**Reduction of leaks in water supply distribution networks, including digitalisation and monitoring**” project was admitted for financing to the value of EUR 20,446,400 (total amount of the work EUR 25,646,267), which envisages the modelling, district structuring and digitalisation of 1,615 km of water mains (out of a total of 3,400 km) distributed in 16 municipalities in the Belluno area for a catchment area of about 115,000 inhabitants served; the work will lead to the reduction, by December 2025, of 35% of the total water leaks.

The company is also awaiting confirmation of further funding from the PNRR funds allocated to the Veneto Region for the purification sector. The project, worth EUR 2,935,000, envisages the expansion of the Marisiga di Belluno wastewater treatment plant, which will be sized to treat the wastewater of 37,500 equivalent inhabitants upon completion by 30 June 2024.

On the organisational side, the Company continued the optimisation process undertaken in 2021 by strengthening the most relevant sectors in order to carry out the new works envisaged in the Works Programme (Engineering and Procurement) and consolidating a management organisational model, capable not only of managing emergencies and works for users, but also of planning medium- to long-term activities and thus freeing up resources for structural initiatives. In September 2022, the process of internalising the purification service was completed, undertaken with the aim of achieving higher standards of efficiency in the purification treatment process and improving the quality of the discharged effluent, resulting in a lower impact on the environment. The activity carried out in-house also ensures a greater focus on day-to-day plant management and predictive and scheduled maintenance in order to increase the service life of electromechanical equipment and improve energy efficiency. The Sewage Service, which is now fully staffed, employs a total of 27 people (8 technical profiles, 17 operational profiles, 2 management administrative profiles).

On the financial front, as mandated by the Extraordinary Shareholders' Meeting of 23 December 2021, on 21 February 2022 a bond issue called Hydrobond 4 was finalised, through Viveracqua Hydrobond 2022 S.r.l, in which six in-house operators of the Veneto Integrated Water Service, shareholders of Viveracqua s.c.a.r.l., participated as issuers, with the purpose of raising funds to be allocated to the implementation of the infrastructure investments of the Integrated Water Service. The Company participated in the transaction by issuing two bonds for a total of EUR 10 million, of which EUR 5 million was subscribed within the 'long' segment, with a term of 24 years, and EUR 5 million subscribed within the 'short' segment, with a term of 16 years. Viveracqua Hydrobond 2022 S.r.l. financed the payment of the issue price through the issuance of securities subscribed exclusively by institutional investors; in particular, all securities issued within the 'long' segment have the European Investment Bank as the sole subscriber.

As envisaged for the Hydrobond 1 and Hydrobond 2 transactions, this last transaction also requires each counterparty, to an extent proportional to its participation in the transaction, to provide a guarantee through the establishment for the benefit of Viveracqua 2022 S.r.l. of irregular pledges to support the credit risk (credit enhancement).

On the collection side, payment times are still slightly higher than the pre-Covid average, although the situation is clearly improving. In any case, the company continues to provide its users with ample opportunity to request deferment and instalment plans, in order to help the more vulnerable individuals in a period that remains an emergency.

In the year 2022, the Company continued to support the management of the water service in the Municipality of Sappada as agreed with CAFC S.p.A. - Operator of the Water Service in the Central Friuli Optimal Territorial Area based in Udine - on the basis of the agreement signed at the end of 2020. This activity ceased as from 1 January 2023.

**The tariffs of the Integrated Water Service (SII).**

In 2022, the Company applied the tariffs established, in application of Resolution ARERA/580/2019/R/IDR (MTI-3), by the Area Management Authority (EGA) - Dolomiti Bellunesi Basin Council - with Resolution of 30 November 2020, confirmed by Resolution ARERA 26/2021/R/IDR of 26 January 2021.

The multipliers (theta) approved for the four-year tariff period, referring to the 2019 base year, were as follows:

Tariff multiplier <sup>92020</sup>	Tariff multiplier <sup>92021</sup>	Tariff multiplier <sup>92022</sup>	Tariff multiplier <sup>92023</sup>
1.001	1.054	1.141	1.200

The percentage increases over the previous year are shown below:

Increase % 2020	Increase % 2021	Increase % 2022	Increase % 2023
0%	5.40%	8.25%	5.17%

ARERA Resolution 639/2021/R/IDR of 30 December 2021 provided for the tariff update for the two-year period 2022-2023, with an expected expiry date of 30 April 2022. However, the Lombardy Regional Administrative Court suspended the effectiveness of the measure challenged by the company Acqualatina S.p.A., ordering a review by ARERA within 60 days. The grounds for the appeal related to the cost of electricity recognised in the tariff, which, in view of the exponential increases in costs due to international market dynamics, not only did not guarantee coverage of the entire cost incurred already for 2021, but for the years 2022 and 2023 was determined to be significantly underestimated in relation to costs that were still growing. The review by ARERA was concluded with the issuance of Resolution 229/2022/R/IDR of 24 May 2022, which established mechanisms for the advance payment of expenditure that can be activated upon specific request, thus restarting the deadlines for the 2022-2023 tariff update.

The Company did not make use of the new mechanisms, enjoying an extremely favourable financial situation. The economic coverage of the higher energy costs is provided for within the framework of the full recovery cost mechanisms, a principle underlying the tariff method regulated by the Authority, which outlines the recognition of the costs incurred for energy at the end of the year. The average sector cost of the electricity supply for 2022, which represents the maximum value recognisable in the tariff, was subsequently published by ARERA with Resolution 64/2023/R/IDR of 21 February 2023: the value established, together with the measures implemented by the Government to cope with the exponential increase in energy costs, of which the Company has punctually taken advantage, has allowed for the full recovery of the cost incurred in 2022 for electricity.

On 04/11/2022, the Operator delivered to the EGA - Dolomiti Bellunesi Basin Council - the tariff tool in the version including the updated Works Programme approved by the EGA Shareholders' Meeting on 30/9/2022 and the latest requests received from the EGA, resulting from the Resolution of the Institutional Committee no. 80 of 25/10/2022; on 18/11/2022, the Operator acknowledged a further request for amendment and provided the tool in the version approved by the EGA Shareholders' Meeting on 28/11/2022, and resulted in the following tariff multipliers, again referring to 2019, for the two-year period being updated:

Tariff multiplier <sup>92022</sup>	Tariff multiplier <sup>92023</sup>
1.141	1.155

The percentage increases over the previous year are shown below:

Increase % 2022	Increase % 2023
8.25%	1.23%

For 2022, there is no change and therefore no need for tariff adjustments to the user; for 2023, a smaller increase has been applied, compared to the previous determination. We now await the approval of the tariffs by ARERA.

### The credit situation for future tariff increases

In addition to the tariff subject to regulation by ARERA, the Company also applies in its bills, effective as of 1 January 2013, a surcharge for past items relating to the management up to and including the year 2011, recognised by ARERA with Resolution 506/2013/R/IDR of 7/11/2013 within the framework of the approval of the tariffs for the first regulatory period (2012-2013).

The receivable for future tariff adjustments of EUR 29.9 million existing at 31/12/2012 was reduced in the years 2013-2022 by a total of EUR 26.4 million, bringing the remaining amount still to be invoiced at 31/12/2022 to EUR 3.5 million.

As in previous years, in 2022, interest in the amount of EUR 139,168 was accrued on this receivable, updated to a fixed rate of 3%, as set forth in the 2020-2023 tariff determination, when the request was accepted to limit the expense borne by the User by reducing the interest rate payable on the receivable (until 31/12/2020 the rate applied was equal to the average 12-month Euribor plus a spread of 5%).

The following table shows the repayment schedule for the tariff adjustment receivable including accrued and accruing interest; the invoiced portion of the surcharge for the repayment of the receivable is shown in the column "Invoiced surcharge", which is charged first to cover accrued interest and then to cover the principal receivable:

Year	Opening credit balance	Write-down	Interest	Surcharge invoiced	Closing credit balance
2012	28,081,296		+ 1,851,164	0	29,932,460
2013	29,932,460	-2,000,000	+ 1,365,988	0	29,298,448
2014	29,298,448	-3,308,606	+ 1,310,625	-5,631,243	21,669,224
2015	21,669,224		+ 1,073,361	-3,128,699	19,613,886
2016	19,613,886		+ 923,007	-2,970,235	17,566,658
2017	17,566,658		+ 798,014	-3,151,210	15,213,462
2018	15,213,462		+ 682,531	-3,002,466	12,893,527
2019	12,893,527		+ 554,806	-3,142,789	10,305,544
2020	10,305,544		+ 417,242	-3,250,649	7,472,137
2021	7,472,137		+ 198,951	-1,879,808	5,791,280
<b>2022</b>	<b>5,791,280</b>		<b>+ 139,168</b>	<b>-2,443,888</b>	<b>3,486,560</b>
2023	3,486,560		+ 52,298	-3,538,858	0

The plan maintains the original forecast of the completion of the credit repayment in 2023, which may be revised according to the actual invoiced volumes determined in 2023.



## Operating conditions and development of activities

The company has been operating since 1 January 2004 as the assignee Operator of the Integrated Water Service in the current 58 of the 59 municipalities belonging to the Ambito Territoriale Ottimale (Optimal Territorial Area) 'Alto Veneto', after the exit of the Municipality of Sappada, which transferred to the Friuli-Venezia Giulia Region.

The company also carries out the following other activities:

- the management of six small local LPG networks;
- the activity of ESCOs (Energy Saving Companies), in particular with the negotiation of white certificates.
- *service* activities vis-à-vis other companies, including:
  - the related company Bim Belluno Infrastrutture S.p.A., for all general services;
  - the subsidiary Società Informatica Territoriale S.r.l., for personnel services;
  - Estenergy S.p.A., which took over Ascotrade S.p.A. as a result of the merger by incorporation, for residual branch services to methane gas customers historically coming from the proprietary gas sales branch sold in 2006;
  - CAFC S.p.A., the new water service operator in the Municipality of Sappada, by virtue of an agreement valid from 2020 until 2022, on the basis of which BIM Gestione Servizi Pubblici S.p.A. managed the water service infrastructure in order to allow a gradual handover to the new Operator.

Pursuant to article 2428 of the Italian Civil Code, it should be noted that business is also conducted in the branch offices of:

- Agordo - via 4 Novembre no. 2
- Belluno - via dell'Artigianato No. 22
- Feltre - via Rizzarda no. 21
- Feltre - via dei Cavalieri di Vittorio Veneto no. 31
- Lozzo di Cadore - viale dell'Industria no. 14
- Pieve di Cadore - locality Tai, via degli Alpini no. 28
- Sedico - via Feltre no. 31/A
- Taibon Agordino - via Foch s.n.

## Operating performance

### ***Development of demand and trends in the markets in which the company operates***

As far as the integrated water service is concerned, particular attention was paid to the volumes supplied, since although the economic-financial balance is guaranteed by tariff mechanisms, the variable nature of quantities can have a major impact on tariff policies.

Invoiced volumes remain stable overall and the composition of withdrawals has returned to pre-pandemic levels; no major tariff adjustments are therefore expected for deviations in volumes delivered.

With regard to the area of general services provided to related parties, while relying on the expertise and synergies achieved so far, a substantial contraction is expected in view of possible future developments of these entities.

### ***Competition***

The main service assigned, the Integrated Water Service, is operated under a monopoly regime and therefore no problems related to competition behaviour arise.

### ***Social, political and union environment***

The personnel are covered by the CCNL (national collective labour agreement) for the water-gas sector, renewed on 30 September 2022 with validity until 31 December 2024.

On 20 July 2022, the supplementary company contract for the year 2022 was signed with the RSU (unitary workplace union structures) and union representatives, which provides for the payment to employees of a performance bonus linked to the achievement of certain objectives:

- achievement of EBITDA as per the approved Business Plan for the year 2022;
- commercial quality - improvement of the level of quality linked to billing frequency;
- quality of service - implementation of the "Agenda" for activation, reactivation and replacement processes;
- maintenance of ISO 9001 and ISO 45001 certification;
- achievement of ISO 14001 site-specific Environmental Certification.

Partial 'agile working' continued on an experimental basis, under the extended emergency regulations, and, from October 2022, through the signing of individual agreements.

The trade union climate is healthy.

## Operating performance in the sectors in which the Company operates

The year 2022 was marked by an exponential increase in energy costs, which had already emerged in the last months of 2021, an increase that was curbed by tariff mechanisms to safeguard the economic-financial equilibrium, but which requires a reorganisation of energy supplies, to contain possible diseconomies, limit cost fluctuations, and minimise impacts on utility tariffs.

The company's **Reclassified Income Statement**, compared with the one from the previous year, is shown below:

Reclassified INCOME STATEMENT (amounts €/1000)	Final balance		Δ Final balance 2022 / Final balance 2021
	2022	2021	
Revenues from Integrated Water Service	27,148	24,504	2,644
Revenues from miscellaneous services	216	206	10
<b>Total revenue from services</b>	<b>27,364</b>	<b>24,710</b>	<b>2,654</b>
Increase in Fixed Assets	1,792	1,480	312
Other revenues	2,821	1,832	989
<b>Total Revenues</b>	<b>31,977</b> 100%	<b>28,022</b> 100%	<b>3,955</b>
Purchase of materials	(1,759)	(1,637)	(122)
Purchase of services	(12,603)	(10,145)	(2,458)
Use of third party assets	(2,185)	(2,432)	247
Personnel costs	(10,041)	(8,969)	(1,071)
Other costs	(840)	(644)	(196)
<b>Total Costs</b>	<b>(27,428)</b>	<b>(23,828)</b>	<b>(3,600)</b>
<b>EBITDA</b>	<b>4,550</b> 14%	<b>4,194</b> 15%	<b>355</b>
Amortisation of Investments	(3,021)	(2,891)	(130)
Allocation to Provision for Bad Debts	(200)	(200)	0
Other Provisions	(361)	(393)	32
<b>Total Provisions</b>	<b>(3,582)</b>	<b>(3,484)</b>	<b>(98)</b>
<b>EBIT</b>	<b>968</b> 3%	<b>710</b> 3%	<b>258</b>
Net financial expenses	(516)	(410)	(106)
<b>Ordinary EBT</b>	<b>452</b> 1%	<b>300</b> 1%	<b>152</b>
Dividends	0	2,144	(2,144)
Extraordinary expenses	0	0	0
Extraordinary income	0	14,800	(14,800)
<b>Extraordinary management</b>	<b>0</b>	<b>16,944</b>	<b>(16,944)</b>
<b>EBT before tax</b>	<b>452</b> 1%	<b>17,244</b> 62%	<b>(16,792)</b>
Taxes	(14)	(246)	232
<b>Net Result</b>	<b>438</b> 1%	<b>16,998</b> 61%	<b>(16,561)</b>

The **Revenues of the Integrated Water Service** are determined with reference to the economic components guaranteed by the tariff regulation and refer to the tariff tool approved on 30 November 2022 by the EGA (Ente Gestione Ambito - Area Management Authority) of the Dolomiti Bellunesi Basin Council. The increase of EUR 2.6 million compared to the previous year is largely attributable to the mechanism for covering electricity costs, which almost doubled compared to 2021. On 21 February 2023, ARERA published Resolution No. 64/2023/R/IDR indicating the standard cost for 2022 as EUR 0.2855/kWh, a value that, with the effect of the accrued tax credit, allows the full recovery of the cost incurred.

The item **Increase in Fixed Assets** increased by EUR 312,000 as a result of higher capitalised internal costs on realised investments.

The item **Other revenues**, which increased by EUR 989,000 compared to the forecast figure, includes insurance compensation for EUR 360,000, income for bonuses related to the quality in the management of the Water Service in the years 2018 and 2019 for EUR 98,000, recognised to the Operator by ARERA in the current year, a contribution on the significant drought management expenses for EUR 128,000; it also includes income for the tax credit on electricity used for the Integrated Water Service for EUR 573,000.

As regards Costs, there was an increase in the item **Purchase of Services** of EUR 2.5 million over 2021, mainly related to the cost of electricity. The item also includes unforeseen expenses of about EUR 215,000, in connection with the cleaning and disposal operations that became necessary following a large diesel spillage in the Pieve di Cadore - Sottocastello purification plant in September, the causes of which remain unknown.

**Other costs** include adjustments of tariff revenues from previous years in the amount of EUR 254,000 as a result of the actual adjustments determined with the two-year tariff update.

**EBITDA** amounted to EUR 4.5 million, up year-on-year by EUR 355,000.

In relation to the Provisions:

- the **amortisation of Investments** increased by EUR 130,000;
- the **provision for bad debts** remained constant at EUR 200,000;
- **other Provisions** include prudential allocations for the risk of remodelling costs recognised in 2024, related to the electricity and gas tax credit (EUR 129,000), for charges related to the regularisation of water concession fees (EUR 88,000), for risks related to lawsuits and penalties (EUR 60,000), for technical quality penalty risk (EUR 54,000), and for the risk of sanctions for purification infringements (EUR 30,000).

**EBIT** amounted to EUR 1 million, an increase of EUR 258,000 over 2021.

**Net financial expenses** include interest income on past items collected with the surcharge for the recovery of the pre-2012 tariff adjustment credit, which amounted to EUR 139,000 in the year (EUR 199,000 in 2021); they also include higher interest expenses of EUR 146,000 related to the issuance of the HB4 bond and higher interest income of EUR 110,000 for the use of cash.

**EBT before tax** amounted to EUR 452,000. Taxes benefit from deductions for the capitalisation of the Company, which is particularly high in 2021 due to the capital gain from the sale of the shareholding in Ascotrade S.p.A., which, together with advance taxation, results in a minimised tax burden.

**Net profit** after tax amounted to EUR 438,000.

The **reclassified balance sheet** of the Company, compared to the previous year, is as follows:

Reclassified <b>BALANCE SHEET</b> (amounts €/'1000)	Final balance		Final balance		Δ Final balance 2022 / Final balance 2021
	31/12/2022		31/12/2021		
Tangible and intangible fixed assets	50,068		44,312		5,756
Financial fixed assets	345		342		3
<b>NET FIXED ASSETS</b>	<b>50,413</b>	91%	<b>44,654</b>	83%	<b>5,759</b>
Receivables from customers	8,591		9,143		(552)
Receivables from customers - tariff adjustment	3,487		5,791		(2,305)
Receivables from customers with VRG adjustment	3,092		2,412		680
Inventories	967		825		142
Deferred tax assets	1,132		1,086		45
Sundry receivables	2,919		2,899		20
<b>Current assets</b>	<b>20,188</b>		<b>22,157</b>		<b>(1,970)</b>
Trade payables	(9,117)		(7,719)		(1,398)
Tax payables	(346)		(276)		(70)
Sundry payables	(3,736)		(3,820)		84
<b>Current Liabilities</b>	<b>(13,200)</b>		<b>(11,816)</b>		<b>(1,384)</b>
<b>NET WORKING CAPITAL</b>	<b>6,988</b>	13%	<b>10,342</b>	19%	<b>(3,354)</b>
Provisions	(1,728)	-3%	(1,386)	-3%	(342)
<b>NET INVESTED CAPITAL</b>	<b>55,672</b>	100%	<b>53,610</b>	100%	<b>2,063</b>
Share Capital	(2,010)		(2,010)		0
Reserves	(57,236)		(40,238)		(16,998)
Net result	(438)		(16,998)		16,561
<b>SHAREHOLDERS' EQUITY</b>	<b>(59,683)</b>	107%	<b>(59,246)</b>	111%	<b>(438)</b>
Medium/long-term financial payables	(34,784)		(29,622)		(5,162)
Financial payables to Bim Belluno Infrastrutture	(1,218)		(1,621)		403
Medium/long-term financial receivables	6,724		5,650		1,075
Short-term financial payables	0		0		0
Cash	33,288		31,229		2,059
<b>NET FINANCIAL POSITION</b>	<b>4,011</b>	-7%	<b>5,636</b>	-11%	<b>(1,625)</b>
<b>SOURCES OF FUNDING</b>	<b>(55,672)</b>	100%	<b>(53,610)</b>	100%	<b>(2,063)</b>

The **Net Invested Capital** in 2022 shows an increase of EUR 2.1 million, distributed as follows:

- **Net Fixed Assets** increased by EUR 5.8 million due to new investments;
- **Net Working Capital** decreased by EUR 3.4 million, mainly in relation to the item Receivables from customers for tariff adjustments, down by EUR 2.3 million, offset by the increase in Receivables from customers for VRG adjustment of EUR 680,000 for tariff adjustment mechanisms;
- **Provisions**, with increased accruals of EUR 342,000.

**Sources of Financing** showed a similar increase, distributed as follows:

- **Shareholders' equity** increased by EUR 438,000 as a result of the profit for the year;
- **Net Financial Position** decreased by EUR 1.6 million compared to 2021, mainly as a result of the Hydrobond4 financing transaction carried out in 2022.

The **Net Financial Position**, compared to the previous year, is as follows:

<b>(amounts €/'1000)</b>	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>Change</b>
Bank and post office deposits	33,286	31,226	2,060
Cash at bank and in hand	2	3	(1)
<b>Cash and cash equivalents</b>	<b>33,288</b>	<b>31,229</b>	<b>2,059</b>
Short-term portion of financial receivables (within 12 months)	444	443	1
Short-term portion of medium- to long-term financing (within 12 months)	(3,959)	(4,745)	786
Short-term portion of loans to related parties (within 12 months)	(404)	(403)	(1)
<b>Net short-term financial debt</b>	<b>(3,919)</b>	<b>(4,705)</b>	<b>786</b>
<b>Short-term net financial position</b>	<b>29,369</b>	<b>26,523</b>	<b>2,845</b>
Medium/long-term financial receivables (over 12 months)	6,280	5,207	1,074
Medium/long-term financial payables (over 12 months)	(30,825)	(24,876)	(5,948)
Medium/long-term financial payables to Related Parties (over 12 months)	(813)	(1,218)	404
<b>Medium/long-term net financial position</b>	<b>(25,358)</b>	<b>(20,887)</b>	<b>(4,470)</b>
<b>Net financial position</b>	<b>4,011</b>	<b>5,636</b>	<b>(1,625)</b>

The positive **short-term net financial position** increased by EUR 2.8 million due to increased cash and cash equivalents and lower loan instalments to be repaid within 12 months.

The negative **medium/long-term net financial position** increased by EUR 4.5 million as a result of the Hydrobond4 transaction.

The **total net financial position** remains positive by EUR 4 million.

The net financial position includes the financial receivable from Consorzio Bim Piave Belluno for the disbursement in instalments of investment grants provided, as well as the financial payable to the related company Bim Belluno Infrastrutture S.p.A., originated with a loan take-over transaction, carried out as part of the contribution of the hydroelectric branch in 2014, which is being repaid according to the existing amortisation plan.

### Comparison with provisional data and industry analysis

The Articles of Association, in Title V, article 23 bis 'In-house providing engagements' provides that 'in-house' management is implemented through clear powers of management and control of the Shareholders' Meeting, guaranteeing 'similar control', i.e. the situation in which the granting body - in our case, each of the municipalities - operates as if it were using its own internal structure. To this end, the Articles of Association require the company to be equipped with instruments for planning, economic and financial control and shareholder involvement. The instruments provided consist of the Multi-Year Business Plan, the Annual Budget and the Half-Year Report, which, together with the Annual Financial Statements, guarantee the economic and financial control of the company's management.

Therefore, the comparison with the economic forecast data and sector analysis is presented.

### Comparison of the 2022 Income Statement with the 2022 Forecast Financial Statement

Reclassified INCOME STATEMENT (amounts €/'1000)	Final balance		Forecast Financial Statement		Δ Final balance 2022 / Forecast Financial Statement 2022
	2022		2022		
Revenues from Integrated Water Service	27,148		26,426	-	722
Revenues from miscellaneous services	216		196		20
<b>Total revenue from services</b>	<b>27,364</b>		<b>26,622</b>		<b>742</b>
Increase in fixed assets	1,792		2,050		(258)
Other revenues	2,821		1,451		1,370
<b>Total REVENUES</b>	<b>31,977</b>	100%	<b>30,123</b>	100%	<b>1,854</b>
Purchase of materials	(1,759)		(1,565)		(193)
Purchase of services	(12,603)		(10,748)		(1,855)
Use of third party assets	(2,185)		(2,274)		88
Personnel costs	(10,041)		(10,352)		312
Other costs	(840)		(500)		(340)
<b>Total Costs</b>	<b>(27,428)</b>		<b>(25,439)</b>		<b>(1,989)</b>
<b>EBITDA</b>	<b>4,550</b>	14%	<b>4,684</b>	16%	<b>(134)</b>
Amortisation of Investments	(3,021)		(3,080)		59
Allocation to Provision for Bad Debts	(200)		(200)		(0)
Other Provisions	(361)		(130)		(231)
<b>Total Provisions</b>	<b>(3,582)</b>		<b>(3,410)</b>		<b>(172)</b>
<b>EBIT</b>	<b>968</b>	3%	<b>1,274</b>	4%	<b>(306)</b>
Net financial expenses	(516)		(571)		54
<b>Ordinary EBT</b>	<b>452</b>	1%	<b>703</b>	2%	<b>(252)</b>
Extraordinary expenses	0		0		0
Extraordinary income	0		0		0
<b>Extraordinary management</b>	<b>0</b>		<b>0</b>		<b>0</b>
<b>EBT before tax</b>	<b>452</b>	1%	<b>703</b>	2%	<b>(252)</b>
Taxes	(14)		(240)		226
<b>Net Result</b>	<b>438</b>	1%	<b>463</b>	2%	<b>(26)</b>

The main changes in the Final Income Statement compared to the Forecast Income Statement 2022, approved in December 2021, are:

- an increase in **total REVENUES** of EUR 1.9 million, of which EUR 1.7 million due to the recognition of higher energy costs in the tariff;
- the increase in **total COSTS** by EUR 2 million, of which EUR 1.7 million due to higher energy costs;
- **EBITDA** decreased slightly (- EUR 134,000)
- the higher amount entered under **Other Provisions** (+EUR 231,000) lead to an **EBIT** EUR 306,000 lower than forecast;
- after taxes, which benefit from the effects of the significant capitalisation of the Company realised in 2021 and deferred tax assets, the Net Profit of EUR 438,000 is in line with the forecast figure (- EUR 26,000).

**Comparison of Income Statement 2022 by Sector on Forecast 2022**

Income statements by sector are derived from analytical accounting, which allows cost and revenue items to be attributed directly, if they specifically relate to the sectors themselves, and indirectly, if they are common to more than one or all sectors. This indirect allocation takes place on the basis of criteria that, as far as possible, coincide with those identified by ARERA for the obligations of accounting separation ('unbundling') already in place for companies operating in the electricity and gas sectors, and which from the 2016 financial statements, is also extended to the Water Service.

INCOME STATEMENT by sector amounts €/1000	Integrated Water Service		Networked LPG service		General services and other items		Total	
	Final 2022	Forecast 2022	Final 2022	Forecast 2022	Final 2022	Forecast 2022	Final 2022	Forecast 2022
Revenues from Integrated Water Service	27,148	26,426	0	0	0	0	27,148	26,426
Revenues from miscellaneous services	0	0	200	196	16	0	216	196
<b>Total revenue from services</b>	<b>27,148</b>	<b>26,426</b>	<b>200</b>	<b>196</b>	<b>16</b>	<b>0</b>	<b>27,364</b>	<b>26,622</b>
Increase in fixed assets	1,760	2,050	0	0	32	0	1,792	2,050
Other revenues	2,128	851	4	6	689	594	2,821	1,451
<b>Total Revenues</b>	<b>31,036</b>	<b>29,327</b>	<b>204</b>	<b>202</b>	<b>737</b>	<b>594</b>	<b>31,977</b>	<b>30,123</b>
Purchase of materials	(1,287)	(1,099)	(109)	(94)	(363)	(373)	(1,759)	(1,565)
Purchase of services	(10,558)	(8,757)	(35)	(51)	(2,010)	(1,940)	(12,603)	(10,748)
Use of third party assets	(1,793)	(1,867)	(8)	(8)	(385)	(399)	(2,185)	(2,274)
Personnel costs	(7,656)	(8,022)	0	0	(2,385)	(2,330)	(10,041)	(10,352)
Other costs	(690)	(401)	(2)	(2)	(148)	(97)	(840)	(500)
<b>Total Costs</b>	<b>(21,982)</b>	<b>(20,146)</b>	<b>(154)</b>	<b>(154)</b>	<b>(5,291)</b>	<b>(5,139)</b>	<b>(27,428)</b>	<b>(25,439)</b>
<b>EBITDA (gross of general services)</b>	<b>9,054</b>	<b>9,180</b>	<b>50</b>	<b>48</b>	<b>(4,555)</b>	<b>(4,545)</b>	<b>4,550</b>	<b>4,684</b>
Amortisation of Investments	(2,647)	(2,834)	(9)	(7)	(364)	(238)	(3,021)	(3,080)
Allocation to Provision for Bad Debts	(200)	(200)	0	0	0	0	(200)	(200)
Other Provisions	(338)	(130)	0	0	(23)	0	(361)	(130)
<b>Total Provisions</b>	<b>(3,185)</b>	<b>(3,164)</b>	<b>(9)</b>	<b>(7)</b>	<b>(387)</b>	<b>(238)</b>	<b>(3,582)</b>	<b>(3,410)</b>
<b>EBITDA (gross of general services)</b>	<b>5,868</b>	<b>6,016</b>	<b>41</b>	<b>41</b>	<b>(4,942)</b>	<b>(4,783)</b>	<b>968</b>	<b>1,274</b>
General services expenditure share	(4,920)	(4,771)	(34)	(32)	4,954	4,803	0	0
<b>EBIT (net of general services)</b>	<b>949</b>	<b>1,246</b>	<b>7</b>	<b>8</b>	<b>12</b>	<b>20</b>	<b>710</b>	<b>1,274</b>
Net financial expenses							(516)	(571)
<b>Ordinary EBT</b>							<b>452</b>	<b>703</b>
Extraordinary expenses							0	0
Extraordinary income							0	0
<b>Extraordinary management</b>							<b>0</b>	<b>0</b>
<b>EBT before tax</b>							<b>452</b>	<b>703</b>
Taxes							(14)	(240)
<b>Net Result</b>							<b>438</b>	<b>463</b>

The integrated water service presents a balanced management, although with reduced margins in the face of critical situations.

The LPG service in local networks maintains a delicate equilibrium, due to the synergies achieved by assigning the technical and administrative management to the related company BIM Belluno Infrastrutture S.p.A., which can avail itself of the personnel assigned to methane gas distribution. Looking ahead, following the handover of methane gas distribution to the new operator Italgas, expected by June 2023, it will be necessary to identify a new management model for this service that will guarantee its economic-financial balance.

The breakdown of operating revenues between the Integrated Water Service and other sectors is as follows:

Sectors	2022	2021
Revenues from Integrated Water Service	97%	96%
Revenues from other sectors	3%	4%



In 2022, the weight of the revenues of the integrated water service, compared to those realised in the other sectors, shows a slight increase (+1%). The revenues of Other segments relate to LPG distribution and service activities for other entities.

### Comparison of the 2022 Income Statement of the Integrated Water Service with the 2021 Final Balance

<b>INCOME STATEMENT Integrated Water Service</b> amounts €/1000	<b>Final 2022</b>		<b>Final 2021</b>		<b>Δ Final balance 2022 / Final balance 2021</b>
Revenues from Integrated Water Service	27,148		24,504		2,644
Revenues from miscellaneous services	0		0		0
<b>Total revenue from services</b>	<b>27,148</b>		<b>24,504</b>		<b>2,644</b>
Increase in fixed assets	1,760		1,480		294
Other revenues	2,128		967		1,147
<b>Total Revenues</b>	<b>31,036</b>	<b>100%</b>	<b>26,951</b>	<b>100%</b>	<b>4,085</b>
Purchase of materials	(1,287)		(1,161)		(126)
Purchase of services	(10,558)		(8,123)		(2,434)
Use of third party assets	(1,793)		(2,065)		272
Personnel costs	(7,656)		(6,755)		(901)
Other costs	(690)		(531)		(159)
<b>Total Costs</b>	<b>(21,982)</b>		<b>(18,636)</b>		<b>(3,346)</b>
<b>EBITDA (gross of general services)</b>	<b>9,054</b>	<b>29%</b>	<b>8,316</b>	<b>31%</b>	<b>739</b>
Amortisation of Investments	(2,647)		(2,545)		(102)
Allocation to Provision for Bad Debts	(200)		(200)		0
Other Provisions	(338)		(393)		55
<b>Total Provisions</b>	<b>(3,185)</b>		<b>(3,138)</b>		<b>(47)</b>
<b>EBITDA (gross of general services)</b>	<b>5,868</b>	<b>19%</b>	<b>5,177</b>	<b>19%</b>	<b>691</b>
General services expenditure share	(4,920)		(4,507)		(413)
<b>EBIT (net of general services)</b>	<b>949</b>	<b>3%</b>	<b>670</b>	<b>2%</b>	<b>279</b>

The income statement of the Integrated Water Service in 2022 reflects the same dynamics already commented for the overall income statement, representing 97% of the company's business.

Indirectly allocated costs are up by EUR 413,000 compared to 2021, in connection with the general increase in costs.

EBIT net of general services is still positive at EUR 949,000, up from the previous year.

## Information on the environment and personnel

Taking into account the social role of the company, as also highlighted in the Report on Operations document of the National Institute of Chartered Accountants, it is deemed appropriate to provide the following information regarding the environment and personnel, as well as to extend monitoring and supervisory activities.

### Environment

During the 2022 financial year, there were two incidents involving diesel spills at sewage treatment plants, in which the prompt intervention of the operating teams prevented damage to the environment. It should be noted that all activities, and in particular those in the wastewater sector, are subject to systematic environmental supervision as a legal obligation. In this context, even single incidents of non-compliance with the parameters trigger corrective actions; in some circumstances, administrative dispute reports may be issued to the external persons in charge and/or to the Company, which, if they are not dismissed, result in the issuance of injunctions and the payment of the relevant penalty, without prejudice to any appeal.

### Personnel

During 2022, there were three minor occupational accidents, one of which was a commuting accident, while there were no charges for occupational illnesses of employees and no work-related cases. In order to increase the qualification of its personnel, the company continues to conduct significant safety, specialised and soft skills training courses.

## Investments

The following gross investments were made during the financial year 2022:

Fixed assets	Acquisitions during the year
Third-party plant maintenance	6,419,671
Plant and machinery	1,564,579
Industrial and commercial equipment	1,013,048
Fixed assets in progress	2,383,694
Software (user licences)	422,979
Other investments	598,544
<b>Overall total</b>	<b>12,402,515</b>

Investments in the Integrated Water Service are strictly related to the forecast of the Works Plan approved by the Dolomiti Bellunesi Basin Council, as part of the tariff determinations for the end of 2020; in 2022 they amount to a total of EUR 12.4 million, of which EUR 2.4 million related to works still in progress at year-end.

In this regard, it should be noted that the provisional investments considered in the Forecast Financial Statement for the year 2022 drawn up at the end of 2021 and compared in this Report is based on a Works Programme that, in 2022, was subject to major revisions by the Basin Council.

The following grants accrued in respect of the investments made by the Company:

Type of grant	Amount pertaining to the financial year
FoNI grants	3,066,157
VAIA emergency grants	286,713
Connection grants from Users	243,209
Grants for joint work by municipalities	15,373
Grants from CdB	4,600
<b>Overall total</b>	<b>3,616,052</b>

The net investment expenditure borne by the company thus amounted to EUR 8.8 million.

The final figure is shown below with a comparison of the forecast figure and the change for each type of investment.

Investment description (amounts in €/1000)	Final Balance 2022	Forecast Financial Statement 2022	Change
Major SII works	4,112	13,751	(9,639)
Minor SII extraordinary maintenance	6,619	3,080	3,539
Capital goods	1,172	716	456
<b>TOTAL Area Plan investments</b>	<b>11,902</b>	<b>17,548</b>	<b>(5,646)</b>
"Vaia" investments - SII (with advance payment by the Operator)	484	2,028	(1,544)
"ASCO" investments - SII, hydropower, photovoltaics	-	0	0
LPG investments (connections and meters and capital goods)	16	6	10
<b>TOTAL Company investments</b>	<b>12,403</b>	<b>19,582</b>	<b>(7,179)</b>

Compared to the forecast, there was a negative variance of EUR 7.2 million in the investments realised in 2022. This situation was mainly caused by external factors, such as:

- time variations incorporated in the Works Programme approved by the Basin Council in the year 2022 and/or modification of the financing source (PNRR) for a total amount of approximately EUR 3 million;
- increased costs, resulting in the re-approval of economic frameworks and longer authorisation times for a total amount of approximately EUR 2.4 million;
- rescheduling of expenses for joint works carried out by the Member Municipalities, amounting to approximately EUR 300,000;
- delays in implementation, with completion expected by the year 2023, amounting to approximately EUR 550,000;
- lower implementation costs compared to the project estimate, amounting to EUR 150,000;
- rescheduling of "Vaia" interventions amounting to EUR 800,000.

Note should also be taken of the increasing duration of authorisation procedures, especially in connection with the issue of the search for and elimination of parasite water in sewers conveyed to purification plants, which has resulted in countless requests for in-depth studies by the Province of Belluno, especially with reference to the design of purification plants (Belluno Marisiga, Cortina, Val di Zoldo, etc.); lastly, there was little, and in some cases no, participation in tenders, due to the sudden fluctuation in prices and the constant change in the economic context, which also led to the need to renegotiate contracts (the case of the Borca di Cadore purification plant).

### Research and development activities

Pursuant to art. 2428, paragraph 2, no. 1, of the Italian Civil Code, it is reported that in 2022, activities continued to improve and make internal management processes more efficient, through the implementation of projects aimed at the systemic collection of telemetry data; in particular, these are detection systems (data loggers) of process measurements installed on some water supply systems, for monitoring water districts and the creation of controlled pressure areas, and on sewage systems for monitoring the activation of flood spillways for environmental purposes. This project is integrated with the one that envisages the implementation of an integrated data collection software system, as part of the development of an asset management strategy, which will make available, according to a transversal services approach, different and multiple integrated databases, as a final tool to support decision-making and planning of asset replacement/renewal. In addition, the digitisation of water management, remote meter reading (smart metering) and Geoweb-GIS integration with other company systems (Net@2A, SAP, WFM) continues.

### Transactions with subsidiary, associated, parent and related companies

The following transactions were conducted with related companies and entities during the year.

Transactions with the related company **BIM Belluno Infrastrutture S.p.A.** mainly concern the administrative, financial, personnel, IT, commercial, logistics, security and technical services performed by BIM Gestione Servizi Pubblici S.p.A. on the basis of a specific service contract, as well as the take-over of a loan as part of the contribution of the hydroelectric branch in 2014, while BIM Belluno Infrastrutture S.p.A. managed the LPG distribution and energy efficiency certificate trading services on behalf of the related company.

These reports are summarised as follows:

Company	Receivables	Payables	Revenues	Costs
<b>BIM Belluno Infrastrutture S.p.A.</b>	40,118	1,265,616	421,892	75,507

The amount of the taken-over loan to the related company is EUR 1,217,617 as of 31/12/2022.

Relationships exclusively of a financial nature are in place with **Consorzio BIM Piave Belluno**, relating to grants obtained disbursed in instalments, summarised as follows:

Company	Receivables	Payables	Revenues	Costs
<b>Consorzio BIM Piave Belluno</b>	2,960,612	-	17,044	-

All the above transactions, which do not include any atypical or unusual transactions, are governed by normal market conditions.

### Treasury shares and shares/stakes in parent companies

The Company does not hold any treasury shares.

## Disclosure of risks and uncertainties pursuant to art. 2428, par. 2, point 6-bis, of the Italian Civil Code

Pursuant to art. 2428, paragraph 2, point 6-bis of the Italian Civil Code, below we provide information on the use of financial instruments, insofar as they are relevant to the valuation of the balance sheet and financial situation.

### Credit risk

In terms of credit granted, the ratio between the volume of credits and turnover at 31 December 2022 remained high (56%, an improvement on the 71% of the previous year), still being affected by pre-2012 tariff dynamics, which determine a credit for past items equal to 23% of the credits shown in the financial statements, and by the tariff dynamics linked to external cost adjustments provided for by the current tariff method, which determine a credit for VRG adjustments equal to 20% of the credits shown in the financial statements. Net of these impacts, the ratio of credit volume to turnover is 32%.

With regard to the risk of insolvency due to the general economic situation resulting from the pandemic, the Company continued to manage credit recovery policies by negotiating extensions and instalments. No particular critical issues are noted.

### Liquidity risk

The Company maintains a positive financial position, amounting to EUR 4 million as at 31/12/2022, following the sale in 2021 of the shareholding in Ascotrade S.p.A..

A large part of the liquidity is invested in capital-guaranteed financial instruments, with adjustments allowing for easy disinvestment in case of need. The Company has adopted a liquidity management regulation that aims to establish, in an increasing order of priority and relevance, the following key points to be considered and observed in the management of corporate liquidity:

1. investment classifiable within the NFP (cash equivalent or listed instruments);
2. risk characterisation, which must be close to 'zero';
3. flexibility and ease of disinvestment at limited costs;
4. economic performance;
5. simplicity of accounting;
6. ethicality;
7. spill-over effects on the territory.

The tariff mechanisms also make amounts available to finance investments related to the amount of planned expenditure (in 2022, EUR 3.1 million).

The company is therefore financially well structured.

### Financial Covenants

In the subscription contracts for the two new Hydrobonds 4, the following covenants are provided for, which, for the year 2022, are largely fulfilled:

- **EBITDA/Financial Costs** which was **6.6** compared to the required  $\geq 2.50$  from 2021 to 2024 inclusive; from 2025 to the maturity date, the index must assume a value  $\geq 3.50$ ;
- **N.F.P./EBITDA** which was **0.63** compared to the required  $\leq 6.00$  from 2021 to 2024 inclusive; from 2025 to 2026 inclusive, the index shall take a value  $\leq 6.50$ , while from 2027 inclusive to the maturity date the index shall take a value  $\leq 7.50$ .
- **N.F.P./Fixed Capital**, which was **4.81%** compared to the required  $\leq 50\%$  from 2021 to 2030; from 2031 inclusive to the maturity date, however, the index must assume a value  $\leq 60\%$ .

It should be noted that on 8 February 2022, a Bondholders' Meeting was held that resolved on the amendment of the Regulations of the Hydrobonds 1 issued in 2014 and Hydrobonds 2 issued in 2016, in order to align the financial covenants of the latter with the Regulations of the new bonds, with the aim of ensuring the same protection for creditors.

## Market risk

It should be noted that, in general, business activity in the integrated water service is affected by specific risks related to the characteristics of the market subject to the tariff method. The tariff system includes, in principle, adjustment mechanisms that do not make alternative risk management assumptions relevant. The risk management policies are, again, of a predominantly operational nature, in the sense that the continuous compliance of the company's standards with the tariff model must be monitored in order to avoid the presence of costs that are not recognisable when updating tariffs.

## Significant events after the close of the year

The Company is in the process of defining a merger project with the related company Bim Belluno Infrastrutture S.p.A., following the exit of the methane gas distribution branch, which is expected to be finalised in June 2023. The path for the merger by incorporation of the residual activities, consisting of hydroelectric production from micro-power plants and of the district heating service in the municipality of Santo Stefano di Cadore, was illustrated at the Shareholders' Meeting of 3 February 2023 and discussed in detail in special meetings in Valley Meetings convened by the Comuni BIM Piave Consortium, as well as in individual meetings requested by some municipalities. The Shareholders' Meeting of 22 March 2023 resolved to initiate the merger project, requesting that it be accompanied by a business plan in which the objectives and projects pursued with the extraordinary merger operation are set forth, as well as a clear indication of the destination of the proceeds from the gas tender and the projects and investment areas in which the corporate assets from BIM Belluno Infrastrutture S.p.A. will be used.

## Business Outlook

Some critical issues that impacted 2022 may affect the company's operations in the year 2023:

- general increase in prices, with the consequent risk of not sourcing sufficient economic operators capable of carrying out the Company's activities;
- specific difficulties in guaranteeing the supply of drinking water due to the drought, accentuated by the high level of leaks.

In this context, an increase in the Company's commitment to investment planning, through the drafting of large-scale feasibility studies, is all the more necessary to verify various technical-economic scenarios and make the most appropriate decisions, based on the most objective elements possible.

The Company's commitment shall be directed towards the investments planned in the Works Programme approved by the Basin Council, in particular those to be realised with the funds obtained from the NRP, as well as the investments to be realised with the funds made available for the VAIA emergency.

The Company shall also initiate investments with the funds deriving from the sale of shares in Ascotrade, as resolved by the Shareholders' Meeting and, if impacting the Integrated Water Service, in agreement with the Basin Council.

The forecast for 2023 therefore outlines a further commitment by the Company to carry out the planned works, with a focus on finding new sources of support for investments to be made in subsequent years.

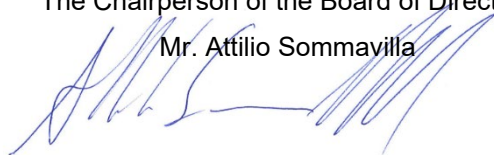
**Allocation of profit for the year**

**Dear Shareholders,**

in light of the foregoing, we submit the Financial Statements for the year ended 31 December 2022 for your examination and approval, proposing that the profit for the year of EUR 437,573 be allocated entirely to the extraordinary reserve, as there is no need to allocate it to the legal reserve, which has already reached the minimum amount required by law.

Belluno, 27 March 2023

Bim Gestione Servizi Pubblici S.p.A.  
The Chairperson of the Board of Directors  
Mr. Attilio Sommayilla







# BIM GESTIONE SERVIZI PUBBLICI SPA

Registered office in Belluno - Via Tiziano Vecellio no. 27/29

Fully paid-in share capital EUR 2,010,000 Entered in the  
Belluno Register of Companies under no. 00971870258 Tax  
code 00971870258

## REPORT OF THE BOARD OF STATUTORY AUDITORS ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2022

PURSUANT TO ARTICLE 2429, PARAGRAPH 2, OF THE ITALIAN  
CIVIL CODE

To the shareholders of the company: **Bim Gestione Servizi Pubblici spa**.

### ■ **Introduction**

During the financial year ended 31 December 2022, our activities were based on the provisions of the law and the Rules of Conduct for the Board of Statutory Auditors of Unlisted Companies issued by the National Institute of Chartered Accountants, published in December 2020 and in force since 1 January 2021.

We inform you of these activities and the results achieved in this report.

The financial statements of Bim Gestione Servizi Pubblici S.p.A. as at 31/12/2022, prepared in accordance with the Italian regulations governing their preparation, have been submitted for your examination, and show a profit for the year of EUR 437,573.00. The financial statements were made available to us within the legal deadline.

The Board of Statutory Auditors, not being entrusted with the statutory audit, carried out the supervisory activities on the financial statements provided for in Rule 3.8. of the 'Rules of Conduct for the Board of Statutory Auditors of Unlisted Companies' consisting of an overall summary control aimed at verifying that the financial statements have been correctly drawn up. Verification of compliance with the accounting data is, in fact, the responsibility of the independent auditors.

Please recall that the auditing function, pursuant to Article 2409 bis of the Italian Civil Code, is carried out by the company 'Ria Grant Thornton spa' for the three-year period 2020, 2021 and 2022, as per the shareholders' resolution of 1 July 2020.

According to the report of the independent auditors, the financial statements as at 31/12/2022 give a true

and fair view of the financial position, results of operations and cash flows of your Company and have been prepared in accordance with the Italian regulations governing their preparation.

■ **Supervisory activities**

We have monitored compliance with the law and the articles of association and observance of the principles of proper administration and, in particular, the adequacy of the organisational structures, the administrative and accounting system adopted and its actual functioning.

During the period from 1 January 2022 to 31 December 2022, we attended the Shareholders' Meetings at which, in relation to the transactions approved, on the basis of the information obtained, no violations of the law or the articles of association were found, nor were there any transactions that were manifestly imprudent, risky, in potential conflict of interest or such as to compromise the integrity of the company's assets.

We have obtained information from the Board of Directors, during the meetings held, regarding the company's operations on which we have no particular observations to report.

We also obtained from the Board of Directors or delegated persons, during the meetings held, information on the general performance of operations and their foreseeable evolution, as well as on the most significant transactions, due to their size or characteristics, carried out by the company.

The Board also participated in the meetings of the Board of Directors.

In particular, the year 2022 was managed in continuity with the previous year, consolidating the results achieved previously, the volumes billed remained substantially stable and the composition of withdrawals by user category returned to pre-pandemic levels.

At income statement level, the increase in revenues is largely due to the presence of higher external costs (electricity) for which recognition in the tariff is envisaged, which in 2022 were fully covered by Arera's regulatory forecasts, in addition to the related tax credit. The gross operating margin (EBITDA), EUR 4,550,000.00, is slightly up from the previous year (EUR 355,000.00), while the operating profit (EBIT), EUR 968,000.00, is also up slightly from the previous year (EUR 258,000).

The net profit for the year of EUR 437,573.00 is determined by ordinary operations and financial operations, as there are no extraordinary items such as the capital gain from the sale of Ascotrade shares in 2021.

From a financial point of view, the net financial position remains positive in the amount of EUR 4,011,000.00, even though it decreased by EUR 1,625,000.00 compared to the financial year 2021.

As far as collections are concerned, payment times are still slightly higher than in the pre-Covid period on average, although the situation is clearly improving.

Compared to the previous year, the ratio of equity to total debt further improved, with shareholders' equity reaching EUR 59.6 million.

During the year, the acquisition of sources of financing also continued, favouring medium- to long-term ones, with the finalisation of subscription to the Hydrobond 4 bond issue in execution of the resolution of the Extraordinary Shareholders' Meeting of 23 December 2021, for a total of EUR 10 million.

We have acquired knowledge and supervised, for matters within our competence, the adequacy and functioning of the organisational structure of the company, including by collecting information from department managers. In this regard, it should be recalled that, in execution of the mandate given by the Shareholders' Meeting of 1 July 2020 to the new Board of Directors to strengthen the company's operational structure to cope with the greater investments expected to be made over the coming years, which were quantified in the plan approved by the Basin Council at the end of 2020, the adoption of a new organisational model has begun, with the redistribution of responsibilities and the establishment of new functions, the application of renewed process methods in the planning, control and execution phases, and the enhancement of human resources. In this context, the new organisational model identified, made operational from September 2021, is aimed at fostering the empowerment of individuals and teamwork with the objective of building an organisation characterised by positive and shared values. In this regard, the internalisation of the purification service was completed in 2022.

It should be noted that the organisational structure was put to the test in 2022 by the drought emergency with all its related problems and reacted positively, also managing to obtain the award of an extremely large share of PNRR (national recovery and resilience plan) funds on the project to reduce leaks in the water supply network.

We have examined the reports of the supervisory body and no critical issues have arisen with regard to the proper implementation of the organisational model that need to be highlighted in this report.

We acquired knowledge and monitored, for matters within our competence, the adequacy and functioning of the company's administrative-accounting structure, and its reliability in correctly representing operating events, by obtaining information from the department managers, from the independent auditors and an examination of company documents and, in this regard, we have no particular remarks to make.

No complaints were received pursuant to Article 2408 of the Italian Civil Code.

During the course of the supervisory activity, as described above and documented in the relevant minutes, no other significant facts emerged that would require mention in this report.

#### ■ **Financial statements**

We have examined the draft financial statements for the year ended 31/12/2022, made available to us according to the



terms set forth in Article 2429 of the Italian Civil Code on which we report the following.

Since we were not entrusted with the independent audit of the financial statements, we oversaw the general approach given to them, their general compliance with the law with regard to their formation and structure.

We have no particular observations to report.

We verified compliance with the legal regulations regarding the preparation of the report on operations and, in this regard, we have no particular remarks to make.

To the best of our knowledge, the Board of Directors, in drafting the financial statements, has not departed from the provisions of the law pursuant to Article 2423, paragraph 4, Italian Civil Code.

- **Conclusions**

Also considering the findings of the work performed by the independent auditor contained in the audit report on the financial statements, which has been made available to us, the board of statutory auditors proposes the shareholders' meeting to approve the financial statements for the year ended 31/12/2022, as prepared by the administrative body.

The Board of Statutory Auditors agrees with the proposal for the allocation of the result for the year formulated by the directors in the explanatory notes.

*Belluno, 14 April 2023*

**The Board of Statutory Auditors**

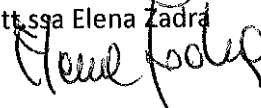
Dott. Mario De Poli



Dott. ssa Michela Marrone



Dott. ssa Elena Zadra







**BIM GESTIONE SERVIZI PUBBLICI S.P.A.  
CORPORATE GOVERNANCE REPORT  
(ex Art. 6(4) TUSP)**

BIM Gestione Servizi Pubblici (hereinafter GSP) is an *in-house* fully publicly owned company of 62 municipalities in the Province of Belluno. Therefore, the regulations of the Consolidated Law on State-owned Enterprises (Legislative Decree 175/2016), Article 6(4) of which provides for the preparation of a corporate governance report.

The contents of this report are precisely laid down in paragraphs 2 and 3 of the same article, which are reproduced below:

*"2. Publicly owned companies prepare specific corporate crisis risk assessment programmes and inform the shareholders' meeting thereof as part of the report referred to in paragraph 4.*

*3. Without prejudice to the functions of the supervisory bodies provided for by law and by the articles of association, publicly owned companies assess the appropriateness of supplementing their corporate governance instruments with the following, taking into account their size and organisational characteristics as well as the activity performed:*

- a) internal regulations aimed at ensuring compliance of the company's activities with competition protection rules, including those on unfair competition, as well as rules on the protection of industrial or intellectual property;*
- b) an internal audit office structured according to criteria of appropriateness with respect to the size and complexity of the social enterprise, which cooperates with the statutory auditing body, promptly responding to requests from the latter, and periodically submits reports to the statutory auditing body on the regularity and efficiency of management;*
- c) own codes of conduct, or adherence to collective codes of conduct regulating business conduct towards consumers, users, employees and associates, as well as other bearers of legitimate interests involved in the company's business;*
- d) corporate social responsibility programmes, in accordance with the recommendations of the European Union Commission'.*

Below are the assessments carried out regarding, firstly, corporate risk assessment and, secondly, corporate governance instruments.

## **1. Corporate crisis risk assessment.**

As is well known, Article 6(4) of the TUSP requires '*publicly owned companies to prepare specific corporate crisis risk assessment programmes and inform the shareholders' meeting thereof in the report referred to in paragraph 4*'.

In order to assess this risk, the main profitability and financial indicators were examined, and the figures for the last three financial years were verified, and some of the 'alarm thresholds' recommended by utility trade associations were examined.

The indicators under review are listed and commented on below.

### **ROE (Return on equity)**

ROE = (Net profit/shareholders' equity) %

In order to evaluate a company, it is not sufficient to consider only the economic result in absolute terms, but the economic result must always be considered in relation to the capital employed.

ROE expresses the same concept: it indicates the return on EUR 100 of capital invested in the company.

In order to be able to say whether a given ROE value is positive or negative, it has to be compared with the return of alternative low-risk investments (BOT, BTP, etc.).



ROE can be considered satisfactory if it is at least 3 or 4 %points higher than the rate of return on low-risk investments.

The difference between 'safe' alternative investments (BOT, BTP, etc.) and the ROE value is called the 'risk premium' as it 'rewards' a risky investment. If the risk premium were 0, it would make no sense to invest in the risky business (a company) as it is possible to obtain the same return without risking anything.

In the last three financial years, including 2022, the following values were recorded for GSP:

<b>ROE GSP</b>		
Year 2020	Year 2021	Year 2022
5.34%	28.69%	0.73%
<b>Average BOT yield<sup>1</sup></b>		
Year 2020	Year 2021	Year 2022
-0.117%	-0.467%	-0.444%
<b>Average BPT yield<sup>2</sup></b>		
Year 2020	Year 2021	Year 2022
1.28%	1.02%	3.04%

The ROE, which in previous years was influenced by the result from extraordinary operations, which, especially in the year 2021, recorded an exceptional result due to the capital gain from the sale of the shareholding in Ascotrade S.p.A., as well as the dividends distributed by the same - settled at values to be considered more in line with those deriving from the company's core business, i.e., the Integrated Water Service, which reflects the principle of "full cost recovery", but does not guarantee - nor is it expected to do so - the expected returns of private industrial management.

### **ROS (return on sales)**

ROS = (Operating profit/sales revenue) %

ROS expresses the percentage of gross operating profit per EUR 100 of net sales. The higher the ratio, the more satisfactory it is. ROS increases as revenues increase and costs decrease. Revenues can be grown either by increasing the sales volume or by raising sales prices.

The R.O.S. Ratio can take on the following values:

R.O.S. = greater than zero

It means that a portion of revenue is still available after all costs relating to the core business have been covered. It expresses the ability of revenues from ordinary operations to help cover extraordinary costs, such as financial charges and taxes, and to produce a reasonable profit as a return on equity.

<sup>1</sup> Weighted average 12-month BOT rate (Ministry of the Treasury data, January 2022 auction).

<sup>2</sup> Average interest rate of 10-year Treasury bonds (Ministry of the Treasury)





#### R.O.S. = zero

The remunerative capacity of the core revenue stream is limited to covering only the costs of core operations. In this case, the coverage of financial expenses and taxes and the occurrence of a profit depend on the presence of extraordinary resources, such as financial income.

#### R.O.S. = negative

The inability of core revenues to cover the costs of core operations is reported, as well as, of course, financial costs, taxes and return on equity. This is a symptom of a very serious production and management crisis.

In the last three financial years, including 2022, the following values were recorded for GSP:

<b>ROS GSP</b>		
Year 2020	Year 2021	Year 2022
5.14%	2.87%	3.54%

The evolution of the figure signals a positive leap compared to the previous year, with a healthy revenue margin after the coverage of all costs relating to core operations.

### **Incidence of extraordinary operations**

Incidence of extraordinary operations = (profit for the year/EBIT)

This indicator expresses the incidence of extraordinary operations on EBIT, or the amount of net profit per EUR 100 of EBIT. The difference between EBIT and the economic result is due largely to financial management.

This ratio indicates how much net profit remains from operating profit after interest expense, financial events and taxes.

It highlights the influence of financial and tax management on the result for the year; if these operations have a negative impact on the formation of income, as frequently occurs, the result of this ratio will be <1.

A ratio of 1 (operating profit = profit for the year) highlights (quite a rare case) neutrality or the absence of financial and tax management.

In the years 2020 and 2021, the incidence of extraordinary operations >1 was due to the positive result of extraordinary operations, with reference to the dividends received over the years from the investee Ascotrade S.p.A., augmented in 2021 by the proceeds deriving from the sale of the relevant shareholding.

In 2022, the figure settled at more contained values due to the typical trends of the Integrated Water Service, already outlined previously.

<b>Incidence of extraordinary operations</b>		
Year 2020	Year 2021	Year 2022
1.80	23.94	0.45



### Debt ratio. LEVERAGE

Leverage = (Net Invested Capital/Shareholders' Equity)

Leverage is an economic ratio of corporate profitability.

The lower the equity (denominator of the formula) in relation to total loans, the higher the debt and the higher the ratio. In general, the lower the ratio, the more satisfactory it is.

Leverage shows how the company manages to finance its investments and in particular whether it is predominantly equity or debt capital.

The debt ratio is also called leverage (leverage effect) because the presence of debt can implement a positive or negative financial multiplication of profitability.

Leverage		
Year 2020	Year 2021	Year 2022
1.78	1.19	1.24

The ratio under review for GSP showed a slight increase during the last financial year, but essentially in line with the previous one.

### Financial independence ratio

Financial independence ratio = (Shareholders' Equity/Total Financing) %

The financial independence ratio expresses the ratio of shareholders' equity to total financing. Financial independence increases as net equity increases. A ratio of 100% indicates that all financing is equity.

A ratio below 33% indicates low financial independence and a heavy financial structure; values between 33 and 55 indicate a financial structure that needs to be kept under control; values between 55 and 66 indicate a satisfactory structure; values above 66 indicate considerable possibilities for development.

In the case of GSP, the situation involves much higher values, indicating a positive financial situation with an optimal trend.

Financial independence ratio		
Year 2020	Year 2021	Year 2022
126.46%	200.01%	171.58%

### Alarm thresholds

The contributions made by the guidelines of the trade associations within the public utilities (Utilitalia), identify certain alarm thresholds, to be verified over the last three financial years, including: Negative operating result, operating losses that erode shareholders' equity, doubts as to the company's ability to continue as a going concern raised by the board of statutory auditors or the independent auditing firm in their respective reports on the financial statements, etc.

None of these eventualities occurred (as can be easily verified from the approved financial statements and those pending approval) with regard to GSP's situation.

### Performance analysis



The assessments conducted so far can be supplemented by CRIF's assessments and the trend in the relevant rating assigned over time.

Since 1996, the Centrale Rischi Finanziari (CRIF - central credit registry) was established by CICR resolution of 29/03/1994. The first and only Italian company, on 23 December 2011, CRIF obtained from Consob - the Competent Authority for Italy - and from ESMA - the new European Financial Markets Authority - registration as a Credit Rating Agency (CRA), in accordance with EC Regulation No. 1060/2009 of 16 September 2009, which regulates the operation of credit rating agencies at EU level. CRIF's ratings are therefore recognised and usable in all EU countries and adhere to the principles of objectivity, independence, quality and transparency required by the European Regulation. CRIF's ratings for GSP show the following trend, with continuity in 2022:

CRIF rating		
Year 2020	Year 2021	Year 2022
BB outlook stable	BB+ stable outlook	BB+ stable outlook

*In conclusion, all the indicators taken into account show that GSP has a healthy management situation and there is no risk of a corporate crisis.*

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## **2. Corporate governance instruments.**

The main corporate governance instruments are provided for in the Articles of Association and are functional to GSP's nature as an *in-house* company.

Articles 22 and 23 of the Articles of Association, in fact, provide, respectively, for the appointment of atypical, unpaid advisory and control bodies, such as the Coordination Committee, made up of representatives of the shareholding structure distributed throughout the territory, and the adoption of additional control instruments in favour of the Shareholders' Meeting with respect to the classic Financial Statements.

Article 22 of the Articles of Association, in particular, which was implemented by the Shareholders' Meeting with the creation of the Coordination Committee, attributes the following functions to this atypical body:

- a) - hearings of the Company's top management bodies, also with a view to verifying the adequacy of the organisational structure adopted as well as its actual functioning in the best pursuit of the corporate purpose;
- b) - formulation of opinions, guidelines, suggestions and other similar collaborative contributions with regard to the administrative approach of the Company;
- c) - prior scrutiny, with a view to the early preparation of possible observations and proposals, of the acts of the Administrative Body that will be submitted to the Meeting and the Shareholders;
- d) - forwarding of requests for information and acquisition of documents to the Administrative Body on matters relating to the planning and performance of services;
- e) - promotion of information initiatives and fact-finding methods that guarantee the participation and information of users, including those organised in their own forms of representation.

On the other hand, Article 23 of the Articles of Association stipulates that an Interim Report as at 30 June of each year must be brought to the attention of the Shareholders' Meeting, which reports an interim situation with respect to the company's management, as well as an Annual Budget Forecast and a Three-Year Business Plan, which allow the Shareholders to determine the



company's guidelines in terms of investments, cost containment (with particular reference to personnel costs) and financial management.

These instruments allow shareholders effective control over the company's performance.

In relation to the further contents indicated in paragraph 3 of Article 6 of the TUSP, the following should be noted.

With reference to the provisions of letter a), it is worth noting that GSP operates as the sole Area Manager of the Integrated Water Service under a local monopoly regime pursuant to and in accordance with the determinations of the "Dolomiti Bellunesi" Basin Council, as an in-house operator. Therefore, there are no potential competition issues, as water service is not part of an open market.

From a different point of view, within the scope of its functions as a Contracting Authority, the company ensures compliance with the principles of competition and equal treatment issued by the European Union by punctually applying, in ordinary sectors and above the European Union thresholds, the Public Contracts Code (Legislative Decree no. 50/2016, as amended and supplemented) and, for awards in special sectors below the thresholds, the procedures set out in the *"Internal Regulations for the award of works, supplies and services below the EU threshold in special sectors pursuant to Article 36, paragraph 8, of Legislative Decree No. 50, of 18/04/2016"*, approved by the Administrative Body of the company.

With regard to letter b), the company size, which is substantially small insofar as falling under the dimensions of an SME, does not require the structuring of an ad hoc office that acts as a reference point with the control body - in this case the Board of Statutory Auditors - which liaises directly with the senior persons of the various company functions during the periodic audits carried out in accordance with the law.

Further control is exercised by the Supervisory Board, appointed when the 231 Model was adopted, and subsequently confirmed, which carries out verification activities on company activities subject to the risk of the 'predicate offences' being committed. It meets, where possible, on a two-monthly basis and receives regular information flows from the company as a whole.

With regard to letter c), as mentioned above, GSP has adopted an organisational, management and control model pursuant to Legislative Decree no. 231/2001, to be updated in 2021 and approved by the Board of Directors on 14 January 2022, which includes the Code of Ethics, published on the company website, which specifically governs the business conduct towards consumers, users, employees and associates, as well as other legitimate stakeholders involved in the company's activities.

With reference to CSR (Corporate Social Responsibility), Corporate Social Responsibility, the demands formulated by the European Union since the Lisbon European Council in March 2000 - where it was considered as one of the strategic tools to achieve a more competitive and socially cohesive society and to modernise and strengthen the European social model - were first reported in the European Commission's Green Paper, published in 2001, where social responsibility is defined as: 'The voluntary integration of companies' social and environmental concerns into their business operations and relations with stakeholders'.

With regard to the activity of BIM Gestione Servizi Pubblici S.p.A., it should be noted that its activity is necessarily linked to the determinations of a third party regulator (first and foremost the "Dolomiti Bellunesi" Basin Council, from the standpoint of identifying investments, and secondly, ARERA, from the perspective of service standards and quality).

Nevertheless, for the eighth consecutive year, the company has drawn up a Social or Sustainability Report in which it describes not only the company's investments and performance, but also its added value to the region.

Belluno, 27 March 2023

The Chairperson of the Board of Directors

Mr. Attilio Sommavilla