



**MM S.P.A**

**FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023**

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**MM S.P.A.**

Registered Office in MILAN - VIA DEL VECCHIO POLITECNICO, 8

Paid-up share capital Euro 36,996,233

Registered with the Milan Chamber of Commerce, Industry, Crafts and Agriculture

Tax Code and Company Register No. 01742310152

VAT number: 01742310152 - Rea no.: 477753

**Report on Operations as at 31/12/2023****Corporate structure and Business Units**

**MM SpA was founded in 1955 as an engineering company** wholly-owned by the Municipality of Milan, of which it is an industrial partner, with the aim of building the city's entire metro network.

Since then, it has **supported the development of the Lombardy metropolis** by designing infrastructures and works for public mobility, including urban and suburban road restructuring works, car parks and interchange areas. The services offered by MM cover the entire design cycle (technical and economic feasibility projects, final and executive projects), contract management, works management, safety coordination, testing activities and support to the RUP (Sole Project Manager), also providing services in 'on-demand' form that can be activated on call according to the needs of the Municipality of Milan.

Subsequently, **MM diversified its business by broadening its scope of intervention**, thanks to the skills it had acquired and the professionalism developed internally.

**In 2003, the Municipality of Milan entrusted MM with the management of the Integrated Water Service (IWS)** of the city and some neighbouring municipalities until 2037<sup>1</sup>. Management encompasses all stages of the process: from water abstraction directly from the aquifer to drinking water treatment and water quality control before distribution to users; from the collection of wastewater in the sewerage system to purification at the City's service facilities, and finally to the return of the water resource to the environment. From the 2020-2023 regulatory period, MM's IWS management includes the cleaning of roadside drains and the management of municipally-owned stormwater drainage infrastructure and first groundwater wells for irrigation use.

**Since 1 December 2014, MM has managed the Public Residential Housing assets owned by the Municipality of Milan**, dealing with administrative, accounting and technical-legal activities, relations with users and the ordinary maintenance of the assets. Since 30 June 2015, the municipality has confirmed the assignment on a 30-year basis; in 2018, it also decided to entrust MM with the preparatory activities for the assignment of the managed housing stock, it being understood that the housing assignment function remains the responsibility of the municipality.

In the following years MM incorporated by deed of merger:

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<sup>1</sup> The initial five-year concession was revised in 2007 on a 20-year basis and then in 2015 on a 30-year basis expiring in 2037, consistent with the horizon of the Area Plan.

the **company M.I.R. Srl**<sup>2</sup> in 2015, which holds a number of publicly owned movable and immovable assets instrumental to the management of the environmental hygiene service leased to Amsa SpA, the current manager of the service, against the payment of an annual fee;

**2017** saw the merger by incorporation of the subsidiaries **Metro Engineering Srl** and **Napoli Metro Engineering Srl**, established in 2009 to deal with activities outside the city walls.

**Starting in 2019**, MM developed **further services for the municipal group** in **Field Operations**:

Since September 2019, MM has been carrying out construction management, operational management and safety coordination for the **facility management** of **school buildings** of the Municipality of Milan. MM also manages the *facility management* reporting system for the school building stock. At the end of December 2021, a contract was signed with the municipality for this integrated management service, **according to the global service model**, for a duration of 25 years

Since November 2019, MM has been supporting the Municipality of Milan in the **management and reconstruction of the city's subways**, for which it is responsible for electro-instrumental work on pumps and command and control panels, as well as the cleaning and purging of collection tanks. In September 2021, a **service contract** was signed with the Municipality of Milan concerning the rainwater **lifting stations** of municipal subways, with a duration of 4 years<sup>3</sup>.

Since February 2020, MM has been in charge of the **management and maintenance of the buildings housing the municipal sports facilities** entrusted to Milanospo; the service includes ordinary, periodic, scheduled and emergency maintenance of the facilities, as well as the management of the thermal and energy efficiency systems of the technological plants.

In 2021, **the management of green areas pertaining to the Public Residential Housing was started**: MM is in charge of the ordinary and extraordinary maintenance of the Public Residential Housing green assets, of First Aid activities, and of maintaining and updating the Public Residential Housing green assets registry.

As of 1 January 2023, MM SpA also took over the management of **the Public Residential Housing** assets owned by the **Municipality of Bergamo**, carrying out the administrative management and maintenance of this real estate, amounting to approximately 1,000 building units.

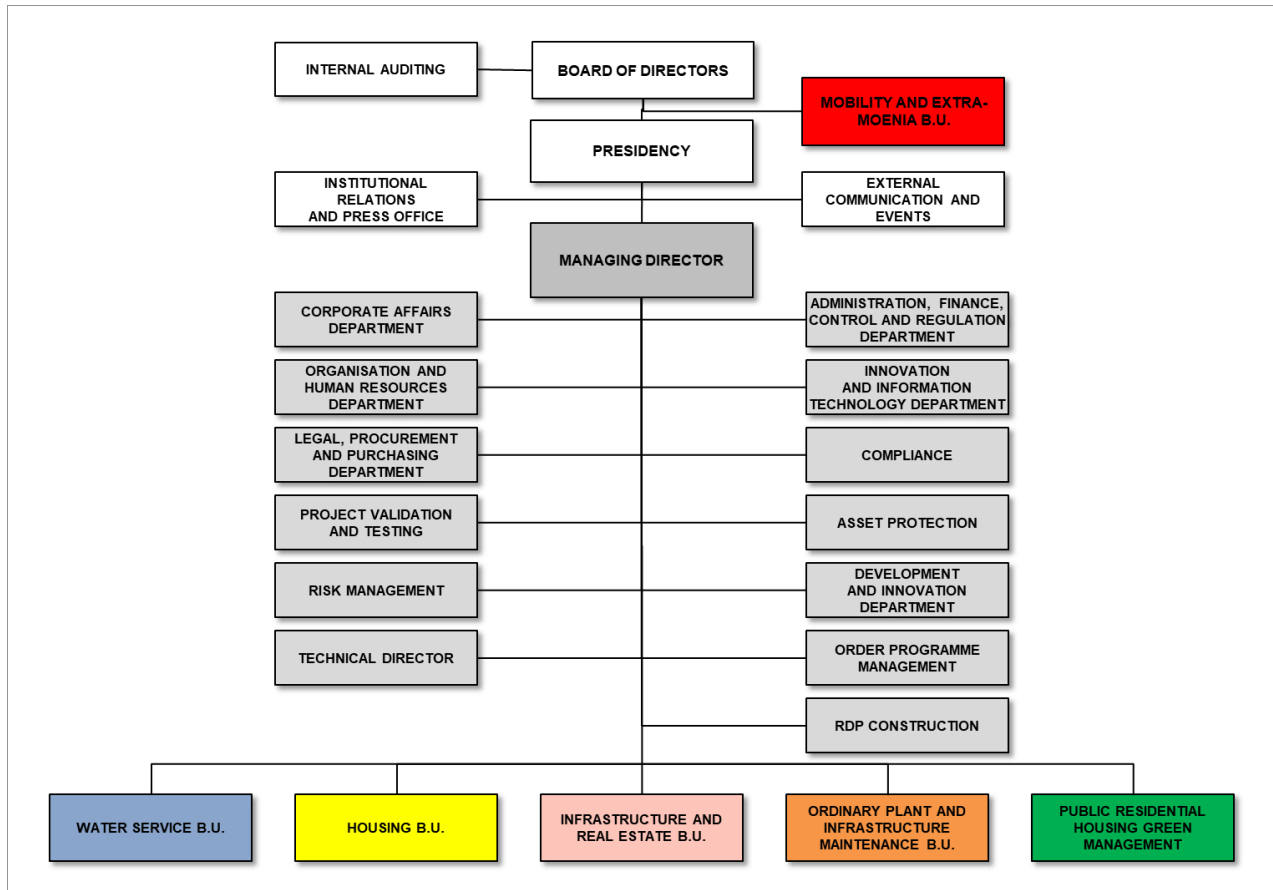
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<sup>2</sup> The merger by incorporation of M.I.R. S.r.l. in MM was resolved by the Municipality of Milan as part of the rationalisation process of investments held by local authorities.

<sup>3</sup> From the second year onwards, the management of the service performed by the Company will continue only upon confirmation by the Municipality of Milan that it has made a commitment for the planned expenditure.

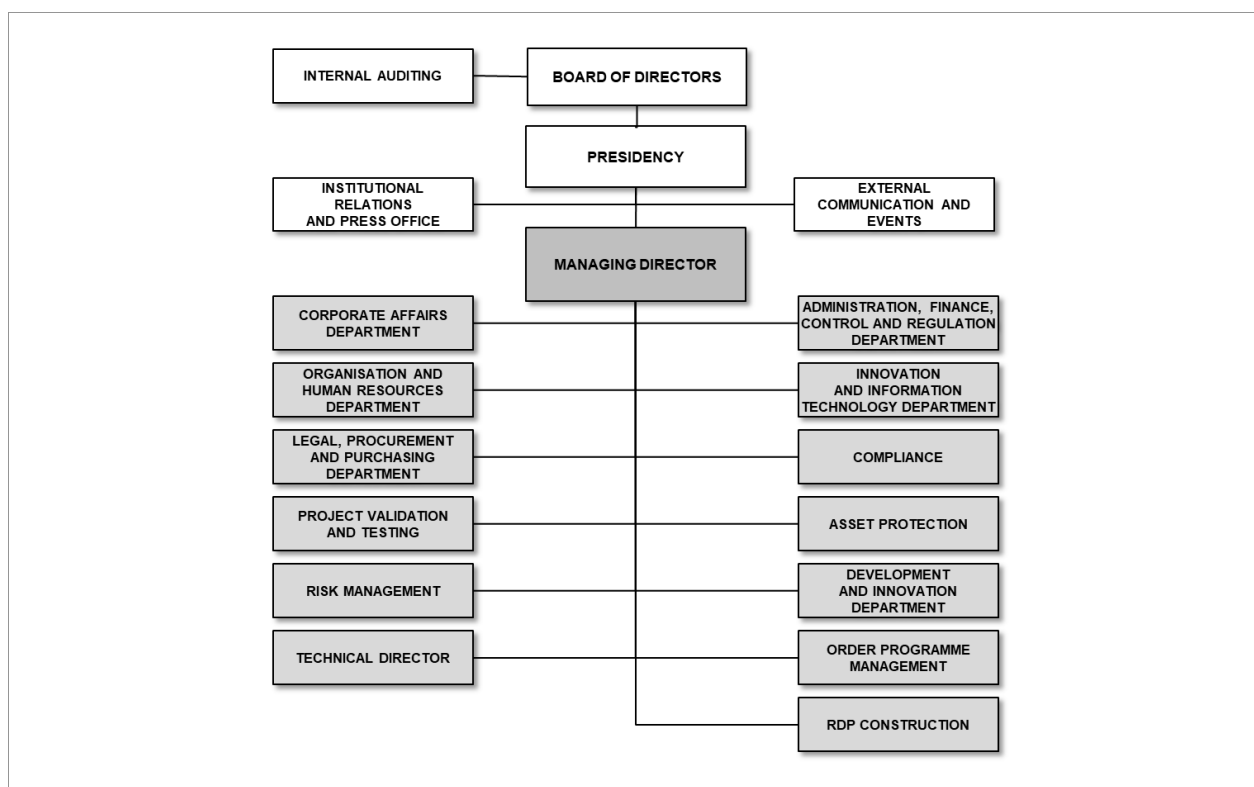
## Organisational Structure

MM's corporate organisation chart as at 31 December 2023 is shown below.



In 2023, the Company, in addition to continuing with the usual *change management* activities required for the effective and efficient implementation of its assigned processes and responsibilities, underwent a number of organisational changes to meet business development and operational needs.

### Staff Departments/Functions



With effect from 1 August 2023, the **Department of Organisation and Human Resources** (DORU) adopted an organisational scheme aimed at developing greater contact with employees, increasing business and line support. For this purpose, the HR Management (HMA) function was established, reporting directly to the Department, with the creation of specialised competence centres to support it. The Organisation and Compensation (OEC) function was established on the staff of the HR Management function (HMA) with the main objectives of ensuring the organisational evolution of the corporate structure and responsibilities and ensuring the proper management of the company's compensation process.

In order to create areas of specialisation to support the human resources management structure, the following competence centres were created, reporting directly to the Organisation and Human Resources Department, i.e. the Human Resources Development (HRD), Internal Communication, Training and Employer Branding (CIF), Labour Law and Trade Union (LSI), Energy and Services Management (ESM), Personnel Administration (PMA), the Prevention and Protection Service (SPP) and Quality and Environment (QUA) functions.

With effect from 1 October 2023, the Human Resources Development (HRD) function was renamed Organisation and Human Resources Development (OSR) and the Organisation and Compensation (OEC) function reports directly to it.

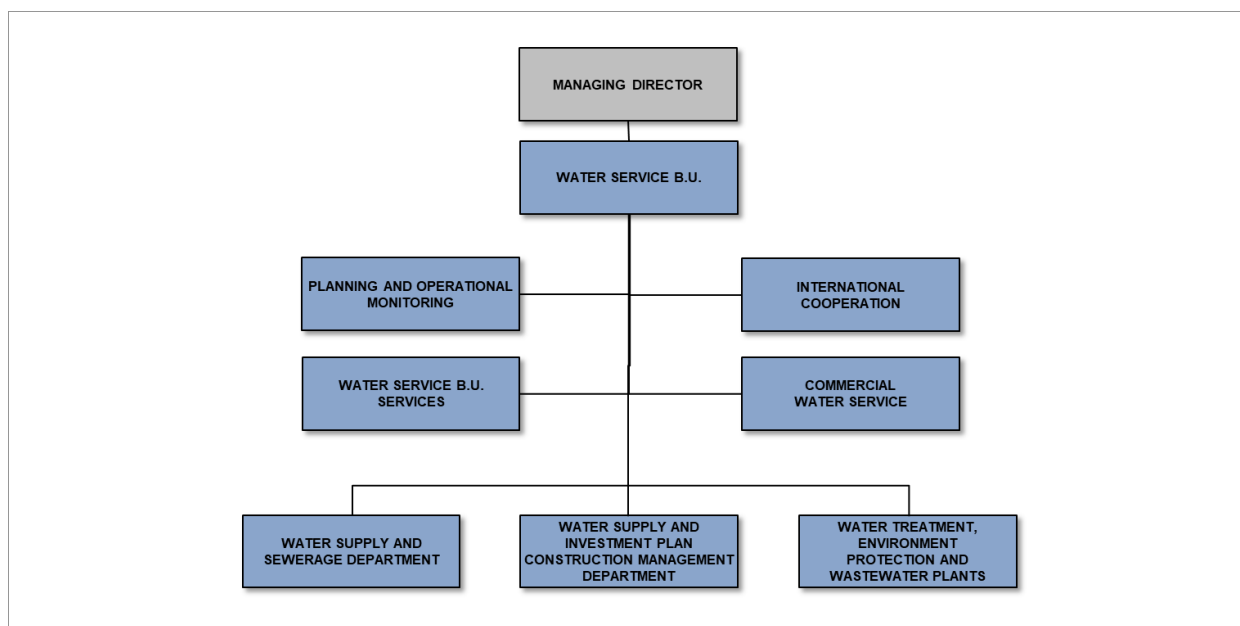
As part of the **Procurement and Purchasing Legal Department** (DLAP), with effect from 1 July 2023, in order to rationalise and streamline the procurement process and to create a single hub of competence, the Procurement Process Planning and Governance (PGA) function ceased to exist and the Procurement and Purchasing Management (APA) function was established. Reporting directly to this function are the Works Contracts Management (APL) function, the Purchasing Management (ACQ) function, the Supplier Register and Qualification Systems (GAF) function and

the Sub-Threshold Purchasing Management (ACS) function. The Administrative Support and Subcontracting Verifications (SAV) function was allocated to the staff of the Legal, Procurement and Purchasing Department (DLAP).

With effect from 16 November 2023, the Demand & Delivery (DED) function within the **Innovation and Information Technology Department** (DICT) ceased to exist. The functions Demand & Delivery Engineering, Housing and Staff (DEI) and Demand & Delivery IWS and Facility (DES) were allocated to report directly to the Management.

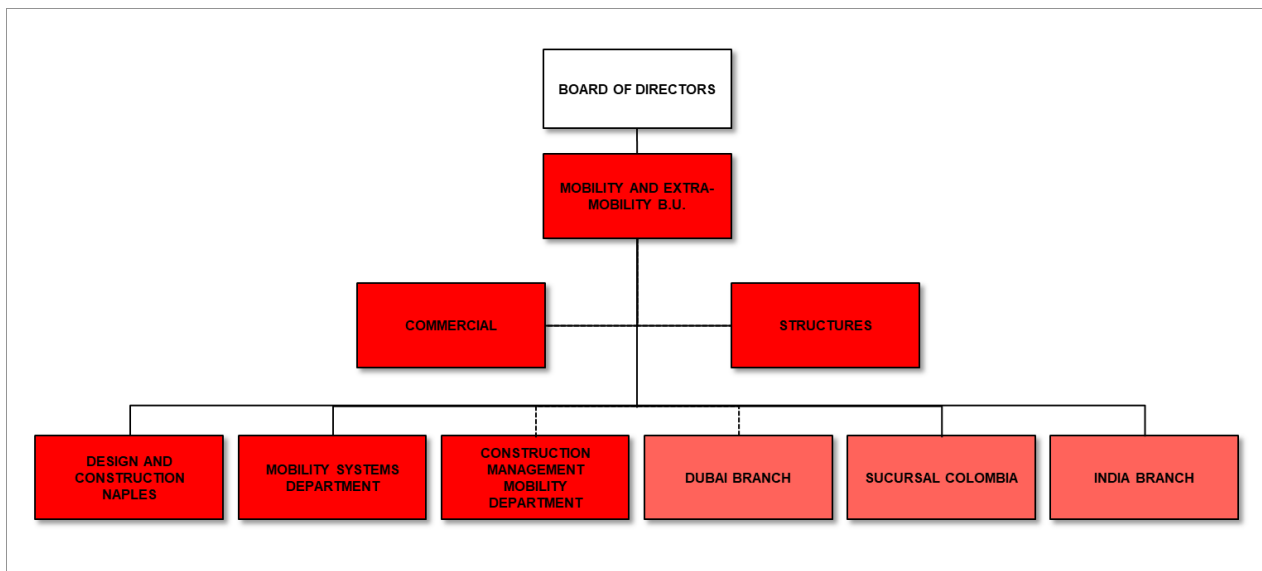
As of 4 December 2023, a Sales and Distribution Cycle function (CIA) was established within the **Administration, Finance, Control and Regulation** (DACR) **Department**, reporting directly to the Administration (AMM) function, in order to oversee the activities related to customer accounts and non-batch invoicing receivable. Also within this Department, the Strategy, Investor Relations and Regulation (SIR) function was established with effect from 11 December 2023, in order to create synergies between strategy activities, and those of regulation and IWS monitoring.

### *Water Service Business Unit*



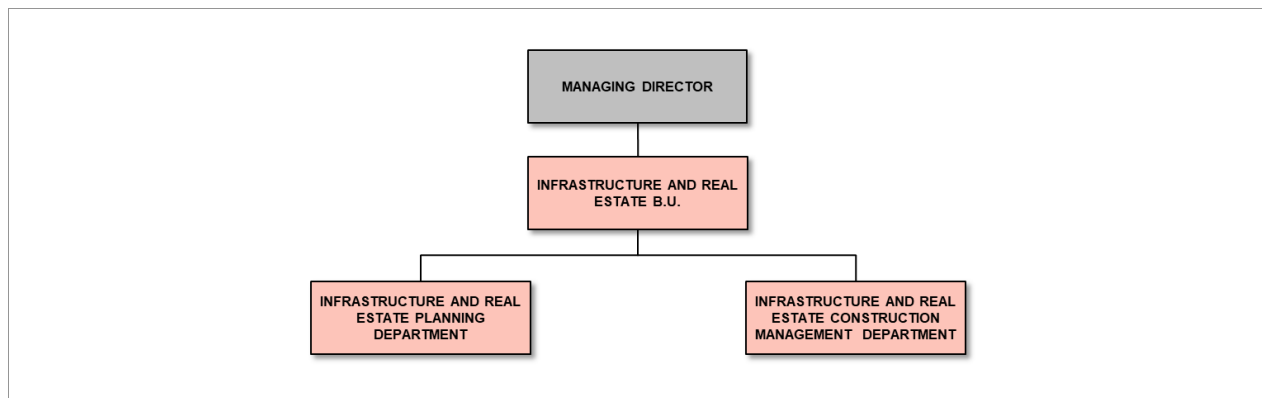
With effect from 1 July 2023, the Municipality of Milan has assigned to MM the architectural and engineering services relating to the management of ordinary maintenance contracts for roads, signs and bridges, as well as the provision of the service of surveying the maintenance needs of the road heritage, with surveys and monitoring for the implementation of the road registry and the planning and management of the same maintenance activities. In order to oversee these activities, the Ordinary Road Maintenance (MOS) and Ordinary Road Maintenance Planning (PMS) functions were established, reporting directly to the Construction Management Investment Plan (DCPI) Department. The two functions report organisationally to the Water Service Business Unit, without prejudice to the accounting separation of the related costs, which are allocated within the Ordinary Plant and Infrastructure Maintenance Business Unit.

### *Mobility and Extra Moenia Business Unit*



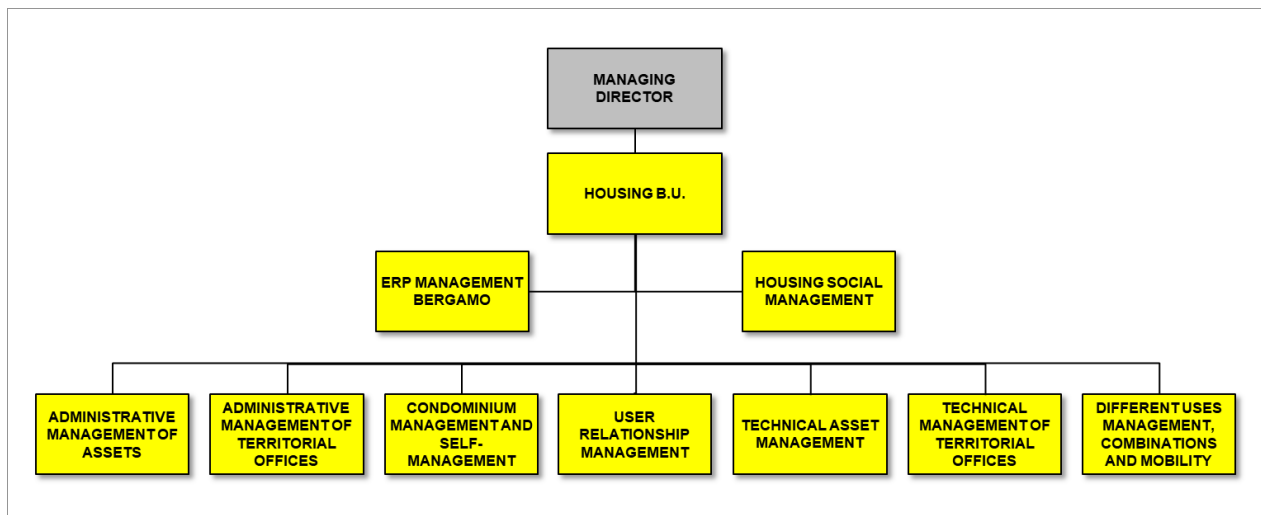
With effect from 4 December 2023, the function **Naples Planning and Construction (PCN)**, previously located within Mobility Systems Department, was allocated directly to **Mobility and Extra Moenia Business Unit (DVME)**.

### *Infrastructure and Real Estate Business Unit*



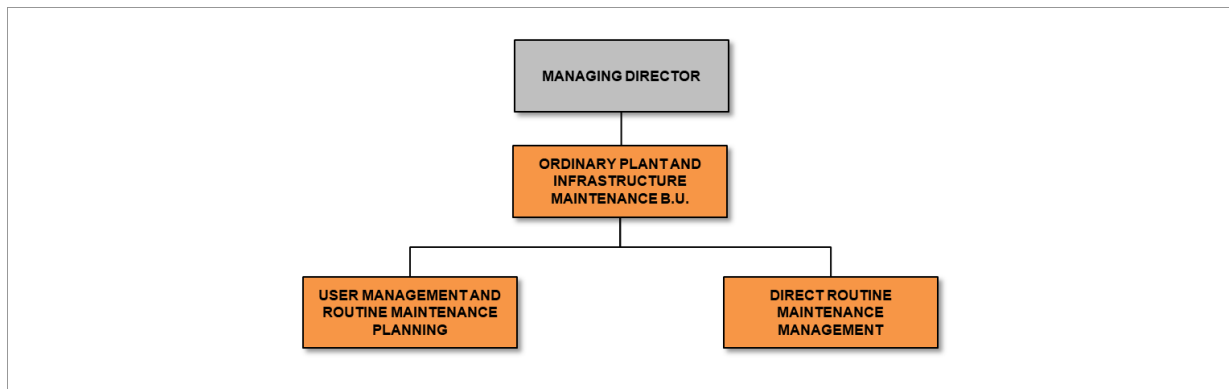
During the financial year 2023, the Business Unit did not undergo any changes in its organisational structure.

### *Housing Business Unit*



As of 1 January 2023, as a result of the collaboration agreement between the Municipality of Bergamo and MM S.p.A for the development and management of public housing services in that municipality, the Bergamo Public Residential Housing Management (GEB) function was established on the staff of the Housing Business Unit (DVCA).

### *Ordinary Plant and Infrastructure Maintenance Business Unit*



During the financial year 2023, the Business Unit did not undergo any changes in its organisational structure.



*Public Residential Housing Green Management Function*

With effect from 1 July 2023, reporting directly to the function Public Residential Housing Green Management (VER), which has been renamed Public Residential Housing Green Management (VER), the function Public Residential Housing Green Operations Management (GVE) was established with the aim of managing the operational activities of the function.

## Administration and control bodies

### *Board of Directors*

Chairman	<b><i>Simone Dragone</i></b>
Chief Executive Officer	<b><i>Francesco Mascolo</i></b>
Director	<b><i>Roberta Di Vieto</i></b>
Director	<b><i>Giuseppina Lanza</i></b>
Director	<b><i>Marco Plazzotta</i></b>

### *Board of Statutory Auditors - until 29 August 2023*

Chairman	<b><i>Achille Lanfranchi</i></b>
Standing Statutory Auditor	<b><i>Roberto Cassader</i></b>
Standing Statutory Auditor	<b><i>Ilaria Moretti</i></b>

### *Board of Statutory Auditors - from 29 August 2023<sup>4</sup>*

Chairman	<b><i>Vittorio Grazi</i></b>
Standing Statutory Auditor	<b><i>Ilaria Moretti</i></b>
Standing Statutory Auditor	<b><i>Andrea Parolini</i></b>

*Independent Auditing Company*                      ***PricewaterhouseCoopers S.p.A.***

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<sup>4</sup> Board of Statutory Auditors in office following the deed of appointment by the Mayor of the Municipality of Milan on 31.07.2023 and subsequent acknowledgement of the appointment by the Shareholders' Meeting on 29.08.2023.

## Legal and regulatory aspects

### Legal framework

The main **legislative changes in 2023** that affected the Company are:

- **Law No. 213 of 30 December 2023 on the 'State Budget for the Financial Year 2024 and Multi-annual Budget for the Three-Year Period 2024-2026'**

On 1 January 2024, Law No. 213/2023 ('Budget Law 2024') came into force, containing the 'State budget for the financial year 2024 and multi-year budget for the three-year period 2024-2026'. Article 1, paragraph 304 of Law No. 213/2023 extended, with certain amendments, the application of various provisions set forth in Article 26 of Decree-Law No. 50/2022, converted, with amendments, by Law No. 91/2022 (hereinafter also referred to, briefly, as 'Aid Decree-Law'), also with respect to work performed or accounted for in 2024. In more detail, the main changes introduced to Article 26 of the Aid Decree by the aforementioned Budget Law 2024 are set out below. 1.

Pursuant to Art. 26(6-bis) of the Aid Decree-Law: in relation to *'public works contracts as well as to framework agreements awarded on the basis of bids, with a final deadline for submission by 31 December 2021'*, the progress of the works pertaining to the activities carried out or accounted for by the construction manager or noted, under the latter's responsibility in the measurement booklet *'from 1 January 2023 until 31 December 2024'* is adopted, also as an exception to the specific contractual clauses, by applying the relevant regional reference price list, it being understood that the higher amounts deriving from the application of the aforesaid price list, net of the rebates formulated in the offer, must always be recognised *'to the extent of 90%'*.

In this regard, it should be noted that, also for the year 2024, the Legislature has confirmed the possibility for contracting authorities, in the event of insufficient resources referred to in the aforementioned paragraph 6-bis), to access the Fund *'for the continuation of public works'* referred to in Article 26, paragraph 6-quater) of the Aid Decree-Law. By 31.01.2024, it will therefore be the task of the Ministry of Infrastructure and Transport to adopt the relevant Ministerial Decree regulating the procedures for access to the aforementioned Fund as well as the criteria for allocating the resources to the entitled parties.

Pursuant to Article 26, paragraph 6-ter) of the Aid Decree-Law: the provisions described above shall also apply in the year 2024 *'to public works contracts, also relating to framework agreements awarded on the basis of bids with a final submission deadline between 1 January 2022 and 30 June 2023'*, it being understood that the higher amounts arising must always be recognised, net of the rebates formulated in the bids, *'to the extent of 80%'*.

Art. 26, paragraph 8 of the Aid Decree: in *'relation to framework agreements for works with a final deadline for the submission of the bid by 31 December 2021'* specified that *'until 31 December 2024, the contracting authorities shall use the updated price lists for the execution of these agreements, without prejudice to the discount formulated in the bid by the successful bidder'*. The application of the updated price lists will therefore have to cover the issuance in 2024 of new contracts implementing the framework agreements with bids by 31.12.2021. It should be noted that the latter prerogative was already allowed for framework agreements with a bidding deadline by 31.12.2021, i.e. for the relevant application contracts issued, as of 28 February 2023 and *'until 31 December 2023'*, and this pursuant to Art. 10, para. 11-duodecies of Decree-Law No. 198 of 29.12.2022,

converted with amendments by Law no 14 of 24.02.2023. Therefore, as a result of the Budget Law 2024, the same provision was temporally extended to the year 2024. In contrast, for 'works contracts based on framework agreements already being executed at the date of entry into force' of the Aid Decree Law (i.e. 18.05.2022) - i.e. the application contracts already issued and with work in progress - the Budget Law 2024 extended 'until 31 December 2024' the extraordinary payment mechanism pursuant to the Aid Decree Law, described above, without introducing any substantial changes.

- **Public procurement: European Commission regulations with new European thresholds from 2024**

On 16.11.2023, the following EU Commission Regulations were published in the OJEU amending the application thresholds of European legislation on public procurement and concessions procedures:

- Regulation No. 2495 of 15/11/2023, amending Directive 2014/24/EU: procurement in the ordinary sectors
  - o € 143,000 for public supply and service contracts awarded by central government authorities and for design competitions organised by these authorities;
  - o € 221,000 for public supply and service contracts awarded by sub-central contracting authorities and design competitions organised by such authorities;
  - o € 5,538,000 for public works contracts;
- Regulation No. 2496 of 15/11/2023, amending Directive 2014/25/EU: procurement in special sectors;
  - o € 443,000 for supply and service contracts as well as design competitions;
  - o € 5,538,000 for works contracts.
- Regulation No. 2497 of 15/11/2023, amending Directive 2014/23/EU: concessions, with new threshold at € 5,538,000
- Regulation No. 2510 of 15/11/2023, amending Directive 2009/81/EC: procurement in the fields of defence and security.

As stipulated in Art. 6, par. 1 of Directive 2014/24/EU, this update is provided every 2 years and applies for 2024 and 2025, coming into force on 1 January 2024.

- **Legislative Decree No. 36 of 31 March 2023 (Official Journal - General Series - No. 77 of 31 March 2023) - new Public Contracts Code - O.J. No. 114 of 17 May 2022**

On 31.03.2023, Legislative Decree No. 36/2023 was published in the Official Gazette No. 77/2023 (Public Contracts Code 2023) in implementation of Art. 1 of the 'delegation' Law No. 78 of 21.06.2022.

The text is accompanied by 38 supplementary annexes that replace the annexes to the Code Legislative Decree no. 50/2016, the ANAC Guidelines and further implementing regulations (including Presidential Decree no. 207/2010).

The new Code entered into force on 1 April 2023, with the rules set out therein taking effect on 1 July 2023; therefore, for notices or calls published before that, the regulatory provisions set out in Legislative Decree No. 50/2016 apply. There is also a transitional period ending on 31 December

2023, during which certain provisions of Legislative Decree No. 50/2016, 'Simplifications' Decree No. 76/2020 and Decree-Law No. 77/2021 remain applicable.

Below are some of the main changes (and confirmations) introduced by Legislative Decree No. 36/2023.

### ***General principles***

The first general part is dedicated to the principles applicable to public contracts. The 'new' principles include in particular the **achievement principle (Art. 1)**, which is also intended to operate as a priority balancing criterion with other principles in the identification of the rule of the actual case, the principle of trust (Art. 2) in administrative action, as an interpretative criterion of individual regulatory provisions, and the **principle of preservation of contractual balance (Art. 9)**.

In accordance with EU provisions and the most recent guidelines of the Council of State, the regulatory framework of in-house awarding and cooperation agreements between contracting authorities has been partially revised, reaffirming **the principle of administrative self-organisation (Art. 7)**.

### ***Digitisation and the Economic Operator's Virtual File***

The centrality of the digitisation processes of the Public Administrations is reaffirmed, within which the **National Public Contracts Database (Art. 23)** and the **FVOE - Fascicolo Virtuale dell'Operatore Economico (Art. 24)** managed by ANAC will be implemented.

### ***Access to documents***

The **Access to Documents** procedure (**Art. 36**) in the award and execution of public contracts is now fully digitised and significantly revised.

### ***RUP***

The acronym RUP is associated with the figure of the **Sole Project Manager (Art. 15)** for the phases of planning, design, contracting and execution, a person to whom the functions of supervision, direction and coordination of the project are entrusted. He/she may be appointed from among the employees, also on a temporary basis, of the contracting authority or the granting body, and must possess the skills and requirements specifically established.

The option is reaffirmed for contracting authorities and granting bodies to identify organisational models that provide for the appointment of separate individuals in the role of Project Manager for the planning, design, awarding and execution phases.

### ***Design levels, BIM and integrated procurement***

The design levels are reduced from three to two: **technical-economic feasibility and executive design (Art. 41)**. With a view to guaranteeing a faster project approval process, the new Code also intervenes on the design time-frame, on the Upper Council of Public Works, establishing a special Committee, and on the operation of the Services Conference.

In the process of adopting methods and tools for the digital information management of constructions, the deadline for the compulsory use of the BIM methodology for contracting authorities and granting bodies in the design and implementation of new construction works and for works on existing constructions with a tender amount exceeding € 1 million is set to 01.01.2025 (**Art. 43**).

The possibility of jointly entrusting the executive design and the execution of works by means of the integrated contract (**Art. 44**) on the basis of a technical and economic feasibility project is definitively confirmed, with the exception of contracts for ordinary maintenance works.

### ***Arrangements for awarding EU sub-threshold contracts***

The procedures for awarding sub-threshold contracts (**Art. 50**) introduced by Decree-Law No. 76/2020 to speed up and simplify awarding procedures have been implemented:

#### Regarding works

- **direct awarding** for an **amount of less than € 150,000**, also without consulting several economic operators, ensuring that entities with documented past experience suitable for the performance of the contractual services are chosen, also identified from those registered in lists or registers established by the contracting authority;
- **negotiated procedure without a call for tenders**, after consulting at least five economic operators, if any, identified on the basis of market surveys or through lists of economic operators, for an **amount equal to or greater than € 150,000 and less than € 1 million**;
- **negotiated procedure without a call for tenders**, after consulting at least ten economic operators, if any, identified on the basis of market surveys or through lists of economic operators, for an **amount equal to or greater than € 150,000 and less than € 1 million** and up to the EU thresholds, without prejudice to the possibility of using adequately justified ordinary procedures;

#### For services and supplies (including engineering and architectural services and design activities)

- **direct awarding** for an **amount of less than € 140,000**, also without consulting several economic operators, ensuring that entities with documented past experience suitable for the performance of the contractual services are chosen, also identified from those registered in lists or registers established by the contracting authority;
- **negotiated procedure without a call for tenders**, after consulting at least five economic operators, if any, identified on the basis of market surveys or through lists of economic operators, for an **amount equal to or greater than € 140,000 and up to the EU thresholds**.

### ***Subcontracting***

The new Code incorporates the guidelines formulated by the EU Court of Justice and recent regulatory changes regarding the **elimination of percentage limits**, introducing ‘**cascade**’ **subcontracting (Art. 119)** with the provision of discretionary evaluation criteria by individual contracting authorities, to be exercised on a case-by-case basis.

### ***Price revision***

The mandatory inclusion of price revision clauses in the tender documents (introduced by Art. 29 Decree-Law No. 4/2022) is confirmed, in the event of a **cost variation of more than 5%**, with the recognition in favour of the contractor of the 80% share of the excess cost borne (**Art. 60**).

### ***Qualification System for Contracting Authorities***

The new Public Contracts Code dedicates Articles 62 and 63 and Annex II.4 to the centralisation and qualification of contracting authorities. Qualification is required for all acquisitions of supplies and services above the thresholds for direct awards and of works above € 500,000. Beyond these

limits, non-qualified contracting authorities have to use purchasing instruments made available by other qualified contracting authorities or qualified central purchasing bodies, or directly to the auxiliary purchasing activity of other qualified entities (Article 62). Said entities may appoint someone to support the RUP. Qualified contracting authorities execute contracts on behalf of non-qualified contracting authorities when the latter have used them. Penalties are imposed for contracting authorities and central purchasing bodies that refuse to be allocated ex officio by ANAC.

Three levels of qualification are envisaged for the design and assignment of contracts awarded by the Authority on the basis of the requirements self-declared by the contracting authorities themselves (Article 63): i) basic or first level qualification, for services and supplies up to the threshold of € 750,000 and for works up to € 1 million; ii) intermediate or second level qualification, for services and supplies up to € 5 million and for works up to the EU threshold; iii) advanced or third level qualification, with no amount limit. Levels are attributed mainly on the basis of: the internal organisation, skills and training of the contracting authority's staff as well as the tenders carried out in the last five years and the regular transmission of the relevant data to ANAC.

If, for any reason, qualification is lost or suspended, ongoing procedures may still be completed (Article 63).

### ***Qualification of economic operators for works and for services and supplies***

The Code introduces a new qualification system for economic operators also for service and supply contracts in addition to works contracts (**Art. 100**). There are also changes for the SOA, as the qualification certificate will be issued by private bodies authorised by ANAC.

### ***Special Sectors***

With respect to the previous Code, the margins of self-organisation of the entities operating in the special sectors are further enhanced, with the aim of ensuring the effectiveness of autonomy from the regulations of the ordinary sectors (**Articles 141 et seq.**). It provides for the possibility for contracting authorities to determine the value of the contract and of individual lots, without the obligation to provide an strengthened justification.

### ***Public-Private Partnership and General Contractor***

On PPPs (**Articles 174 et seq.**) is simplified to make it easier for institutional investors to participate by providing additional guarantees for the lenders of the contracts. The new Code also reintroduces the provision of the General Contractor (Art. 204).

### ***Technical Advisory Board (TCC)***

The establishment of the CCT (**Art. 215**), introduced by Decree-Law No. 76/2020, is confirmed, which is mandatory for public works of an amount equal to or greater than the thresholds of European relevance and supplies and services of an amount equal to or greater than € 1 million. The TCC expresses opinions or, in the absence of an express will to the contrary, issues decisions regarding contractual awards. The new Code reaffirms that non-compliance with the opinions or determinations of the TCC is assessed for the purposes of the liability of the agent for fiscal damage and constitutes, unless proven otherwise, a serious breach of contractual obligations; conversely, compliance with

the determinations of the TCC is cause for the exclusion of liability for fiscal damage, except in the case of wilful misconduct.

- **Legislative Decree No. 18/2023, adopted to implement Directive (EU) 2020/2184 on the quality of water intended for human consumption.**

On 21 March 2023, Legislative Decree No. 18/2023 came into force. This measure provides for the repeal of Legislative Decree No. 31/2001, introducing a transitional period, until 12 January 2026, after which the monitoring by the competent bodies of the parameters set out in the decree under review for water reference values will become mandatory. The following are the main provisions of Legislative Decree 18/2023.

The Decree identifies the following objectives: i) the protection of human health from the adverse effects of contamination of water intended for human consumption, ensuring that water is healthy and clean; ii) the improvement of access to water intended for human consumption. In addition, the definitions relevant to the purposes and effects of the provisions of the decree under review, as set out in Art. 2 of Directive (EU) 2020/2184, supplemented with additional definitions of national interest. Art. 3 sets out the scope and exemptions and refers for further details to Annexes I and V.

The implementing decree also sets out the general obligations to be met in order for water intended for human consumption to be healthy and clean, referring to the 'minimum requirements' listed in Annex I, which are based on the precautionary principle and are capable of preventing, directly or indirectly, both a deterioration in the quality of water intended for human consumption and an increase in the pollution of water intended for the production of drinking water.

It also sets out how to carry out an assessment of water loss levels across the country and potential improvements in terms of loss reduction.

The evaluation of potential improvements in terms of reducing water network losses is carried out using the network loss indicators as defined in Annex A (RQTI) to the Resolution of the Regulatory Authority for Energy Networks and the Environment (ARERA) no. 917/2017/R/IDR. ARERA is responsible for acquiring the results of the assessment and drawing up the national average loss rate, transmitting them to the European Commission by 12 January 2026.

In addition, the decree provides that an action plan containing a series of measures to be taken to reduce the national loss rate in the event that the latter exceeds the average loss rate be established by means of a d.p.c.m. (Decree of the President of the Council of Ministers), upon proposal of the Ministry of the Environment and Energy Security, to be adopted within two years from the date of publication of the average loss rate established by the European Commission by delegated act by 12 January 2028.

As regards the obligations and responsibilities incumbent on the hydro-drinking water operator, these are deemed to be fulfilled when the parameter values are complied with at the point of delivery, i.e. the point where the water connection pipe connects to the end user's installation(s) (internal distribution system) and is placed at the volume meter (meter).

The responsibility of the integrated water operator extends up to this delivery point, except for proven causes of force majeure or in any case not attributable to the operator itself, including the documented inability of the water operator to access or make changes to sections of the water mains falling on private property. On the other hand, the operator of the internal distribution system is



obliged to ensure that the parameter values, respected at the point of delivery, are maintained at the point of use within public and private premises.

In order to ensure the safety of water for human consumption and universal and equitable access to water, the decree provides for the adoption of a risk-based approach, implementing a holistic control of hazardous events - including risks related to climate change, protection of water systems and continuity of supply - by prioritising significant risks and the most cost-effective measures in terms of time and resources, and limiting analysis and burdens to non-significant issues, thus covering the entire drinking water supply chain, from abstraction to distribution, up to water compliance points, and ensuring the continuous exchange of information between operators and health and environmental authorities.

More precisely, the risk-based approach consists of the following elements: a risk assessment and risk management of the supply areas for water intended for human consumption (Art. 7); a risk assessment and management of each drinking water supply system, including the abstraction, treatment, storage and distribution of water intended for human consumption up to the point of delivery, carried out by the water supply operators (Art. 8); a risk assessment and management of internal distribution systems for priority buildings and premises, i.e. health care facilities, accommodation facilities, schools and public establishments (Art. 9).

The Decree also: i) lays down the rules for the establishment of the National Centre for Water Safety (CeNSia) and of the AnTeA system, the dynamic territorial register of drinking water, in order to provide the information relating to the monitoring of the implementation of the effects over time of Directive (EU) 2020/2184 on the quality of water for human use (art. 19); ii) establishes the National Monitoring Commission on Water Safety Plans composed of an interdisciplinary group of experts from different Administrations and Entities, for the activities of approval by the CeNSia of the assessments and management of the PSA risk, related to the drinking water supply chain (art. 20).

Moreover, Art. 24 defines the transitional rules necessary for the transition from the previous provisions to those implementing the Decree, in order to provide for technical and scientific adaptation and to make the transition gradual. A transitional period until 12 January 2026 is envisaged, from which the monitoring of the parameters provided for the reference values of water for human use becomes mandatory, for the timely adoption by the environmental and health authorities and drinking water supply managers of the specific reference parameters foreseen by the decree under review.

The measure also provides for the repeal of Legislative Decree No. 31 of 2 February 2001 as of the entry into force of the decree (31 March 2023), without prejudice to the references made by the legislation in force to that Legislative Decree, which are understood to refer to the corresponding provisions of the decree under review.

Attached to the decree are nine annexes, which form an integral part of it, containing the hygienic, environmental, technical and management system requirements to be met for the quality of water intended for human consumption.

- **Ministerial Decree of 14 September 2023 in relation to the compulsory collection of debts by MM**

MM was authorised by the Ministry of Economy and Finance to carry out the 'mandatory collection of the receivables' claimed, relating to the IWS tariff. MM may therefore issue the Tax Injunction on

its own behalf: this is an act that combines in itself the dual nature and function of an enforcement order and a writ of execution, allowing enforcement actions (such as garnishment) in the event of non-payment of one or more bills. In particular, Article 1 of the Decree reads as follows:

1. Pursuant to Art. 17(3-bis) of Legislative Decree No 46 of 26 February 1999, the mandatory collection by means of inscription on the roll of the receivables due to MM S.p.a. is authorised. The latter is a company wholly-owned by the Municipality of Milan, in respect of the integrated water service tariff, deriving from the management of the service in the aforesaid municipality.
2. Pursuant to Art. 17, paragraph 3-bis, of Legislative Decree No. 46 of 26 February 1999, the mandatory collection by means of inscription on the roll of the receivables due to MM S.p.a. is authorised, in respect of the integrated water service tariff, arising from the management of the service in the municipality of Corsico, carried out until 31 December 2022.

## Integrated Water Service

### *National Regulation*

During the year 2023, the Regulatory Authority for Energy, Networks and the Environment (ARERA) continued its regulatory activities in the sector with the issuance of the following measures that are of particular relevance for the Integrated Water Service. They are presented below by subject category and, within each category, in chronological order.

#### Regulation of the Contractual Quality of the Integrated Water Service

- By **Resolution 476/2023/R/idr of 17 October 2023** 'Application of the incentive mechanism of the regulation of the contractual quality of the integrated water service (RQSII) for the years 2020-2021. Final Results', the Authority set out the cases of exclusion or non-application of the mechanism and determined, for the eligible managers, the bonuses and penalties provided for under the Framework.
- In order to correct some material errors of the previous Resolution 476/2023/R/idr, **Resolution 500/2023/R/idr of 31 October 2023** replaces Annex B in its entirety, containing bonuses and penalties.

As a result of this preliminary investigation, MM was awarded, within the framework of the Contractual Quality framework for the two-year period 2020-2021, bonuses amounting to € 152,711 on the macro-indicator *MC2-Contractual Relationship Management and Service Accessibility* and a penalty amounting to € 791,322 on the macro-indicator *MC1-Start and Termination of Contractual Relationship*.

#### Technical Quality of the Integrated Water Service - Incentive Mechanism

- By means of **Resolution 303/2023/R/idr of 28 June 2023** 'Approval of the methodological note as a result of the preliminary investigative findings as part of the proceedings for the quantitative evaluations provided for by the incentive mechanism of the regulation of the technical quality of the integrated water service (RQTI) for the second two-year evaluation period 2020-2021, initiated by Resolution 107/2022/R/idr', the Authority highlighted the investigative findings that emerged as part of the evaluations provided for by the RQTI

incentive mechanism. The preliminary investigation determined the application/exclusion (total or partial) from the incentive mechanism under Title VII of the RQTI, as well as eligibility or non-eligibility for the level of excellence.

- By **Resolution 477/2023/R/idr of 17 October 2023** 'Application of the incentive mechanism of the regulation of the technical quality of the integrated water service (RQTI) for the years 2020-2021. Final Results', the Authority set out the cases of exclusion or non-application of the mechanism and determined, for the eligible managers, the bonuses and penalties provided for under the Framework.

As a result of this investigation within the framework of the Technical Quality framework for the two-year period 2020-2021, MM was awarded € 4,873,305 for the Macro-indicators:

- *M2-Service interruptions*
- *M3-Quality of water supplied*
- *M4 - Adequacy of the sewerage system*
- *M5-Sludge disposal in landfills*
- *M6-Quality of purified water*

While it incurred a penalty of € 172,953 for failing to meet the target for macro-indicator *M1-Water losses*

#### Technical Quality of the Integrated Water Service - Regulatory Update

- With **Resolution 440/2023/R/idr of 3 October 2023** 'Initiation of proceedings to update the regulation of the technical quality of the integrated water service (RQTI)', the Authority initiates proceedings aimed at updating the regulation of the technical quality of the integrated water service as per Resolution 917/2017/R/idr, aimed at strengthening the set of indicators in force and introducing additional standards, also in light of the current climate scenario and the most recent legislative changes on quality.
- By means of **Consultation Document 541/2023/R/idr of 21 November 2023** 'Update of the regulation of the technical quality of the integrated water service. Final guidelines', the Authority illustrates its guidelines on the updating of the regulation of the technical quality of the integrated water service (RQTI), initiated with Resolution 440/2023/R/idr, formulating proposals on the following aspects
  - Definition of a new macro indicator on water resilience aimed at mitigating critical issues related to *Climate Change*;
  - Confirmation of the other RQTI macro-indicators, introducing some assumptions for updating them and clarifying the compensation methods;
  - Establishment of annual data reporting in respect of a two-yearly evaluation of the targets achieved consistent with tariff approvals;
  - With reference to 2023 only, provision for the possibility of recalculations of macro-indicators M1, M2, M3 and M5 and the possibility of temporary exclusions for M4 and M6;
  - For the incentive mechanism, application of a cap on the bonuses for each manager (10% of the VRG - Operator's Revenue Constraint) and updating of the parameters;

- Lastly, **Resolution 637/2023/R/idr of 28 December 2023** 'Update of the regulation on the regulation of the technical quality of the integrated water service or of each of the individual services comprising it (RQTI), as well as amendments to Annex A to the Authority's Resolution 586/2012/R/idr and Annex A to the Authority's Resolution 655/2015/R/idr (RQSII)' formally updated the regulation of the technical quality of the integrated water service (RQTI). The integration of the regulation of the technical quality of the integrated water service (RQTI) covered, inter alia:
  - The introduction of the macro-indicator 'M0-Water resilience', with an amount that can be measured from the outset, pertaining only to the uses of the sewerage system (M0a) at the operator level, pending the definition of an indicator that also considers consumption other than civil and the overall water resources of the territory (M0b) at the superior level;
  - The revision of the class A threshold of the macro-indicator M1 on water losses from 25% to 20% for linear losses;
  - The definition of more stringent classes for the macro-indicator M2 on water service interruptions;
  - The redefinition of the thresholds for accessing classes A to E of the macro-indicator M3 on the quality of water supplied, also providing specifications on the definitions and perimeter of the sampling and parameters to be considered;
  - The redefinition of the thresholds for access to classes A to E of macro-indicator M4 on the adequacy of the sewerage system, inserting limits for access to the bonus related to the spillways managed and the regulations in force;
  - The definition of more stringent classes for macro-indicator M5 on the disposal of sewage sludge in landfills;
  - Redefinition of the thresholds of classes A to E of macro-indicator M6 on purified water quality, as well as the limits for the parameters analysed; definition of a minimum number of samplings required for access to incentives;
  - Updating the structure of the Technical Quality Registers;
  - The reinforcement of validation activities by the Area governing body, starting with data collection in the year 2026 by a pool of Area governing bodies including the territorially competent EGA;
  - The incorporation of changes to the specific standards set out in the RQTI, including their automatic compensation, into the Service Charter;
  - The provision from the year 2024, of the permanent assessment of the technical quality objectives in a cumulative manner on a two-year basis.

The changes introduced shall apply as from 1 January 2024. At the same time, the annexes to Resolutions 586/2012/R/idr on user billing (effective 30 June 2024) and 655/2015/R/idr on contract quality (effective 1 January 2024) are also updated for the relevant aspects.

#### Provisions on the Social Bonus

- By means of **Resolution 13/2023/R/com of 24 January 2023** 'Updating of the ISEE threshold values for access to the social electric, gas and water bonuses for economic

hardship, and modification of the concession classes as of 1 January 2023', the Authority amended the regulations in force, effective as of 1 January 2023 by modifying Article 4, paragraph 1, in Annex A to Resolution 63/2021/R/com of 23 February 2021:

- replacing the 'three classes' of concession with 'four classes'
  - replacing the ISEE value of € 8,265 with the value of € 9,530
  - by adding (d) DSUs having households with ISEE 9,530 & ISEE ≤ 15,000 with less than 4 children.
- Under **Resolution 622/2023/R/com of 28 December 2023**, the decision was made to modify the methods for updating and quantifying social bonuses and to revise, for the protection of customers/users, certain operating methods for recognising social bonuses.

#### Tariff Regulation of the Integrated Water Service

- With **Resolution 5/2023/C/idr of 17 January 2023** 'Partial appeal of the Lombardy Regional Administrative Court, Milan, Fourth Section, No. 2493/2022 ruling on the partial annulment of the Authority's Resolution 664/2015/R/idr', the decision was made to appeal against certain unfavourable parts of the Lombardy Regional Administrative Court, Milan, Fourth Section, No. 2493/2022 ruling on the Water Tariff Method for the second regulatory period (MTI-2).
- With **Resolution 64/2023/R/idr of 21 February 2023** 'Initiation of proceedings for the definition of the water tariff method for the fourth regulatory period (MTI-4)', the Authority initiated proceedings aimed at defining the water tariff method for the fourth regulatory period (MTI-4) for the determination of the tariff of the IWS, or rather of each of the individual services that comprise it, in compliance with the principles deriving from EU and national regulations. It also indicated the following as the industry average cost of electricity supply for 2022: 0.2855 €/kWh.
- With **Resolution No. 239/2023/R/idr of 30 May 2023**, the Authority ordered that, as of 1 July 2023, the equalisation component UI4 earmarked for the Water Works Guarantee Fund under Art. 58 of Law 221/15, is € 0.0 cents/cubic metre. As further updates are possible in the future, it is expected that the UI4 component will continue to be shown in the billing documents and fee structure.
- With **Resolution 267/2023/R/com of 13 June 2023** 'Urgent provisions on the subject of electricity, gas, water and the integrated urban waste management service, in favour of the populations affected by the exceptional meteorological events occurring from 1 May 2023', the Authority provided in particular, with regard to the specific provisions for the water sector with an impact on all operators in the national territory, in art. 11, that '*From 1 July 2023, the value of the UI1 tariff component, referred to in paragraph 24.1 of Resolution 6/2013/R/COM, is equal to € 0.6 cents/cubic metre*', in relation to the needs that have emerged.
- With **Consultation Document 442/2023/R/idr of 3 October 2023** 'Water Tariff Methodology for the Fourth Regulatory Period (MTI-4). General framework and lines of action', the Authority illustrates its general guidelines for the definition of the MTI-4 tariff method for determining the tariff of the integrated water service:
  - confirming the general approach adopted so far, making provision for a 6-year regulatory period and a Strategic Works Plan (SOP) - an integral part of the Programme of initiatives (Pol) - until 2035;

- introducing new elements as part of the updating of the technical quality regulation started with Resolution 440/2023/R/IDR;
- making provision for (i) consolidation of the current rules to favour investment spending and promote increasing management efficiency, (ii) an extension of the approach already adopted in MTI-3 for energy and environmental sustainability and resilience in the face of climate change, and (iii) introducing some measures to accompany the management aggregation processes in progress.
- With the subsequent **Consultation Document 543/2023/R/idr of 21 November 2023** 'Water Tariff Methodology for the Fourth Regulatory Period (MTI-4). Final Guidelines', the Authority submitted for consultation aspects concerning the rules for calculating the costs allowed in the tariff and the identification of macroeconomic reference parameters:
  - As regards the promotion of investments in contexts with specific critical issues: (i) investments in large upstream infrastructures operated by an entity providing services to the IWS operator are taken into account; (ii) with reference to delays and shortcomings in the implementation of plans to overcome the possible non-satisfaction of RQTI prerequisites, it is proposed that a specific cause be introduced for exclusion from the tariff update; (iii) with regard to the construction of plants that cannot be delayed any further, it is considered that the tariff methodology that has been adopted already provides the appropriate tools to recognise their efficient costs.
  - the Authority intends to confirm the general structure of the operator's revenue constraint (VRG) currently in force;
  - the Authority intends to confirm the tariff multiplier formula, updating the base year, as well as the presence of an annual limit on price growth;
  - The Authority intends to confirm the approach based on a matrix of regulatory schemes as the ordinary reference method for determining tariff development;
  - With regard to monetary adjustments, an expected rate of inflation (*ipi*) used for the calculation of the limit to the tariff multiplier and the pre-tax result of 2.7% and an inflation rate for the update of operating costs for the years 2023 and 2024 of 4.5% and 8.8%, respectively, was set for consultation. The values of the gross fixed investment deflators were defined accordingly.
  - With particular reference to the promotion of investment expenditure, the Authority intends to confirm the general structure of fixed assets and NICs.
  - With reference to the financial and fiscal charges, in order to consider, in an exceptionally uncertain macroeconomic context, the need to protect the economic-financial balance of the operators and to favour the implementation of the infrastructural initiatives linked to the incentive policies, in any case consistent with the traditional approach adopted in the water sector, the Authority has proposed the revision of the values of the parameters for calculating these charges.
  - The Authority intends to confirm the treatment of the tariff component New Investment Fund by allocating the same Fund exclusively to new Pdl investments.
  - In line with MTI-3, operating costs are expected to be equal to the sum of internal operating costs, updatable operating costs and operating costs associated with specific purposes.
  - The indicator 'RIU-Quantity of purified volumes that can be reused but are not destined for reuse' and the indicator 'ENE-Quantity of electricity purchased' are

- introduced, defining targets for improvement; the two indicators will give rise to bonuses, to be financed by the Fund for the Promotion of Innovation in the IWS
- The Authority intends to confirm the types of charges to be expressed as *Environmental and Resource Costs* according to EU legislation.
  - The Authority intends to update some of the ways in which adjustments to the corresponding tariff components (including energy costs) and energy and environmental sustainability objectives are determined.
- With **Resolution 639/2023/R/idr of 28 December 2023** 'Approval of the Water Tariff Method for the fourth regulatory period (MTI-4)' the Authority subsequently approved the Tariff Method of the integrated water service for the fourth regulatory period (MTI-4), defining the rules for calculating the costs admitted to tariff recognition, confirming most of the proposals set out in DCO 543/2023/r/idr; the new features introduced therefore concern, inter alia
    - The extension of the regulatory period to six years (2024-2029) and the consequent adjustment of the documents that make up the tariff preparation (PEF, Pdl and POS 2029-2035);
    - The confirmation of the formula for calculating the tariff multiplier  $\vartheta$  by updating the base year for the purposes of adjusting the denominator and the parameters for calculating the price limits, whose caps are between 6.7% of Schedule I and 9.95% of Schedule VI; ARERA also confirmed the matrix of regulatory schemes and the structure of the Operator's Revenue Constraint;
    - With regard to the Costs of Fixed Assets, the component of financial and tax expenses was revised upwards on the basis of a revision of previous parameters, from 4.80% in the last two-year period to 6.13% in the current two-year period,
    - The confirmation of the treatment of the FoNI component earmarked for new investments;
    - The confirmation of the distinction between internal operating costs, updatable operating costs, and operating costs associated with specific purposes, making a change to the formula for Electricity costs, which will see the recognition of the value of self-produced energy and will be subject to adjustment on the basis of a theoretical benchmark based for 70% on variable prices and 30% on fixed prices;
    - The confirmation of the environmental and resource cost structure (ERC);
    - A revision of the components eligible for adjustment, including the possibility of full recognition of 2022 electricity costs in the presence of a justified request and a plan to contain costs and consumption;
    - The provision, for energy and environmental sustainability, of an initial use of resources from the Fund for the Promotion of Innovation (set up at CSEA) to reward the reuse of purified waste-water and the reduction of purchased electricity.

[Out-of-court settlement procedures for disputes between customers or end users and operators or managers in the sectors regulated by ARERA](#)

- With **Resolution 233/2023/E/com of 30 May 2023** 'Implementation of the compulsory attempt at conciliation under the TICO for end-users of the water and district heating sectors', it is provided that the TICO applies to the water and district heating sectors and, in particular



- that all water sector operators and district heating operators are obliged to participate in the procedures initiated by end users before the Conciliation Service of the Authority, pursuant to Article 9, paragraph 9.4, of the TICO
- to confirm, for the water sector:
  - that the TICO does not apply to disputes concerning the social bonus, without prejudice to compensation, and to disputes concerning water quality
  - that the request for Conciliation may be submitted, if the operator fails to respond to the complaint, 50 days after the complaint is sent
  - that the water service operator may, under certain conditions, request the Conciliation Service to summon the sewerage service operator and/or the purification service operator, if different.
- to provide that the IWS operators not yet obliged to participate in the Conciliation Service and the district heating operators, are required to indicate, on their website, in their new contracts and in their replies to unresolved complaints: the modalities of activation of the Authority's Conciliation Service; the methods of activation of any other out-of-court dispute resolution bodies free of charge

#### Sanction proceedings

- By means of **Resolution 326/2023/E/com of 18 July 2023** 'Initiation of proceedings for the revision of the Regulation governing sanctioning proceedings and procedural methods for the assessment of commitments', the Authority initiated proceedings for the revision of the Regulation, adopted by Resolution 243/2012/E/com.
- With **Consultation Document 327/2023/E/com of 18 July 2023** 'Revision of the Regulation governing sanctioning proceedings and procedural methods for the assessment of commitments', the Authority set out its guidelines for the revision of the Regulation in question. The need to revise the Regulation also arose in light of the changed regulatory framework in terms of the attribution of powers, since Law No 205 of 27 December 2017, Article 1, paragraph 527, in fact - among other aspects - assigned to the Authority regulatory and control functions in the field of urban and assimilated waste.

#### Contribution for the operation of the Energy, Networks and Environment Regulatory Authority

- With **Resolution 395/2023/A of 12 September 2023** 'Provisions on the contribution for the operation of the Regulatory Authority for Energy Networks and Environment, due for the year 2023, by the entities operating in the sectors of competence', the Authority sets, for the year 2023, the rate of the contribution for the Authority's operating expenses, due by the entities operating the IWS or one or more of its component activities, at the rate of 0.27 per thousand of the revenues resulting from the approved financial statements relating to the year 2022.

#### Other ARERA measures

- With **Resolution 525/2023/A of 15 November 2023** 'Reporting on the activities carried out by the Regulatory Authority for Energy Networks and Environment, in the period January 2022 - September 2023, as part of the Strategic Framework for the four-year period 2022 - 2025', the Authority reported on the activities carried out in these areas in the period 01.01.22-30.09.23



Measures issued by ARERA in early 2024

- With **Resolution 26/2024/R/idr of 30 January 2024**, the Authority initiates a procedure to complete the incentive mechanism for promoting water resilience, set forth in the update of the technical quality regulation that introduced the macro indicator M0 'Water Resilience'.
- With **Resolution 37/2024/R/idr of 6 February 2024** 'Initiation of proceedings for the quantitative assessments, relating to the two-year period 2022-2023, envisaged by the contractual quality incentive mechanism for the integrated water service, as per Title XIII of Annex A to the Authority's Resolution 655/2015/R/idr (RQSII)', the Authority initiated the aforementioned proceedings relating to the 2022-2023 assessment period, which is divided into two phases:
  - the identification of the set of managers for which complete information is available for the purpose of the definition of the ranking for Stage III as per Article 94, as well as the attribution of the bonuses and penalties referred to all Stages, for the aforementioned performance evaluation period 2022-2023;
  - the attribution of the penalties associated with Stages I and II for all the managers that have not sent - within the deadlines set by the Authority - the data necessary for the evaluation of the RQSII objectives
- With **Resolution 39/2024/R/idr of 6 February 2024** 'Initiation of proceedings for the quantitative assessments, relating to the two-year period 2022-2023, provided for by the incentive mechanism of the technical quality of the integrated water service referred to in Title VII of Annex A to the Authority's Resolution 917/2017/R/idr (RQTI)', the Authority has tightened the aforementioned proceedings relating to the two-year period 2022-2023 divided into two phases:
  - the identification of the set of managers for which complete information is available for the purpose of the definition of the rankings for Stages III, IV and V referred to in Article 26, as well as the attribution of the bonuses and penalties referred to all Stages, for the two-year period 2022-2023;
  - the attribution of the penalties associated with Stages I, II, III and IV for all managers who have not sent, by the deadline referred to in point 2 below, the data and documentation necessary for the assessment of the RQTI objectives.

Local Regulation

As far as local regulation is concerned, during the year 2023, the Area Office of the Metropolitan City of Milan operated in accordance with the provisions of ARERA, among other things:

- approving the 2023 Performance Plan;
- approving the commitment of € 677,305.10 from the Investment Development Financing Fund for the funding of initiatives already included in the Area Plan, of which € 282,035.50 in favour of the Area Plan initiative proposed by the Manager MM S.p.A. - job order no. 2100N - concerning '*Hydraulic work on the spillway structure in Via Col Moschin (spillway 2a1c) by means of the reconstruction of the junction and the installation of a filtering device to screen the drained flows*';

- taking note of the results of the monitoring of the economic and financial data of the IWS operators of the ATO of the Metropolitan City of Milan on the basis of the 2019-2021 financial statements data;
- taking note of the results of the validation of the data and information uploaded by the IWS Managers of the ATO on the ARERA web portal, as part of the obligations related to the data collection for the Contractual Quality of the IWS, for the year 2022;
- approving the amendments to the current IWS Regulation of the MM Manager, with the addition to Article 3.2.2 'Domestic waste-water and assimilated waste-water' of point 12 concerning the waste reception and treatment activities on behalf of third parties that the Manager will carry out at the Milan Nosedo purification plant, as well as the new annex J 'List of the types of waste allowed for disposal, by purification plant';
- acknowledging the results of the control/validation of the data transmitted by the Managers of the IWS Cap Holding and MM on Social Water Bonus and Supplementary Water Bonus (2021-2022);
- approving the updating of the 'Rules for the disbursement of corporate/regional/state funding';
- taking note of MM's reconfirmation of the proposal to access the PNRR (National Recovery and Resilience Plan) funding line of the M2C4-I4.2\_191 initiative;
- taking note of the signing, by the Integrated Water Service Managers MM SpA and Cap Holding SpA, of the Addendum to the Convention for the regulation of services provided wholesale and the Convention for the regulation of cross-billing and transfer of the receipts of the sewerage and purification service of the Municipality of Corsico, referring to the tariffs pertaining to the period up to 31.12.2022;
- approving the adhesion to the 'Convention for the registration of discharge structures along the northern Lambro river';
- adopting the proposed 2024 Budget, the 2024 - 2026 Three-Year Plan and the related Report;
- approving the Appendices to the Report pursuant to Article 30 of Legislative Decree 201/2022, sending it to the Metropolitan City and the Municipality of Milan, for the fulfilment of their respective responsibilities;
- approving the adjustment of the Price List to Users proposed by the Manager Cap Holding SpA, taking into account, however, the need for this adjustment to take place gradually through the application of 4 six-monthly steps (equal to a 25% price increase for each six-month period), in order to make the tariff increases more sustainable for all types of users and to approve the update of the Price List to Users - Annex G to the IWS Regulation - proposed by the Manager MM SpA; these updates will be fully implemented following the future positive opinion of the Conference of the Area Municipalities, expected during 2024;
- approving the result achieved by Cap Holding SpA and MM SpA in terms of investments realised in 2022 compared to the amount planned.

## Significant events during the year

### Significant events related to the context

During 2023, also in an international context characterised by conflict situations such as that between Russia and Ukraine, MM continued to operate in the presence of high commodity and energy carrier prices.

Although decreasing compared to 2022, the cost of electricity during the year was significantly higher than the historical series of previous years, the average cost of electricity was approximately € 280/MWh, down from the approximately € 350/MWh recorded in 2022 but markedly above the approximately € 125/MWh recorded in 2021.

This entailed the continuation of the actions implemented by MM's Water Service Business Unit to make energy consumption more efficient, including the optimisation of water supply network pressures and the completion of the San Rocco photovoltaic plant, which marked the start of energy self-production. The Company also benefited in the first part of the year, albeit to a limited extent compared to 2022, from tax credits for electricity and gas provided by national legislation.

Another relevant aspect for MM was the interest rate trends during the year: although the ECB rate had remained at 0.0% until July 2022 and was still at 2.5% in December 2022, during the year it increased to 4.5% in September 2023, negatively affecting the company's financial management, without prejudice to compliance with the covenant relative to the ratio between financial expenses and EBITDA (as described below).

### Significant events relating to the Integrated Water Service

It should be noted that, as of 1 January 2023, the management of the Corsico water supply infrastructure and the underlying utilities, previously overseen by MM SpA, has been fully assigned to the operator Cap Holding S.p.a. pursuant to the provisions of Resolution No. 4 of the Conference of Municipalities of the Optimal Territorial Area of the Metropolitan City of Milan on 11 October 2022.

As a result of this change in the management structure, as well as the optimisation of network pressure management, approximately 203 million cubic metres of water were withdrawn from the environment for drinking water use during 2023, compared to approximately 208 million cubic metres withdrawn during 2022.

As reported in the section on '*Legal and Regulatory Aspects*':

- Under ARERA resolution no. 476/2023/R/idr of 1/10/2023, bonuses amounting to € 152,711 and penalties amounting to € 791,322 were assigned to MM in relation to the contractual quality objectives of the IWS for the two-year period 2020-2021
- Under ARERA resolution no. 477/2023/R/idr of 17/10/2023, bonuses amounting to € 4,873,305 and penalties amounting to € 172,953 were assigned to MM in relation to the technical quality objectives of the IWS for the two-year period 2020-2021.

With reference to the financing provided for by the Lombardy Region pursuant to Dgr (regional council resolution) no. XI/4040 of 14/12/2020 and Dgr no. XI/6073 of 7/3/2022, during 2023 further tranches of the loans provided in the form of capital grants for the design and related implementation of infrastructural works pertaining to the IWS were disbursed to MM for an amount of € 877,020.17.

## Significant events related to the management of Public Residential Housing

On 1 January 2023, MM S.p.A. also took over the management of **the Public Residential Housing** assets owned by the **Municipality of Bergamo**, carrying out the administrative management and maintenance of these real estate assets on the basis of the cooperation agreement between the Municipality of Bergamo and MM S.p.A. signed in December 2022. Revenues in 2023 amounted to about € 380,000.

## Significant facts related to Engineering

In relation to the provisions of the new Public Contracts Code, which came fully into force on 1 July 2023, and which introduced a qualification system for entities qualified to operate as a contracting authority, in June 2023 MM SpA submitted an application to ANAC requesting inclusion in the list of qualified contracting authorities; it was subsequently admitted to qualification in band L1 for Works and band SF1 for Services and Supplies, i.e., the maximum levels where there is no limit to the amount of the tender amount.

With Resolution no. 1438 of 26/10/2023, the Milan Municipal Council approved the Annual Business Plan of MM S.p.A. for the year 2023, implementing the Service Agreement signed on 22 March 2019 between the Municipality of Milan and MM S.p.A. (as updated by Addendum No. 1 of 5 August 2022 and Addendum No. 2 of 22 September 2023), for a total estimated amount of € 87,146,847.16.

## Significant events relating to Plant and Property Management

On 16.03.23 Amsa again informed MM of the need to initiate the procedure for a further extension of the lease agreement, whose previous extension was due to expire on 30.04.2023, until 31.12.2023.

On 28 December 2023, a further extension to the existing lease agreement between MM and Amsa was signed for the period from 1 January 2024 to 31 March 2024, defined following Executive Determination 12161 of the Director of the Water Resources and Environmental Hygiene Area of the Municipality of Milan dated 19 December 2023.

## Significant events relating to the Ordinary Maintenance of Plants and Infrastructures

As part of the ordinary maintenance activities of the school building stock of the Municipality of Milan, since 2023 MM has also been in charge of ordinary maintenance services and periodic checks of the electrical installations in school buildings.

The middle of 2023 also the start of architectural and engineering services related to the management of contracts for the routine maintenance of roads, signs and bridges, which are currently being carried out; and, lastly, services for surveying the maintenance needs of the road heritage, with surveys and monitoring to develop the road registry and to plan and manage maintenance activities.

With regard to maintenance activities related to sports facilities, negotiations were conducted with Milanosport in 2023 for the definition of a new contract, with a revision of the amounts and scope of the facilities covered by the services, which was finalised in 2024.

Following the extreme weather events during the summer period, the Ordinary Plant and Infrastructure Maintenance Business Unit and the Public Residential Housing Green function worked within the school buildings to ensure their reopening at the resumption of teaching activities, and within public residential housing, schools and premises to restore the usability of the courtyard areas.

### **Extending the scope of MM SpA's activities in the field of green management**

With Ruling No. 271/2023, the Regional Administrative Court of Lombardy declared as inadmissible the appeal filed by Imera (and others) against the assignment to MM of the management service of the green assets of the Municipality of Milan for the duration of 25 years.

The appellant filed an application for a reform of this judgment before the Council of State, which, through its judgment No. 243/2024 of 5 January 2024, confirmed the decision of the Lombardy Regional Administrative Court rejecting the appeal of the appellant Imera.

With Ruling No. 700/2023 of 20 March 2023, the Lombardy Regional Administrative Court upheld the appeal brought by AVR (and others) against the assignment to MM of the management service of the green assets of the Municipality of Milan for the duration of 25 years.

In consideration of the grounds for the ruling, an appeal was filed with the Council of State, which, through ruling no. 843/2024 of 26 January 2024, upheld the claims of the Municipality of Milan and MM, deeming the assignment of the management of the green assets ordered by the Municipality of Milan in favour of MM to be fully legitimate.

## Management Summary and Economic and Financial Performance

### Definition of alternative performance indicators

*Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)*: it is calculated by adding to the operating profit (loss) shown in the Income Statement, amortisation/depreciation, provisions and impairment (also classified in a dedicated item in the Income Statement).

*Net investments*: this is the sum of investments made in property, plant and equipment and intangible assets, net of the FoNI (Fund for New Investments, as regulated by the tariff regulation of the Integrated Water Service).

*Net fixed assets*: this is the sum of property, plant and equipment, intangible assets, equity investments and deferred tax assets and liabilities.

*Net working capital*: this is the sum of inventories, trade receivables and payables, current tax receivables and payables, and other current assets and liabilities.

*Provisions*: this is the sum of 'Post-employment benefits and other benefits' and 'Provisions for risks and charges'.

*Net invested capital*: this is the sum of 'Net fixed assets', 'Net working capital' and 'Provisions'.

*Net financial indebtedness*: this is the sum of current and non-current financial assets, cash and cash equivalents, current and non-current financial liabilities, current and non-current portion of assets and liabilities for financial instruments on rates.

*Sources of financing*: this is the sum of 'Net financial indebtedness' and 'Equity'.

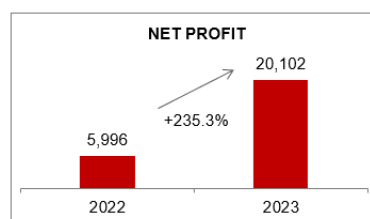
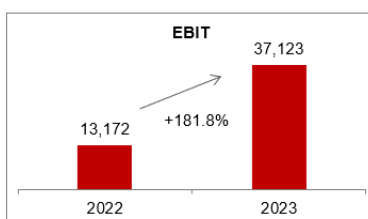
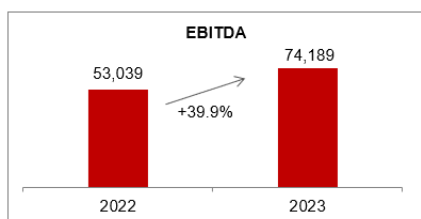
### Economic results

**MM's main indicators** for the year 2023 show an increase in economic margins compared to the previous year; in particular, there was a 40% increase in the EBITDA, which, despite the worsening of financial operations due to the increase in the cost of borrowing, led to a net profit of € 20,102 thousand.

The income statement acknowledges the application of accounting standard IFRIC 12 'Service Concession Arrangements'; therefore, in relation to the Integrated Water Service, investment works are allocated to costs and revenues. This representation does not entail any change in the results.

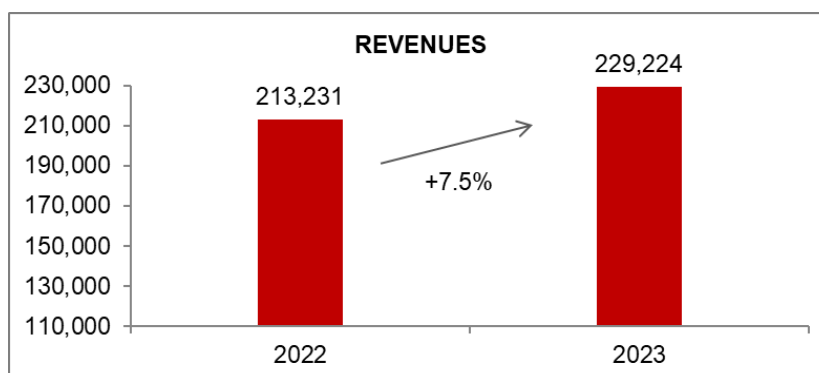
The **comparison between the financial years 2023 and 2022** is presented in the table below:

Income Statement (€/000)	2023	Inc. %	2022	Inc. %	Abs. change	% Ch.
Revenues	229,224	100%	213,231	100%	15,994	8%
Revenues arising from work on infrastructure subject to service concession arrangements	52,977	23%	50,917	24%	2,060	4%
Other operating revenues	25,969	11%	34,212	16%	(8,243)	-24%
Raw materials and consumables	(6,301)	-3%	(7,390)	-3%	1,089	-15%
Costs for services	(97,040)	-42%	(115,245)	-54%	18,205	-16%
Other operating expenses	(4,660)	-2%	(3,066)	-1%	(1,595)	52%
Personnel costs	(74,277)	-32%	(70,519)	-33%	(3,758)	5%
Capitalised costs on infrastructure subject to service concession arrangements	(51,027)	-22%	(48,909)	-23%	(2,118)	4%
Losses from disposal and divestment of fixed assets	(676)	0%	(193)	0%	(484)	251%
<b>EBITDA</b>	<b>74,189</b>	<b>32%</b>	<b>53,039</b>	<b>25%</b>	<b>21,150</b>	<b>40%</b>
Amortisation/depreciation and provisions	(37,067)	-16%	(39,868)	-19%	2,801	-7%
<b>EBIT</b>	<b>37,123</b>	<b>16%</b>	<b>13,172</b>	<b>6%</b>	<b>23,951</b>	<b>182%</b>
Financial operations	(9,293)	-4%	(6,449)	-3%	(2,845)	44%
<b>Pre-tax profit</b>	<b>27,829</b>	<b>12%</b>	<b>6,723</b>	<b>3%</b>	<b>21,106</b>	<b>314%</b>
Taxes	(7,727)	-3%	(727)	0%	(7,000)	962%
<b>Net profit for the year</b>	<b>20,102</b>	<b>9%</b>	<b>5,996</b>	<b>3%</b>	<b>14,106</b>	<b>235%</b>



In 2023, there was an **increase in revenue** of 8% compared to the previous year; this result is the synthesis of differentiated trends for individual Business Units, as shown in the table below:

Revenues (€/000)	31.12.2023	Inc. %	31.12.2022	Inc. %	Abs. change	% Ch.
Integrated Water Service	169,840	74.1%	157,113	73.7%	12,727	8.1%
Engineering	27,376	11.9%	27,357	12.8%	19	0.1%
Housing	17,177	7.5%	15,251	7.2%	1,925	12.6%
Plant and Property Management	2,031	0.9%	2,033	1.0%	(1)	-0.1%
Ordinary Plant and Infrastructure Maintenance	11,167	4.9%	10,271	4.8%	896	8.7%
Public Residential Housing Green Management	1,463	0.6%	1,176	0.6%	287	24.4%
Staff	171	0.1%	30	0.0%	141	476.4%
<b>Total</b>	<b>229,224</b>	<b>100.0%</b>	<b>213,231</b>	<b>100.0%</b>	<b>15,994</b>	<b>8%</b>



The main components of the increase are related to the Integrated Water Service BU (+€ 12,727 thousand), the Housing BU (+€ 1,295 thousand) and the Ordinary Plant and Infrastructure Maintenance BU (+€ 896 thousand).

**Other operating revenues** decreased year-on-year (-€ 8,243 thousand), mainly due to a reduction in tax credits related to Electricity and Gas and premiums related to the Technical Quality of the Integrated Water Service.

**Costs for raw materials and materials** decreased by € 1,089 thousand compared to 2022.

**Costs for services** showed a decrease of € 18,205,000, down 16% from 2022. This change was mainly the result of lower electricity and gas prices compared to the previous year, and an overall reduction in the main operating costs.

**Other operating expenses** increased by € 1,595 thousand compared to 2022 (+ 52%).

**Labour costs** show an upward trend compared to 2022.

Labour costs (€/000)	31.12.2023	31.12.2022	31.12.2021	Abs. change	% Ch,
Integrated Water Service	28,985	28,420	28,831	565	2%
Engineering	20,716	18,793	21,748	1,922	10%
Housing	7,177	6,899	6,437	279	4%
Ordinary Plant and Infrastructure Maintenance	2,890	2,033	1,164	858	42%
Public Residential Housing Green Management	748	530	93	218	41%
Staff	13,760	13,844	14,211	(83)	-1%
<b>Total labour cost gross of capitalised costs</b>	<b>74,277</b>	<b>70,519</b>	<b>72,484</b>	<b>3,758</b>	<b>5%</b>

There was a 5% increase in total labour costs over the previous year of +€ 3,758 thousand, with the largest increases in the Engineering BU (+€ 1,922 thousand), the Ordinary Plant and Infrastructure Maintenance BU (+€ 858 thousand) and the Public Residential Housing Green Management BU (+€ 218 thousand).

As a result of the above trends, in 2023, the **EBITDA** 2023 amounted to € 74,189 thousand, compared to € 53,039 thousand in the previous year.

**Depreciation, amortisation and provisions** decreased by € 2,801 thousand. The decline is primarily due to lower provisions made compared to the previous year (-€ 3,518 thousand) and an increase in depreciation and amortisation of € 717 thousand.

The balance of **financial operations** worsened by € 2,845 thousand as a result of the rise in reference interest rates.

**Net profit** for the year therefore amounted to **€ 20,102 thousand**.



## Equity and Financial Results

The analysis and **comparison for the years 2023 and 2022** are presented in the table below:

Invested Capital and Sources of Financing (€/000)	31.12.2023	Inc. %	31.12.2022	Inc. %	Abs. change	Ch.. %
Net non-current assets	490,871	103.1%	466,814	96.0%	24,057	5.2%
Net working capital	(3,428)	-0.7%	31,743	6.5%	(35,171)	-110.8%
Provisions	(11,442)	-2.4%	(12,246)	-2.5%	804	-6.6%
<b>Net invested capital</b>	<b>476,001</b>	<b>100.0%</b>	<b>486,312</b>	<b>100.0%</b>	<b>(10,311)</b>	<b>-2.1%</b>
Equity	(266,550)	-56.0%	(246,308)	-50.6%	(20,242)	8.2%
Long-Term financial payables	(197,971)	-41.6%	(199,876)	-41.1%	1,906	-1.0%
Short-term net financial position	(11,481)	-2.4%	(40,128)	-8.3%	28,647	-71.4%
<b>Total sources of financing</b>	<b>(476,001)</b>	<b>-100.0%</b>	<b>(486,312)</b>	<b>-100.0%</b>	<b>10,311</b>	<b>-2.1%</b>

**Net Invested Capital** at the end of 2023 amounted to € 476,001 thousand. The decrease is almost entirely attributable to the decline in net working capital due to the effect of credit collection activities on the Integrated Water Service, offset by the increase in net non-current assets, referring in particular to investments in the Integrated Water Service.

At the end of 2023, **Equity** amounted to € 266,550 thousand, an increase of 8.2% compared to the previous year.

The **Net Financial Position** amounted to **€ 209,452 thousand**, of which € 197,971 thousand is of a non-current nature and € 11,481 thousand of a current nature.

The **investments**, broken down by business area, are as follows:

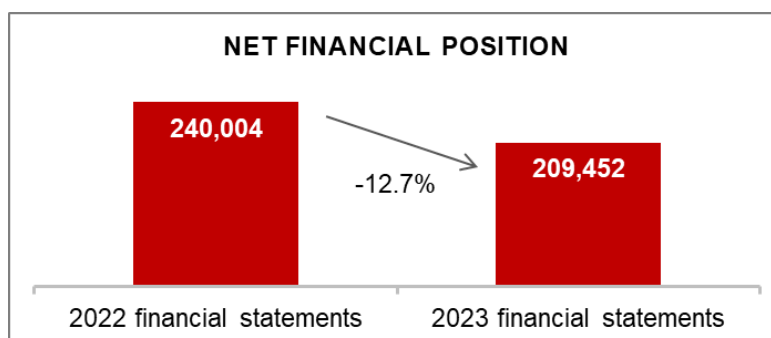
Investments (€/000)	31.12.2023	31.12.2022	Abs. change
Integrated Water Service	56,220	55,935	285
<i>of which covered by FoNI</i>	(9,692)	(5,346)	(4,346)
Engineering	1,384	1,384	(0)
Housing	1,208	1,815	(607)
Plant and Property Management	1,084	(16)	1,100
Ordinary Plant and Infrastructure Maintenance	900	984	(84)
Public Residential Housing Green Management	489	25	464
Staff	901	2,293	(1,392)
<b>Total investments before FoNI</b>	<b>62,186</b>	<b>62,420</b>	<b>(234)</b>

## Analysis of the financial structure

The analysis of **net financial debt** is shown in the table below:

	31.12.2023	31.12.2022
Cash and cash equivalents	61,000	59,404
Cash equivalents		
Other current financial assets		
<b>Total cash and cash equivalents (A+B+C)</b>	<b>61,000</b>	<b>59,404</b>
Current financial payables	71,793	98,534
Current portion of non-current financial payables	688	997
<b>Current financial indebtedness (E+F)</b>	<b>72,481</b>	<b>99,531</b>
<b>Net current financial indebtedness (G-D)</b>	<b>11,481</b>	<b>40,128</b>
Non-current financial payables	196,848	199,000
Trade payables and other non-current payables	1,123	877
<b>Non-current financial indebtedness (I+J)</b>	<b>197,971</b>	<b>199,876</b>
<b>Total financial debt (H+K)</b>	<b>209,452</b>	<b>240,004</b>

The total value of the **Net Financial Position** as at 31 December 2023 was € 209,452 thousand, a decrease of € 30,552 thousand compared to the previous year (-12.7%). This decrease is related to the fall in net working capital as a result of debt collection activities on the Integrated Water Service.



As at 31 December 2023, medium/long-term debt mainly consisted of the bond issued on the regulated market of the Dublin Stock Exchange (Euronext Dublin) maturing in 2035, the loan from the European Investment Bank (EIB) and the remaining portion of pre-existing loans maturing in 2027-2028.

The bond loan, issued by the company on 23 December 2016, and the EIB loan agreement, signed on 18 November 2016, provide for MM to **comply with specific financial covenants**, calculated as ratios between variables of an economic and equity nature, aimed at monitoring the company's economic and financial sustainability.

The financial covenants in question are as follows:

- Net financial position/EBITDA  $\leq 4.5$
- Net Financial Position/Fixed Assets  $\leq 70\%$
- EBITDA/Financial Expenses  $\geq 4.5$

The **details of the calculations** are as follows:

Covenant (€/000)	2023	2022	Objective
Operating Profit (Loss)	37,123	13,172	
Amortisation/depreciation, impairment and provisions	37,067	39,868	
<b>EBITDA</b>	<b>74,189</b>	<b>53,039</b>	
Non-current financial liabilities	197,971	199,876	
Current financial liabilities	72,481	99,531	
Cash and cash equivalents	(61,000)	(59,404)	
<b>NET FINANCIAL POSITION</b>	<b>209,452</b>	<b>240,004</b>	
<b>NET FINANCIAL POSITION/EBITDA</b>	<b>2.82</b>	<b>4.53</b>	<b><math>\leq 4.5</math></b>
Rights over the infrastructure relating to service concession arrangements	378,341	349,837	
Other intangible assets	9,595	11,689	
Property, plant and equipment	64,031	68,068	
Non-current financial assets (Guarantee Deposits)	173	268	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>452,140</b>	<b>429,862</b>	
<b>NET FINANCIAL POSITION/NON-CURRENT ASSETS</b>	<b>46%</b>	<b>56%</b>	<b><math>\leq 70\%</math></b>
FINANCIAL COSTS	10,104	6,800	
<b>EBITDA/FINANCIAL COSTS</b>	<b>7.3</b>	<b>7.8</b>	<b><math>\geq 4.5</math></b>

The final figures 31.12.23 therefore demonstrate compliance with the financial covenants.

### Management objectives assigned to the Company by the Municipality of Milan (years 2023-2025)

In 2021, by Resolution of the Municipal Council no. 350 of 02.04.2021, the Municipality of Milan updated Resolution no. 2379 of 28.12.2018, defining, pursuant to Article 19, paragraph 5, of Legislative Decree No. 175 of 19 August 2016, the annual and multi-annual targets for total operating costs of the subsidiaries.

In 2022, with Municipal Council Resolution No. 1145 of 4 August 2022, the Municipal Council deemed it appropriate to set new cross-cutting targets for the years 2022-2024, in an update of Resolution 350/2021. With Executive Determination no. 10013 of 14 November 2022, the Municipality defined the KPIs (*Key Performance Indicators*) for the years 2022 and 2023 of the transversal objectives assigned to the in-house providing companies of the Municipality of Milan and

confirmed, for the year 2022, the specific objectives of reducing expenditure already defined with Resolution no. 350 for the years 2021-2023.

In 2023, by Resolution of the Municipal Council No. 1080 of 3 August 2023, the Municipality decided to **re-propose for the year 2023 the transversal objectives assigned by its own Resolution No. 1145/2022** and to assign **4 new transversal objectives pertaining to the macro-area 'Anti-Corruption and Transparency' for the three-year period 2023-2025**. The specific management objective of containing operating costs, already assigned by Resolution No. 350/2021, is **re-proposed for the year 2023**. With Executive Determination no. 8384 of 3 October 2023 concerning the 'Definition of the KPIs (Key Performance Indicators), for the years 2023 and 2024, of the transversal objectives assigned to the in-house providing companies of the Municipality of Milan with the resolution of the Municipal Council no. 1080 of 3 August 2023', the Municipality applies the KPIs (*Key Performance Indicators*) for the years 2023 and 2024 respectively.

### Transversal objectives

With reference to the **transversal objectives** relating to the three-year period 2023-2025, the Municipality confirmed the three macro-areas identified with Resolution No. 1145/2022, updating their relative KPIs with Executive Determination No. 8384/2023 and introducing, with reference to the macro-area 'Anti-Corruption and Transparency', four new objectives (subject to reporting starting from the first half of 2024):

<b>Objective I</b>	<b>Rationalisation of expenditure</b> , aimed at encouraging the dissemination of best practice models of an economic-financial nature for cash management Improving the ratio of operating costs to production value with a focus on personnel costs
<b>Purpose</b>	Efficiency gains on cash management through improved treasury management, investment of cash in funds/securities and reduction of operating costs
<b>KPI 2023</b>	<i>Development of synergies between investee companies and exchange of information on cash management</i>
<b>Newly adopted KPI 2023</b>	<i>Identification of the percentage ratio between the incidence of personnel costs (item B9 in the income statement) and total production costs (item B in the income statement) in the company's financial statements - 2022 financial statements: 24.73%</i>

<b>Objective II</b>	<p><b>Air and Climate Plan</b>, aimed at fostering the application of green criteria in procurement procedures and aimed at:</p> <ul style="list-style-type: none"> <li>- encouraging policies promoting sustainable consumption and purchasing by in-house companies</li> <li>- promoting the application of CAM (Minimum Environmental Criteria) in tendering procedures</li> <li>- introducing periodic monitoring on the dissemination of GPP and CAM within the tendering procedures of in-house companies</li> <li>- stimulating operational synergies with sharing of best practices between in-house investee companies</li> </ul>
<b>Purpose</b>	Promote market leverage by directing and influencing the power of choice of in-house companies on economic operators pursuing sustainable environmental parameters and supply chains. This action will encourage the establishment of consolidated practices in all possible areas of public spending and those carried out by entities where the municipality has direct influence.
<b>KPI 2023</b>	<ul style="list-style-type: none"> <li>- No. Green Purchases (with Minimum Environmental Criteria) implemented/ongoing;</li> <li>- % green procurement (CAM) out of total procurement in economic value*,</li> <li>- % green procurement (CAM) out of total procurement in number of contracts**,</li> <li>- % CO<sub>2</sub> saved</li> </ul> <p>*specify the number of green contracts and the total economic value of the purchases taken into account in the calculation.</p> <p>**specify the values considered in the calculation.</p>

<b>Objective III</b>	<b>Anti-Corruption and Transparency</b> , aimed at defining and providing guidance to companies on transparency and corruption prevention.	
<b>Purpose</b>	Development of group policies on transparency and corruption prevention, through the dissemination of models and best practices	
<b>KPI 2023</b>	<p><i>Monitoring the adoption of the Integrity Pact; Report on the evaluation of the establishment of the Internal Auditing function; Demonstration by suppliers/contractors that they have adequately communicated to their employees on the use of the Whistleblowing platform; Identification of measures to prevent conflict of interest situations and pantouflage and adoption and application of the measures identified; Implementation of actions for the disclosure of the beneficial owner by suppliers/contractors. Disclosure of 'beneficial owner' by suppliers/contractors; Mapping of company activities and procedures to identify areas of criticality. Definition, through the adoption of organisational acts, of information flows by the structures in charge of managing corruption risk; Identification and implementation of Best Practices; Definition and adoption of a system of objectives and indicators on transparency and corruption prevention in implementation of the PTPCT.</i></p>	
<b>Newly Adopted Targets (subject to reporting from 1H2024)</b>	<b>Objective</b>	<b>KPI 2023</b>
	Monitoring of litigation involving each company as plaintiff and/or defendant that may give rise to possible claims for damages and/or possible loss of public benefits/funding	<i>Identification of relevant litigation</i>
	Adoption of the standard CSAs of the Municipality of Milan with possible adaptation to the areas of operation of individual companies.	<i>Adaptation of the standard CSAs of the Municipality of Milan to the areas of operation of the individual companies</i>
	Appointment of the SOS (reporting of suspicious transactions) Officer and AML enforcement.	<i>Assessment of the organisational impacts of legislation</i>
	Verification of the correct application by the subcontractors of each company of the collective labour agreements corresponding to the work or service to be provided	<i>Identification of the collective labour agreements to be applied for each subcontractor</i>

**Transversal Objective No. 1 Rationalisation of Expenditure**, as shown in the summary table below, was achieved.

KPI Rationalisation of Expenditure - Targets 2023	
Development of synergies between investee companies	On 20 September 2023, a meeting was held, organised by the Budget and Investees Department of the Municipality of Milan, with the Finance Directors of the municipally-owned investee companies included in the initiative. Each company, including MM, shared their financial characteristics, each highlighting their needs.
Exchange of information on liquidity management	
Reduction of operating costs	The reference KPI was identified by DD 8384/2023

With regard to **Transversal Objective No. 2 Air and Climate Plan**, the evaluations carried out also took into account the procedures concerning works contracts for the Municipality of Milan. The targets set for 2023 in terms of *% green procurement (CAM) out of total procurement in economic value* and *% green procurement (CAM) out of total procurement in number of contracts* were achieved. It is specified that, similarly to what was reported in the year 2022, for the calculation of the % ratio only tenders above the threshold (i.e. above € 139,000) are considered.

KPI Air and Climate Plan - Targets 2023		Value achieved
No. Green Purchases (with Minimum Environmental Criteria) made/in progress, taken into account in the percentage calculation of the third indicator	-	46
% green procurement (CAM) out of total purchases in economic value (specify the number of green procurements and the total economic value of purchases, taken into account in the calculation)	30%	85% The calculation considered 46 green contracts, with a total economic value of € 226,452,986
% green procurement (CAM) out of total procurement in number of contracts (please specify the values considered in the calculation)	15%	52% (46 out of 88)
% CO <sub>2</sub> saved	-	- 0.6%

As stated in the NFS in Chapter 5.1, MM emissions in the period 2021-2023 are as follows:

	Unit of measurement	2021	2022	2023
Scope 1 direct emissions	t CO <sub>2e</sub>	6,724	6,524	6,860
Scope 2 indirect emissions - market-based method		-	-	-
Scope 2 indirect emissions - location-based method	t CO <sub>2</sub>	40,296	36,719	36,128

With regard to **Transversal Objective No. 3 Anti-Corruption and Transparency**, the KPIs defined by the Managerial Determination No. 8384/2023 were assessed; with specific reference to the four newly adopted objectives, following the meeting held with the Municipality of Milan on 12 March 2024, it was set out that they will be reported from the first half of 2024 and that an update meeting on the progress of the objectives will be held by June 2024.

Anti-Corruption and Transparency KPIs - Targets 2023	
<i>Monitoring the adoption of the Integrity Pact</i>	MM has adopted the integrity pacts (approved by the Technical Interdisciplinary and Procurement Committee in its meeting of 3.11.22) for both open tenders and negotiated procedures; as of April 2023, the application of this form will also be extended to direct awards.
<i>Report on the evaluation of the establishment of the Internal Auditing Department</i>	<p>MM's <i>Internal Auditing Department</i> operates independently and in line with the mandate received from the Company's Board of Directors.</p> <p>The head of the Department also holds the position of Anti-Bribery Contact Person. For the performance of specialised tasks, or where deemed necessary, the department may call on the support of an external consultant.</p> <p>The department has an operating manual for carrying out audit activities and a set of standard reports (e.g.: audit report; audit programme; follow-up report; <i>ad hoc</i> reporting to the Board of Directors, Control, Risk and Sustainability Committee, Supervisory Board and Board of Statutory Auditors).</p>
<i>Demonstration by suppliers/contractors that they have given adequate notice to their employees on the use of the Whistleblowing platform</i>	Since October 2023, whistleblowing clauses have been included in tender procedures. The required documentation was produced by the suppliers.
<i>Identification of measures for preventing Conflict of Interest and Pantouflage and Adoption and implementation of identified measures</i>	<p>MM has an internal conflict of interest regulation.</p> <p>As far as pantouflage is concerned, the declaration 'no cause for pantouflage' must be filled in at the personnel selection stage; while for suppliers, the relevant 'Prohibition of pantouflage' declaration is included in the standard MM Tender Rules and is made by the tenderers both with the application for participation and in the integrity pacts.</p> <p>Measures in relation to Conflict of Interest and Pantouflage are in place.</p>
<i>Systematisation of actions for disclosure of the beneficial owner by suppliers/contractors. Disclosure of 'beneficial owner' by suppliers/contractors</i>	MM adopted, as of April 2023, the disclosure form of the beneficial owner by suppliers/contractors, adapting the forms used by the Municipality of Milan.
<i>Mapping company activities and procedures to identify critical areas. Definition, through the adoption of organisational acts, of information flows by the structures in charge of corruption risk management</i>	At the request of the municipality, MM prepares template No. 302 referring to the half-yearly report of the Control Body, the areas of improvement identified and implemented by the company, as well as all other templates requested by the municipal administration. In addition, quarterly information flows from company departments to the Control Board are implemented.
<i>Best Practice Identification and Implementation</i>	MM participates in meetings coordinated by the municipality with the contact persons on corruption prevention and transparency for the exchange of best practices. MM shared with the municipality and the contact persons of the investee companies best practices already in place (e.g: Conflict of Interest Regulation).
<i>Definition and adoption of a system of objectives and indicators on transparency and corruption prevention in implementation of the PTPCT</i>	With regard to the inclusion of a system of transparency and corruption prevention objectives and indicators within the corporate incentive system, negotiations are in progress between the Organisation and Human Resources Department and the RSA CCNL for Executives on the modification of the MBO allocation procedure, which provides, among other things, for the introduction to the system of an ad hoc objective on transparency and corruption prevention.

With Resolution no. 1080 of 03/08/2023, the Municipality of Milan confirmed for the year 2023 the specific expenditure reduction targets already defined with Resolution no. 350 for the years 2021-2023 and with Resolution:

<b>Target 2023</b>	Improving the ratio of operating costs to production value.
<b>Purpose</b>	Reduction of operating costs.
<b>KPI</b>	Over the three-year period 2018-2020, the expected average percentage ratio of operating costs to production value <sup>5</sup> is 76.8%. In 2021, 2022 and 2023, this value must reach the following maximum percentages respectively: 76.8%, 76.6% and 76.4% - Minimum percentage of improvement, also taking into account prospective management scope expansions: respectively, 0.2% for the year 2021, 0.2% for the year 2022 and 0.4% for the year 2023.

For the purpose of the calculation, for the year 2023, of the percentage referred to in the KPI above, it was deemed necessary to neutralise the effect resulting from the increase in energy prices and related tax incentive measures, as these are to be considered '*income components of exceptional magnitude or incidence*' in light of the aforementioned Determination.

Therefore, the electricity and gas cost component exceeding the annual average calculated for the period 2018-2020 has been removed from the calculation, as was done for 2022.

MM Energy costs	Book value (in thousands of euros)
A) Annual average 2018-2020	23,403
B) Annual value 2022	53,743
C) Annual value 2023	39,788
Exceptional cost excluded (C - A)	16,385
D) Electricity and Gas Tax Credit 2023	3,837
Exceptional income excluded (D)	3,837

Below are details of the revenue and cost items that were excluded from the KPI calculation pursuant to the provisions of the aforementioned Resolution:

Operating costs excluded from KPI calculation (€/000)	
Depreciation, amortisation, write-downs and provisions	37,067
Costs for work on assets under concession	57,914
Higher electricity and gas costs	16,385
Losses on disposal and divestment of fixed assets	676
Stamps and local taxes, Deductible and non-deductible taxes and duties	547
Contingent liabilities	1,167
Salary increases attributable to national collective bargaining	696
Revenue components excluded from KPI calculation (€/000)	
Revenues for work on assets under concession	52,977
Contingent assets	657
Tax credit related to the higher cost of electricity and gas <sup>6</sup>	3,837
Previous years' IRAP	76

<sup>5</sup>For the calculation of the indicator, the cost and revenue components explicitly set out in the measure are to be excluded.

<sup>6</sup>On the subject of energy and gas price measures, starting with *Decree-Law No. 21 of 21/03/2022, as amended*, and up to *Decree-Law No. 34 of 30/03/2023*, extraordinary contributions in the form of tax credits for the purchase of electricity and natural gas were provided.



The **2023 indicator** thus calculated is **65.2%**<sup>7</sup>.

Operating costs for KPI purposes (€/000)	163,483
Revenues for KPI purposes (€/000)	250,624
KPI 2023 (%)	65.2%

The indicator, if calculated with unchanged MM business perimeter compared to 2020 (the last year considered in the quantification of the reference average), thus excluding the Green Business Unit and Bergamo Public Residential Housing management, would be **65.0%**.

Operating costs for KPI purposes (€/000)	161,531
Revenues for KPI purposes (€/000)	248,534
KPI 2023 (%)	65.0%

In both scenarios, the minimum percentage of improvement planned for 2023 is therefore met.

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<sup>7</sup>Costs incurred for compulsory security measures are included in operating costs.

## Analysis by strategic business areas

The management results achieved in the business areas are analysed below.

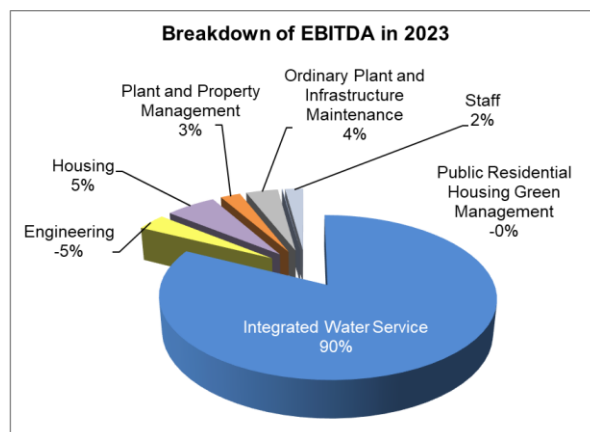
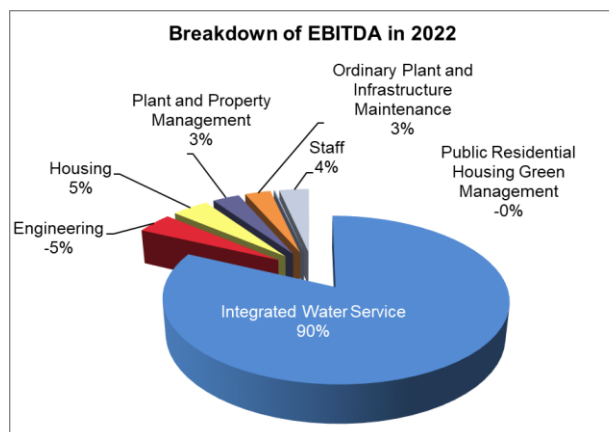
The income statements by area include **structure costs** and include **economic exchanges between business areas** valued at market prices.

Income Statement (€/000)	Integrated Water Service	Engineering	Housing	Plant and Property Management	Ordinary Plant and Infrastructure Maintenance Division	Public Residential Housing Green Management	Staff	Adjustments	IFRS Income statement
Revenues	169,840	27,376	17,177	2,031	11,167	1,463	171		229,224
Cross-sector revenues	161	2,640				30		(2,832)	0
Revenues arising from work on infrastructure subject to service concession arrangements	52,977								52,977
Other operating revenues	16,920	5,102	2,034	41	492	246	1,135		25,969
Raw materials and consumables	(2,926)	(969)	(1,054)	0	(415)	(156)	(780)		(6,301)
Cross-sector costs	(2,440)	(2)	(132)		(257)			2,832	(0)
Costs for services	(74,597)	(10,438)	(2,181)	(45)	(4,328)	(741)	(4,710)		(97,040)
Costs for Central Staff functions	(11,160)	(4,337)	(3,614)	(140)	(767)	(152)	20,170		0
Other operating expenses	(2,349)	(1,391)	(361)	(11)	(10)	(11)	(527)		(4,680)
Personnel costs	(28,985)	(20,716)	(7,177)		(2,890)	(748)	(13,760)		(74,277)
Capitalised costs on infrastructure subject to service concession arrangements	(51,027)								(51,027)
Losses from disposals and divestment of non-current assets	(676)								(676)
<b>Gross Operating Margin</b>	<b>65,736</b>	<b>(2,735)</b>	<b>4,692</b>	<b>1,875</b>	<b>2,991</b>	<b>(69)</b>	<b>1,699</b>	<b>0</b>	<b>74,189</b>
Amortisation/depreciation and provisions	(25,296)	(6,505)	(1,959)	(995)	(501)	(104)	(1,707)		(37,067)
<b>Operating Profit</b>	<b>40,441</b>	<b>(9,240)</b>	<b>2,732</b>	<b>880</b>	<b>2,490</b>	<b>(173)</b>	<b>(8)</b>	<b>0</b>	<b>37,123</b>
Financial Operations	(6,285)	(3,542)	74	449	16	(11)	5		(9,293)
<b>Pre-tax profit</b>	<b>34,156</b>	<b>(12,782)</b>	<b>2,807</b>	<b>1,329</b>	<b>2,506</b>	<b>(184)</b>	<b>(3)</b>		<b>27,829</b>
Taxes	(8,213)	2,264	(808)	(312)	(680)	19	3		(7,727)
<b>Net profit for the year</b>	<b>25,943</b>	<b>(10,518)</b>	<b>1,999</b>	<b>1,017</b>	<b>1,826</b>	<b>(165)</b>	<b>0</b>	<b>0</b>	<b>20,102</b>

MM SpA's EBITDA in 2023 was € 74,189 thousand, a positive change of € 21,150 thousand (+39.9%) compared to 2022.

EBITDA (€/000)	31.12.2023	31.12.2022	31.12.2021	Abs. change	% Ch,
Integrated Water Service	65,736	47,639	48,192	18,098	38%
Engineering	(2,735)	(2,429)	1,282	(306)	13%
Housing	4,692	2,452	1,079	2,239	91%
Plant and Property Management	1,875	1,807	1,744	68	4%
Ordinary Plant and Infrastructure Maintenance	2,991	1,716	578	1,275	74%
Public Residential Housing Green Management	(69)	(110)	(1,067)	40	-37%
Staff	1,699	1,965	1,326	(265)	-14%
<b>Total</b>	<b>74,189</b>	<b>53,039</b>	<b>53,134</b>	<b>21,150</b>	<b>39.9%</b>

The following table shows the composition of MM SpA's EBITDA in the financial years 2022 and 2023:



The largest contribution to the company's EBITDA is made by the Integrated Water Service; the figures for 2023 are essentially unchanged from 2022.

### *Integrated Water Service*

The Water Service Business Unit is responsible for the management of the integrated water service of the City of Milan, i.e. the set of infrastructures and activities for the collection, treatment and distribution of drinking water with subsequent collection in the sewerage system and final purification before return to the environment.

The Business Unit is organised into two *Line* Departments that oversee water and sewerage networks and water treatment plants, respectively, as well as a *Construction Management* Department. In 2021, the **Water Service Sales function** was created, dedicated to readings, customer management, billing and debt collection. The organisation is completed by the staff functions of Divisional Services, Planning and International Cooperation.

Specifically, the *line* departments are:

- the **Water Supply and Sewerage Department**, which is responsible for managing the water service networks and the pumping and treatment plants for drinking water;
- the **Water Treatment, Environment Protection and Wastewater Plants** function, which manages the pumping and waste-water treatment plants at the two Nosedo and San Rocco waste-water treatment plants.

MM is therefore in **charge of the entire integrated water service in Milan**, from the supply of drinking water to the final return of purified waste-water and possible reuse for irrigation purposes.

In 2023, the Business Unit pursued activities and investments aimed at achieving the **objectives of Technical and Contractual Quality** set out in the regulatory framework defined by ARERA; as evidence of the targets achieved in the area of **Technical Quality**, **ARERA awarded MM bonuses** for the results achieved in the two-year period 2020-2021 for an amount of over **€ 5 million**.

The year 2023 was characterised by a gradual reduction in withdrawals and thus in the exploitation of the aquifer, as occurred in the two-year pandemic period 2020-2021. In particular, in 2023, more than 7.3 million cubic metres less than in 2022, or 3.3 % of the total, were withdrawn thanks to the pressure management and digital management initiatives of the distribution network, while the billed consumption volumes remained stable.

In the area of investments, the extensive programme of **replacement and/or rehabilitation of the water supply and sewerage networks** for the upgrading of infrastructure continued according to a planning approach based on the risk indices typical of each network branch. Thanks to the use of **trenchless No-Dig technologies**, the productivity of construction sites increases due to the reduction of activities and disruptions generated on the roadway.

For the improvement of water losses and energy efficiency associated with the operation of the water supply network's pumping stations, 2023 was characterised by the commissioning of the Digital Decision Support System (DSS), which, in addition to the efficiency of energy parameters, used the new IoT devices for the continuous and distributed control of network pressures, producing pre-localisations of losses on a virtual sub-district scale. The classification of the territory into districts with the corresponding loss estimation enabled the targeted localisation of losses in the field.

In the area of **circular economy**, the new station for receiving spoils and waste from sewer cleaning with annexed sand washing and recovery section was completed at the Milan Nosedo purification plant. In 2023 this was augmented by a similar initiative for all sands produced by the settling basis section of the purification plant.

Investments also continued in the area of energy efficiency with the installation of a dedicated blower for aerobic stabilisation at the Milano San Rocco purification plant, capable of ensuring a significant reduction in consumption of the more energy-intensive turbo-blowers dedicated to the biological compartment from which the aeration for stabilisation was derived.

In the area of environmental sustainability and response to climate change, we would like to highlight the installation of the first Sustainable Urban Drainage System (SuDS) in Via Pacini by retrofitting a pre-existing grey road infrastructure used as an illegal car park into a new green infrastructure capable of improving road drainage.

The following table summarises the **results of the Business Unit**:

<b>Integrated Water Service (€/000)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Abs. change</b>	<b>% Ch,</b>
Revenues	239,898	234,132	5,766	2.5%
Costs	(174,162)	(186,494)	12,332	-6.6%
<b>EBITDA</b>	<b>65,736</b>	<b>47,639</b>	<b>18,098</b>	<b>38.0%</b>
% of revenue	27.4%	20.3%		
Amortisation/depreciation and provisions	(25,296)	(26,075)	780	-3.0%
<b>Operating Profit (Loss)</b>	<b>40,441</b>	<b>21,563</b>	<b>18,877</b>	<b>87.5%</b>
% of revenue	16.9%	9.2%		
<b>Investments</b>	<b>56,220</b>	<b>55,935</b>	<b>285</b>	<b>0.5%</b>

From an economic point of view, the Water Service Business Unit recorded an increase in EBITDA of € 18,098 thousand (+38%) in 2023 compared to 2022.

**Revenues** increased by € 5,766 thousand or 2.5%; **operating costs** decreased by -€ 12,332 thousand or -6.6% **Operating profit** rose by € 18,877 thousand or +87.5% compared to 2022.

**Investments** in the Integrated Water Service amounted to € 56,220 thousand, an increase of € 285 thousand over the previous year and consistent with the different amounts.

The following table shows the **Business Unit's main technical data**:

Technical data - Integrated Water Service	2023	2022	2021	2020
Area of reference	City of Milan	City of Milan	City of Milan	City of Milan
Housing units	About 800,000	About 800,000	About 800,000	About 800,000
Resident inhabitants	1,369,647	1,384,249	1,403,314	1,436,544
Demand	Roughly 2,000,000 Users	Roughly 2,000,000 Users	Roughly 2,000,000 Users	Roughly 2,000,000 Users
Water injected into the network (millions m <sup>3</sup> /year)	203	208	210	209
Total water billed (millions m <sup>3</sup> /year)*	178	179	178	178
Water losses**	11.8%	14.0%	15.5%	14.4%
Total length of water distribution networks (km)	2,109	2,150	2,146	2,141
Length of adduction networks (km)	99.8	99.5	99.8	99.5
Total wells (no.)	584	588	588	588
Sewerage network length (km)	1,638.9	1,634.7	1,585.0	1,584.2
Purification plants (no.)	2	2	2	2
Purification plants potential (population equivalent)	2,286,000	2,286,000	2,286,000	2,286,000
Drinking water analyses				
Number of samplings***	3,665	3,659	3,701	3,095
Number of parameters	168,674	159,659	211,838	175,083
Compliance percentage	99.99%	99.99%	99.99%	99.98%
Waste-water analyses				
Number of samplings	6,225	6,850	6,700	6,400
Number of analytical determinations	31,400	37,800	39,200	38,200
Compliance percentage (only on discharge)	100%	100%	100%	100%
Per capita daily supply (mc/inhabitant/day)	0.342	0.343	0.390	0.395
Waste-water purification plants				
Plants with a capacity of up to 2,000 p.e.	-	-	-	-
Plants between 2,000 p.e. and 10,000 p.e.	-	-	-	-
Plants between 10,000 p.e. and 1,000,000 p.e.	-	-	-	-
Plants over 1,000,000 p.e.	2	2	2	2
Waste-water purification values				
Plant input and output treated volumes (million cubic metres)	207	197	220	226
Volumes for irrigation use (millions m <sup>3</sup> )	61	74	62	55
percentage removal of BOD5 pollutants	99%	99%	98%	98%
percentage removal of SST pollutants	99%	99%	99%	99%
percentage removal of pollutants - total nitrogen	85%	85%	84%	80%
percentage removal of pollutants - total phosphorus	79%	78%	77%	72%
Volume of sludge for disposal in agriculture (t/000)	55	57	42	48
Volume of sludge destined for cement works as fuel (t/000)	8.8	8	15	13
Theoretical calculation of the dried volume sent to cement works converted into the equivalent of dewatered sludge for agriculture (t/000)	33.8	32	35	34

(\*) As of 1 January 2023, the Corsico water supply infrastructure previously managed by MM SpA was assigned to Cap Holding.

(\*\*) With reference to the data Water losses, the value represented refers to the macro indicator M1b 'Percentage water losses' calculated for the Milan water supply network pursuant to Article 8 of Annex A to ARERA Resolution 917/2017/R/idr (RQTI).

(\*\*\*) The withdrawal of one or more portions of water, at a given sampling point, on a given date, as a single sample, irrespective of the number of containers used according to the sampling methods, is considered as sampling for the purposes of the RQTI rules.

## Engineering

Also in 2023, the Engineering Business Unit comprises the activities carried out by the **Mobility and Extra Moenia Business Unit (DVME)**, to which the Branch activities also refer, and the **Infrastructure and Real Estate Department (DVIP)**:

The Mobility and Extra Moenia Business Unit is in turn made up of two business lines:

- a line dedicated to the design of Mobility Systems (DSMO) line;
- a line dedicated to Construction Management Mobility (DCMM).

Completing the structure of the Engineering Business Unit are the Commercial function, with national and international business development tasks, and the Structures function.

Reporting to the DVME Business Unit are also the foreign branches: **Dubai Branch** (UAE), established in January 2017 in order to develop commercial initiatives in the Middle East and North Africa (MENA) and South Asia Region and manage orders in the United Arab Emirates, **Sucursal Colombia**, domiciled in Bogotá, established in July 2020. An additional Branch (**India Branch**) was established during 2021 in Chennai, following the acquisition of important projects in that country within the scope of the Chennai and Mumbai metro lines.

The Infrastructure and Real Estate Business Unit (DVIP) also has two business lines, dedicated to engineering services related to urban infrastructure, construction and real estate:

- an infrastructure and real estate planning line (DPPI)
- a construction management line for such works (DCIP)

The Engineering BU also operates in other international markets, with a presence, in partnership with other companies, in Romania (HS railway corridor).

The following table summarises the **results of the Business Unit**:

Engineering (€/000)	31.12.2023	31.12.2022	Abs. change	% Ch,
Revenues	35,118	33,180	1,938	5.8%
Costs	(37,853)	(35,609)	(2,244)	6.3%
<b>EBITDA</b>	<b>(2,735)</b>	<b>(2,429)</b>	<b>(306)</b>	<b>13%</b>
% of revenue	-7.8%	-7.3%		
Amortisation/depreciation and provisions	(6,505)	(8,715)	2,210	-25%
<b>Operating Profit (Loss)</b>	<b>(9,240)</b>	<b>(11,144)</b>	<b>1,904</b>	<b>-17%</b>
% of revenue	-26.3%	-33.6%		
<b>Investments</b>	<b>1,384</b>	<b>1,384</b>	<b>(0)</b>	<b>0%</b>

From an economic point of view, in 2023 the Engineering Business Unit recorded a decrease in the EBITDA, which went from -€ 2,429 thousand to -€ 2,735 thousand, due to the reduced margins generated by some contracts in an advanced stage of realisation.

**Revenues** increased by € 1,938 thousand (+5.8%); **operating costs** rose by € 2,244 thousand or +6.3%.

**Investments** in the Engineering Business Unit amounted to € 1,384 thousand, substantially in line with the previous year.

### *Infrastructure and Real Estate Planning Department (DPPI)*

The most significant initiatives developed within the Department during 2023 on behalf of the Municipality of Milan concern:

- the executive design (EP) of the 'Ghisallo overpass maintenance and renovation works' as part of the remodelling of the assignment awarded in 2019;
- the final design (PD) of the 'Photovoltaic plant on the roofs of the Chiaravalle cemetery - Construction of photovoltaic plants on the roofs of municipally-owned buildings - Direct and/or PPP intervention - Phase 5';
- PD completion and PE development of the 'Redevelopment and regulatory adaptation of the building components and systems of the Palazzo del Capitano - piazza Beccaria, 19';
- PD works for the 'Adaptation of the installations of the Natural History Museum in Corso Venezia, 55'.

With regard to the initiatives financed under the PNNR, the first PEs to be implemented through application contracts for works were developed in 2023:

- Rubattino - extension of Lambretta Park - reclamation;
- Road redevelopment (pedestrian, bicycle and public spaces) in the Greco and Niguarda districts;
- Road redevelopment (pedestrian, bicycle and public spaces) in the San Siro district;
- Extraordinary maintenance of the Carraro sports centre building.

The first survey campaign envisaged in the monitoring plan for the Bovisa areas - Lots 2, 3 and 4 - was also completed in 2023, and work began on defining the remediation methods for the areas on which the Urban Forest is to be built.

With regard to the additional activities carried out for the Municipality of Milan, the Department's total revenues are also mainly related to the areas of Housing, Schools and Sports Facilities.

With regard to extraordinary maintenance works on the Public Residential Housing assets of the Municipality of Milan, the activities carried out mainly refer to

- PE initiatives related to the 'S. Erlembaldo-Villa Finzi Integrated Social Housing Programme' and in particular of the 'S. Erlembaldo 2 Public Residential Housing Complex Redevelopment';
- PFTE to be put out to tender for the 'Renovation and expansion of the Public Residential Housing Complex via Barzoni 11 - Corvetto Universal City Integrated Social Housing Programme'.

With regard to school buildings and sports facilities, the activities carried out mainly refer to a variety of extraordinary maintenance works implemented under framework agreements.

The numerous activities carried out in connection with municipal buildings on plant upgrading issues, as well as work on hydraulic works and infrastructure were also hugely important, which include:



- the irrigation reorganisation of the Vettabbia canal district south of the Nosedo purification plant;
- extraordinary maintenance for redevelopment and retrofitting works for state and social policy buildings;
- reclamation and construction of the Via Merula car park - San Cristoforo interchange HUB;
- the Rho - Fiera M1 interchange car park.

During 2023, the executive design of the initiatives aimed at the 'Resolution of Casalmaggiore Unpolluted Drains - Lot 2 Casalmaggiore Collector' was also developed, to conclude the assignment conferred by Padania Acque.

The internal orders developed for the Integrated Water Service within the scope of the Programme of Initiatives during the year include the following: reconfiguration of the main backbone of the Centrale Suzzani well network; adaptation of the Via Bardolino sewer network; replacement of the Via Paravia water supply network piping; restructuring of the Via Porpora sewer between Via Merzario and Via Teodosio; replacement of the water supply network piping in Via Meucci, Via Falconi and Via Tanaro; preparation of the documentation to be put out to tender for the awarding of Framework Agreements concerning the 'Extension, replacement and/or upgrading of water supply network piping and sewerage network manifolds' and the 'Restructuring of sewerage and water supply networks in various locations (redevelopment using CIPP technique)'.

### *Mobility Systems Department (DSMO)*

#### *In-house activities for the Municipality of Milan*

As regards **in-house activities for the Municipality of Milan**, the main orders in terms of revenue in 2023 were as follows:

#### **Milan underground line M1 - Extension to Baggio / Valsesia / Olmi**

The extension, with three stations and a depot-warehouse, will run for a total length of about 3.5 km, all underground except the depot, starting from the current terminus in Bisceglie to the west side borders of the Municipality of Milan and indirectly serving the neighbouring municipalities, in particular Cesano Boscone.

The project started with the drafting of the Technical Economic Feasibility Project (PFTE) sent to the Ministry of Infrastructure and Transport (MIT) in December 2018. This led in 2019 to the confirmation of a first tranche of state funding in the amount of € 270 million (60% of the economic framework). In 2019, at the request of the client, the PFTE was updated and brought to the preliminary Services Conference.

A further update of the PFTE took place in 2020, which was then approved by a Council resolution. In the second part of 2020, the development of the Final Project was initiated, concluded in 2021, passing through the decision-making Services Conference; it was finally approved by a Municipal Council Resolution (no. 1063 of 01/09/2021). Also in 2021, the drafting of the Executive Project was commenced.

In 2022, the development of the Executive Project continued, with extensive use of BIM methodology. The project verification process was completed in December 2022.



In 2023, the supplementary financing requested from MIT by the Municipality of Milan to cover the increase in the Economic Framework due to the significant rise in the price of most construction materials was pending. This increase was originally about € 124 million, but since it had to be updated to the 2023 Lombardy Region price list, it rose to € 145 million (for a total of € 543 million in the Economic Framework).

This additional financing of € 145 million was granted by the Decree of the Ministry of Infrastructure and Transport No. 0000346 of 22-12-2023: as soon as the MIT provides the accounting commitment, the call for tenders will be issued in early 2024.

The activities developed by DSMO in 2023 for this order concerned the preparation of the documentation for the tender, the updating of the estimated metric calculation, and consequently of the Economic Framework, at 2023 prices (with related market research for materials not covered by official price lists) as well as the support to the Municipality of Milan for the request of the increased financing.

#### Milan metro line M5 - Extension to Monza

The project, with 11 stations and a large depot/workshop, will run for a total length of about 13 km, almost all of it underground. The location of the Parco-Villa Reale station within the Monza Park, a protected natural area of the Valle Lambro Park, entails, pursuant to Article 7 of Legislative Decree No. 152 of 2006, the obligation to go through the administrative procedure of the EIA (integrated environmental authorisation), or rather the EIA/PAUR (regional authorisation procedure).

Between 2018 and 2019, the PFTE was drafted and updated and the financing of the economic framework (amounting to €1,250 million) was also defined with a sharing agreement between the entities involved (Region and the Municipalities of Milan, Monza, Cinisello Balsamo and Sesto San Giovanni).

The development of the Final Project started in 2019, using the BIM approach. Geognostic surveys continued in 2020. Design activities continued in 2021, including some route optimisations as a result of the results of the geognostic campaign; the functional architectural, structural and plant engineering design of the stations and a workshop depot; the rectification of the final surface and greening of some station areas and the depot area. Also in 2021, the preliminary consultation of the entities took place, pursuant to Art. 21 of Legislative Decree 152/2006, through technical meetings with the Regional Environmental Impact Assessment Commission and the authorities.

In 2022, the Final Project was completed, on the basis of which the regional authorisation procedure (PAUR) was started; discussions continued with the municipalities affected by surface works and construction sites, and design issues conditioned by constraints on the territory were managed, such as in particular the Monza Institutional Hub (terminus), the interface with the Monza railway station and with the Villa Reale Park in Monza.

In 2023, activities related to the PAUR continued, entailing a series of project additions in response to requests from the Authorities, and the revision of the surface rectifications within the Municipality of Monza, following a series of meetings with the Municipality.

In the second half of 2023, the project additions within the framework of the PAUR were completed and the procedure for the attachment of the expropriation restriction and the declaration of public utility, urgency and non-deferrability of the works was started.

Following the provision of the final project documentation to new entities/subjects not initially involved in the proceedings, the decision-making Services Conference is expected to be convened in early 2024.

The 2023 revenues on the M5 line also include amounts corresponding to the share pertaining to the previous PFTE (Technical Economic Feasibility Project) following the contractual addition recognised to MM, by the Municipality of Milan to compensate the lower contractual amount initially recognised and the increase in the cost of works occurred between the amount considered in the offer and the amount then contained in the economic framework approved by the Municipality and financed by the Entities

M5 extension westwards (from San Siro to the Quinto Romano district)

In the first half of 2023, in-depth analyses were conducted into the possible construction methods of the alternative route chosen on the basis of the DOCFAP. This activity therefore constitutes an initial phase of the PFTE.

Subsequently, discussions continued with the Municipality of Milan aimed at defining the design aspects, taking into account urban planning forecasts and territorial constraints, necessary for the complete identification of the alternative to be developed as a 2nd phase PFTE.

Finally, the development of the design of the chosen solution was analysed in depth, with a view to submitting to the administrative authority choices consistent with the input received and capable of improving the feasibility of the project.

#### Milan M4 metro line

Activities also continued in 2023 in a twofold manner:

- secondment of personnel to AMAT s.r.l., involving a total of 8 specialised staff dedicated to Technical Assistance to the Grantor; these staff members also include the Head of the function, who reports directly to AMAT's top management; the cost of the seconded staff is borne entirely by AMAT;
- contract with AMAT for the performance, by MM, of technical support activities on the specific aspects of the construction of the Line M4, including: rolling stock, system installations, track, railway equipment, ventilation systems and fire prevention issues, escalators and lifts, storage equipment, finishes and technical support to the Safety Commission appointed by MIT.

In 2023, the process was followed, including in particular the work of the Ministerial Safety Commission, by the opening of the Third Functional Section of Line 4, consisting of the extension, with respect to the first 6 stations of the Linate-Dateo section opened on 26.11.22, to two additional stations, Tricolore and San Babila, with a significant increase in service in terms of frequencies offered. This route, with total operation therefore from Linate to San Babila, was opened on 4.07.2023. The technical appraisal of the Executive Project continued, in particular for the rest of the line to be activated in the future, as well as the technical-economic appraisals on the Final Project packages attached to the variant requests made by the Concessionaire.

#### Extension of Milan Metro Line 4 from Linate to Segrate

In 2022, the PFTE of this important extension of Line 4 has been developed, which, starting from the current terminus at Linate, will pass under Idroscalo and, after the Idroscalo - San Felice stop, will stop at the future terminus at Milano Porta Est in Segrate (interchange station with HS and SFR services). The economic framework amounts to € 470 million, of which € 420 million has already been allocated by the state.

During the course of 2023, a number of in-depth project analyses were carried out; due to the consequences on the project process, the relations with the Air Force in relation to the interference with their sports and recreation centre located on the edge of the Idroscalo were of particular relevance.

### M3 extension towards Peschiera and the Peschiera Borromeo / Paullo metro line

With decision no. 11907 of 21/12/2022, the Municipality of Milan entrusted MM with the drafting of the PFT, the CSE in design, the assistance to the RUP, the surveys and the assistance to the investigations of the 'New TPL system for the Paultese route', for an amount of about € 4.2 million. The subject of the assignment is the solution identified by the municipality, i.e. the extension of the M3 from San Donato to Peschiera and a new LRT line beyond Peschiera, in the direction of Paullo.

In 2023, the first activities were started, commencing collaborations with AMAT (demand analysis) and the Milan Polytechnic (cost-benefit analysis) and conducting a series of meetings with interested municipalities. Following these meetings, initial project assumptions were developed.

Subsequently, the construction methods and layout of the M3 extension and the new LRT were investigated in depth, and the first demand simulation tests were conducted, along with further development of the design solution analyses. In the last months of the year, work continued on cost estimates and comparison evaluations of solutions in relation to construction aspects, and demand and cost-benefit analyses of project scenarios were completed.

### Milan Comasina metro line - Limbiate hospital

The project involves the total redevelopment of the existing suburban tramway into the form of a modern LRT. In July 2021, the Final Project (PD) of the entire line (lot 1 + lot 2) was delivered; the decision-making Services Conference was concluded in November 2021.

In 2022, following comments from the Services Conference, the PD update was drafted. Subsequently, as a result of the general and significant increase in unit prices of construction materials that had occurred in the meantime, the Estimated Metric Calculation of the project had to be updated. This led to a significant increase in the Economic Framework and thus the need for the Municipality of Milan to find the resulting additional funding

In November 2022, MM was therefore awarded the contract for the integration of the final design for the Integrated Contract (PD), Verification for Validation, CSP, as well as Assistance to the RUP, for a consideration of approximately € 3.5 million (net), of which around € 2.7 million relating to the design phase. The assignment does not currently include the implementation phase (DL, CSE, Tests), which is to be the subject of a further assignment, worth approximately € 4.2 million (net).

In 2023, the PD was then developed and the project verification activities for the purpose of validation, the subsequent feedback to the verification reports and, where necessary, the fine-tuning of the deliverables were initiated. At the same time, the tender documents were prepared.

The tender will be carried out according to the new Code but on the basis of the PD. The economic part of the project has also been updated (price lists valid from 01/01/2023).

As part of the 'requirements appraisal' carried out by the MIT in June and October 2023, the increased cost of approximately € 29.5 million resulting from the recent increase in the cost of materials was reported. With MIT decree no. 346 of 22/12/2023, the Milan-Limbrate LRT was allocated approximately € 88.5 million, covering the above-mentioned € 29.5 million as well as an additional € 59 million, corresponding to a previous defined allocation. The call for tenders can therefore be issued in 2024 once formal confirmation has been received from the Municipality of Milan that the entire financing of the work is actually available.

#### Metrotravia inter-neighbourhood north - functional section Niguarda - Cascina Gobba

The project is included among the works eligible for PNRR funding and consists of two lots: lot 3 (Adriano district-Cascina Gobba M2) and lot 4 (Niguarda Pronto Soccorso-viale Testi).

In December 2022, MM was awarded the contract for the integration of the final design for the purposes of the Integrated Contract, Verification and Validation of the PD and EP, CSP and CSE, Assistance to the RUP, Supervision of Works and Acceptance for a fee of approx. € 3.2 million, of which roughly € 1.1 million for the design phase alone.

In Q1 2023, the verification phase for validation purposes was completed, including project review activities; the final verification report was issued on 18 April 2023. The documents required for the tender were also produced. Following this, the planned activities were completed and aimed at proceeding with the second phase of the restricted tender procedure. The award was made by Deed dated 18/09/2023.

In October 2023, the Contractor started the Executive Design, as a development of the tender-based PD, subject to the Law as a matter of urgency, pending the signing of the Contract. On 24/10/2023, the first coordination round-table discussion was held between the Economic Operator and its designers, Works Management, MM S.p.A. Designers, RUP and his/her employees, during which the need for coordination between the initiative in question and another PNRR project was highlighted, relating to the 'Hydraulic protection works of the territory in the floodplain areas of the Lambro river and improvement of the landscape and naturalistic aspects', indicating the section of the works relating to the construction of the 'service road', already provided for in the adjacent contract.

#### Northern inter-neighbourhood LRT - Bausan - Bovisa section

In December 2022, MM was awarded the contract for the Technical and Economic Feasibility Design for complex integrated tender, verification and validation of the PFTE to be put out to tender and of the PE prepared by the Contractor, Works Management, assistance to the RUP, Testing, of the 'Extension of the Tramway Line no. 2 - Section Bausan-Bovisa FN-Villapizzzone FS' for an amount of about € 3 million (net), of which about € 1.4 million related to the design phase (Project included in the PNRR).

The order started in early 2023 with the development of the PFTE. It should be noted that this project is heavily conditioned by important critical issues along the route, such as in particular: interference with Ferrovienord's works on the Bovisa station; areas of urban transformation still to be defined; reclamations of the entities working on areas; definition of the position of the terminus.

In the first quarter of 2023, preliminary activities were carried out on the assessment of route alternatives, in relation to the 'Goccia' masterplan (former gasometers area, with the construction of the Politecnico Bovisa 'Campus'), and in coherence with what is being developed for the PFTE of the Bovisa - Villapizzzone section. In the second quarter of 2023, the drafting of the PFTE by service conference was completed. An EIA exclusion order was also obtained.

In agreement with the RUP of the Municipality of Milan, a framework agreement contract was identified as the preferred modality and the corresponding call for tenders was issued in June. The award was made by Deed dated 22/12/2023.

In the meantime, project activities continued that will serve as the basis for the Application Agreements to be defined after the conclusion of the Framework Agreement. In October 2023, the Services Conference on the PFTE was positively concluded, together with the procedure pursuant to Article 242-ter of Legislative Decree 152/06, for the performance of the work on the reclaimed areas crossed by the new tram route.

In the last few months of 2023, the PFTE was updated and supplemented following the prescriptions and conditions acknowledged during the Services Conference, in order to prepare the documentation for the first application contract to be submitted to the Contractor.

#### Metrotravia inter-neighbourhood north - Niguarda - Durando section

In December 2022, MM was awarded the contract for the PFTE with safety coordination during the design phase, assistance to the RUP and execution of surveys for the Niguarda - Durando Emergency Intervention section for a fee of approximately € 750 thousand. This assignment updates, in terms of amount and contractual deadlines, the previous assignment.

In the first half of 2023, work was carried out on the alternatives analysis study (DOCFAP), with scenario feasibility assessments and transport analyses supported by simulations. The DOCFAP was handed over to the City of Milan in June 2023.

Subsequently, a number of design investigations and activities were carried out to support discussions with the municipality in order to make a final decision on the crossing of Viale Enrico Fermi by the LRT, which has a significant impact on the project.

On this fundamental aspect, the Municipal Administration's determination arrived in December 2023, indicating the choice of the level crossing solution and allowing the resumption of PFTE development.

#### Metrotranvia inter-neighbourhood north - Bovisa - Certosa F.S. section

In December 2022, MM was awarded the contract for PFTE, CSP, assistance to the RUP, and surveys for the extension of the Tranvia Inter-neighbourhood Nord, in the Campus Bovisa - Certosa F.S. section, for a consideration of approximately € 345 thousand.

In the first quarter of 2023, preliminary activities were carried out on the assessment of route alternatives, in relation to the 'Goccia' masterplan (former gasometers area, with the construction of the Politecnico Bovisa 'Campus'), and in coherence with what is being developed for the PFTE of the Bovisa - Villapizzzone section.

Subsequently, the modalities of crossing the 'Goccia' were investigated in detail, and initial assessments of the next section of the same extension were undertaken. The connection to the Villapizzzone terminus was further defined and coordination with the municipality, the Politecnico and RPBW continued regarding the tramway's passage through the 'Goccia'.

At the same time, the DOCFAP analyses were developed with the relevant graphical and descriptive drawings and, through collaboration with AMAT and the Polytechnic, with the demand simulation analyses and the cost/benefit analysis.

#### Extension of tram line 24 from Selvanesco to IEO

On behalf of the Municipality of Milan, informally activated in September 2022 and formalised on 05.05.2023, MM was entrusted with the task of integrating the PFTE for complex integrated procurement, verification and validation of the PFTE to be put out to tender and of the Contractor's PE, Works Management, assistance to the RUP, Testing, for an amount of approximately € 1.7 million (net). This infrastructure is financed by the fund aimed at reinforcing the initiatives of the National Recovery and Resilience Plan (NRP) by municipalities with a population of more than five hundred thousand inhabitants, pursuant to Article 42, Paragraph 1 of Decree-Law 50/2022.

The order started at the beginning of 2023 with the development of the PFTE, for the start of the decision-making Services Conference and the Environmental Impact Assessment. Following the conclusion of the Services Conference in Q2 2023, the opinions and remarks made by the authorities were acknowledged. The project was then developed in anticipation of the integrated contract, and in the last months of 2023 verification work started, which is expected to be completed at the beginning of 2024, and then the work will be contracted out.

#### Activities outside the Municipality of Milan

In the course of 2022, MM also carried out activities on **projects outside the Municipality of Milan**, in other Italian cities; in particular:

##### Metrotranvia SIR2 Padua

In the last quarter of 2022, MM was awarded the tender for the integration of the PFTE and the final design for the Integrated Tender for Line 2 of the Padua Metro in the context of the RTP with E-Farm/ Ingerop/ Parallab/ Pizzin (Project included in the PNRR).

On 2.01.2023, APS Holding started the final design work as a matter of urgency, pending the formalisation of the assignment. The delivery of the final project therefore took place in the first ten days of April 2023. In July 2023, the decision-making Services Conference was concluded. In the meantime, the EIA exclusion order was obtained.

This was followed by the development of the project by tender and the liaison activities with the validation body: in August 2023, the verification for validation purposes was completed, followed by the validation of the project by the RUP.

At the beginning of September 2023, the second phase of the tender was launched by the contracting authority APS Holding for those competitors who were deemed suitable by the expression of interest.

By resolution No. 1019 of 16.11.23, the Board of Directors of APS Holding S.p.A. approved the awarding of the tender for the executive design and construction of the new SIR2 tramway line and the SMART system, divided into two lots, to two separate RTIs.

Following a call for tenders, by resolution No. 1020 of 16.11.23, the Board of Directors of APS Holding awarded the PMO/DL/CSE service for the new SIR2 tramway line and the SMART system to the MM / E-Farm / Rina Consulting / Parallab consortium, with MM as agent, for a net

amount of approximately € 4.8 million. In December 2023, the service was given the go-ahead by the RUP.

#### LRT SIR3 Padua

At the beginning of 2023, MM (in RTP with E-Farm/ Ingerop/ Parallab/ Pizzin) was awarded the tender for the PFTE of the extension of the SIR3 tramway line in Padua (currently under construction) up to Legnaro - Agripolis University Hub, with an option for the final design for the Integrated Contract. In April 2023, the contract was signed with the Contracting Authority APS Holding S.p.A.

In the second part of 2023, a series of meetings were held with the administrations affected by the extension in order to make provision for the technical-administrative procedure to be followed and initial considerations on possible project alternatives. At the end of 2023, the RUP had not yet formally activated the project activities, which first involve the study of route alternatives and then, once the client has chosen a solution, the development of the PFTE.

#### Large area tram system Livorno-Pisa-Lucca

In February 2023, MM was commissioned by the Municipality of Livorno to carry out a transport feasibility study on a tram system for the large Livorno - Pisa - Lucca and Tuscan metropolitan areas, for an amount of approximately € 83,000 net. In Q4 2023, the service was formally launched. Meanwhile, the preliminary urban planning and transport assessments underlying the study continued.

#### Activities within the Municipality of Naples

The activities are carried out by the 'Design and Construction Naples' function, based locally, with some specialist input from the design functions based in Milan.

The current development of Line 1 of the Naples metro is 18.5 km with 19 stations all in operation. Two of these (City Hall and Cathedral) are in a provisional configuration as they are still affected by archaeological excavations, with completion scheduled for 2025.

The project for the extension of Line 1 to Capodichino airport envisages a development of approximately 3.3 km with 4 stations, an underground rolling stock storage building and an interchange car park located at Capodichino station. Due to the delays that have already occurred in connection with the delivery and acquisition of the work areas, the reclamation work at the Poggioreale station, the agreements with EAV, and the event that occurred at the Poggioreale station at the beginning of 2022, with some collapses in the adjacent cemetery due to an unexpected subsidence of the ground during the construction of the tunnel, the activation will take place in phases with a first section including the Centro Direzionale and Tribunale stations by 2024 and completion by the year 2028. The value of the works financed as at 31/12/2023 is € 200 million.

In 2023, for the extension to Capodichino, the executive architectural design of the Capodichino station, the design of the external installations and sub-services of this and other stations as well as the ventilation chambers were developed. The development of the executive design of the line's plant variant WAS started; the entire executive design (structures, finishes, sub-services and external arrangements, excluding plants) of the terminal section between the Capodichino station and the EAV Di Vittorio station was completed. Following the event in the vicinity of the Poggioreale station, consolidation works were designed and implemented in preparation for the completion of the

TBM excavation of the even-numbered tunnel and the widening of the odd-numbered tunnel in the station.

In addition, in 2023 the executive design of the most recently acquired contract with the Concessionaire Metropolitana di Napoli concerning the rehabilitation of the Circumvesuviana tunnel (about EUR100 million) was completed.

As part of the framework agreement acquired in 2022 by the EAV (Ente Autonomo Volturno) in grouping with other engineering companies concerning the design of works on the Flegree lines under concession to the Authority, 6 application contracts were developed and concluded in 2023 for a total of about € 11 million with MM's share of about € 4 million.

### *Infrastructure And Real Estate Construction Management Department (DCIP)*

In the course of 2023, the Department's revenues will continue to derive from the numerous **activities of the Single Construction Manager, Works Management (DL), Safety Coordination during Execution (CSE) and Operational Management for specialised works**

Engineering activities continued in support of the MM BUs and Departments and the Technical Areas of the Municipality of Milan and the investee companies Milano Ristorazione and So.Ge.Mi. as well as some extra-moenia (outside city walls) activities in support of third party clients.

During the course of 2023, several PNRR-funded tenders were initiated, in which the Department is involved with both the Municipality of Milan and its subsidiary So.Ge.Mi.

DCIP staff were highly involved in the following initiatives:

- **Integrated Water Service (IWSS): DL and CSE for the following initiatives:** preservation of the hydraulic functionality of the sewage network; works on the AP power plants: Suzzani; Gorla; renovation of the Nosedo collector sewer; water supply system upgrading, including via Idro, via Piacenza, Agnesi, Romano and San Rocco, via Maffei, via Padova, via Paravia, network from piazza Napoli via Giambellino; consolidation of former Cavo Bergognone, construction of the via Negrotto lamination basin;
- **Surface and road layouts in the Municipality of Milan: DL and CSE in the following areas:** Piazza Angilberto, Corso Sempione and Via Padova; Eurovelo 5 Naviglio Pavese cycle route and Corso Sempione cycle path.
- Extraordinary maintenance of vacant housing (Public Residential Housing) - DL and CSE: Saint Bon; Homer; Pascarella;
- **Building projects for Public Residential Housing heritage:** Demolition and Reconstruction of the two towers in Via Tofano, Demolition and Reconstruction of the buildings in Via Giaggioli;
- **Environmental reclamations** on behalf of the Municipality of Milan: DL and CSE at the former Innocenti Maserati area in via Rubattino 87;
- **Municipal school property; DL and CSE for the following schools:** Catone; Console Marcello; Parenzo, Meleri, Cena, Carnia, Pizzigoni; Narcisi; Martinetti; Rasori; Brunacci, Casa vacanze Pietra Ligure, Colletta, Forze Armate, Russo, Stoppani, Parenzo, D'Annunzio, Gattamelata, Giacosa, including the demolition of the former school in Via Adriano;



- **Building Heritage of the Municipality of Milan**; DL and CSE for: 'Casva' Museum of Visual Arts; Villani Giuffrè; Centro Accoglienza Ortles, via Barzaghi, via Sammartini, via Casoria
- **Green Heritage of the Municipality of Milan**; CSE for: Largo Balestra, via Martinengo, Parco Andrea Campagna, via Giambellino, via Gratosoglio, Parco Agricolo del Ticinello;
- **City Road Property of the Municipality of Milan**, CSE for ordinary and extraordinary maintenance, signalling, overpasses and subways.
- **Milanosport S.p.A.**: DL and CSE for works at: Palalido, Murat, Carella Cantù, Procida
- **Milano Ristorazione S.p.A.**: DL and CSE for the construction of a prefabricated building for use as a canteen in the via Quaranta site.
- **So.Ge.Mi.** - DL and CSE for the following works: demolition of Frigomercato Ramp; construction of new Local Police offices; construction of new Ortofrutta 01 and 02 buildings; removal of heaps.

### *Construction Management Mobility Department (DCMM)*

The revenues of the Department in 2023 are mainly related to the following initiatives:

#### Milan Line M4 - Works Management

With reference to the prevailing job order related to the Line M4, the activities aimed at carrying out the tasks entrusted to MM with reference to the Supervision of Works continued, from the start in 2012 in direct and functional dependence on the Grantor, i.e. the Municipality of Milan, while starting with the new assignment from June 2017 in dependence on the M4 Concessionaire Company, in compliance with the indications provided by the National Anti-Corruption Authority. The Concessionary Company SPV Line M4 SpA, in fact, was set up on 22.12.2014 following the signing of the Concession Agreement between the same and the Grantor represented by the Municipality of Milan for the Design, Construction and Management of Line 4 of the Milan Underground.

The M4 line is about 15 km long and consists of 21 stations and 30 structures in addition to the San Cristoforo depot.

Originally, the completion of the work determined by the Concession Agreement mentioned above was set for the first half of 2022. Due to unforeseen and unforeseeable events, this deadline was subsequently postponed for the construction period of 15 months, through the signing on 5 February 2019 of a Supplementary Deed between the concessionaire company M4 SpA and the grantor Municipality of Milan.

In addition, progressive openings of the line have been defined as 'functional sections'

- First Functional Section - Linate - Forlanini FS
- Second Functional Section Linate - Dateo
- Third Functional Section Linate - San Babila
- Entire line, extension to San Cristoforo.

On 26.11.2022, having acquired the necessary authorisations from the competent authorities, the first two functional sections of the line from Linate Airport to Dateo Station were opened for operation.

As a result of the Covid emergency, the improvement of the surface layouts desired by the Grantor, and further events and delays related to the construction of the culverts connecting the tunnels with the stations of the Centre, the general execution time was further extended.

Since the deadlines set forth in Supplementary Agreement no. 1 of 2019, entered into between the Municipality of Milan, as Grantor, and the M4 Concessionaire are no longer feasible, in particular that of 31 December 2023 for the activation of the entire line, it has been necessary to extend the activities of the Works Management until the new date set for the activation of the line at 31.12.2024, also including the new assignment of Works Management for the new and innovative surface layouts, after all the administrative activities for the closure of the order by 30.06.2025.

For the DL activity, on the other hand, related to the completion of the line from March 2024 to June 2025, a further addendum is being defined with the M4 Concessionaire Company, following a specific offer formulated by MM. Once it has also been approved by the Grantor, the offer will be considered as an 'inertial cost' in the update of the Technical and Economic Framework of the Contract.

During 2023, work continued to complete the line, leading to the opening of the Dateo Station - San Babila section on 4 July 2023. The line was handed over to ATM and the passenger flow increased considerably, reaching 30,000 passengers per day following the extension to San Babila.

Construction activities and commissioning of the part of the line still to be activated also continued during the year (S. Babila – S. Cristoforo) following the section opened for operations, of the S. Cristoforo Depot, as well as those related to the completion of surface works, such as: completion of Corso Concordia, Corso Europa and Largo Augusto; construction of the foundations of the cycle-pedestrian walkway that will connect Via Martinelli, Via Ludovico il Moro with the M4 station, the San Cristoforo FS station and Piazza Tirana. In the central section, work continued on completing the unfinished buildings of stations ST10 De Amicis and ST09 Sant'Ambrogio, ST13 Sforza Policlinico, in particular for the exit bodies and connections with the other M2 and M3 undergrounds.

On 20 July 2023, the Constructor, M4 Spa and the Municipality of Milan signed Supplementary Agreement no. 2 relating to the improved surface layouts of the M4 line for € 37.7 million, in addition to the Contractual Economic and Financial Plan, updated as a result of the First Supplementary Deed and the Connecting Document of 25 September 2019, which provided for a total amount of the Work of € 1.9 billion, of which € 1.8 billion as the EPC contract consideration. The deadlines set by Supplementary Agreement No. 2 required the contracting of an addendum for the Works Management related to the surface works for an amount of € 559 thousand from 1 November 2023 until 30 June 2025.

#### Line 1 extension to Monza Bettola

MM's Contractor (De Sanctis Costruzioni), due to the delays accumulated by the Private Party, formalised on 28.11.22 the 'Certificate of Service and Contractual Termination'. Discussions are ongoing between MM and the Milan municipality to find suitable solutions to ensure continuity of the contract. The works are currently at a standstill against a total contractual amount of approximately € 77.8 million and progress (as at 30.04.2023) of roughly € 43.5 million, or 56% of the contractual amount.

On 22.12.22, the handover of the Cinisello-Monza station area (station building and paved areas) to the Implementing Party (Gallerie Cinisello-ImmobiliarEuropea) was formalised, which is in charge of

constructing the unfinished buildings of the station. This work is expected to be completed by January 2025.

#### Verona Trolleybus

With reference to the job order for the 'construction of a trolleybus-type public transport system for the city of Verona', MM acts as DL/CSE. The works, which started in 2016, at the end of the year 2023 show a work progress of € 17.6 million, or 13% of the contractual total of € 135 million.

In 2023, a major contract variant of € 8.6 million was approved, which effectively allowed all activities to resume. The completion date was consequently extended to 01.04.2026. At the same time, MM updated the Terms of Reference with the client AMT3, adjusting the amount of its professional services.

#### Anaxagoras - Hadrian tramway

The works were suspended due to the extension of the reclamation activities completed in November 2023 and are currently awaiting the issuance of the Acceptance Certificate by the Authorities; consequently, assuming the resumption of the works in the first part of 2024, they are expected to be completed in December 2024.

#### Metrotranvia Milan (North Park) - Seregno

Starting from October 2022, MM's preparatory activities began in support of the Client Città Metropolitana di Milano (Metropolitan City of Milan) for the signing of the Supplementary Agreement with the Contractor CMC, formalised on 10/01/2023. The handover of the works took place on 15.03.2023. The work progress as at 31.12.2023 was about 2% compared to the contractual progress of about 19%, thus remaining at an early stage of construction.

#### Tramway of Bergamo

On 24 November 2023, the contract specifications for the performance of DL/CSE activities were signed between the RTI MM-Proiter-OneWorks and Tranvie Elettriche Bergamasche SpA (TEB Spa). The related work, amounting to € 172 million, will be delivered in January 2024 and completed in June 2026.

#### Metrotravia inter-neighbourhood north - Functional section Niguarda-Cascina Gobba

Start of Executive Design on 30/10/2023 with completion on 02/04/2024. There are some delays in the delivery of certain project sections. At the same time, work activities began. Contract not yet signed due to appeal to the Regional Administrative Court with consequent entry of the Contractor's reservation.

### Activities in Romania

MM's activities in Romania, as the agent of a Joint Venture awarded the assignment on behalf of the Romanian Ministry of Transport *Compania Nationala de Cai Ferate 'CFR'* of Consultancy in the field of the management of the execution of works and facilities related to the objective of upgrading the railway line Brasov-Simeria (Pan-European Corridor IV), Sighisoara-Coslariu section (Lot 2)', were concluded in 2023. Administrative activities for the closure of the consultancy contract are ongoing.

### Sucursal Colombia

The *Consorcio Supervisor PLMB* of which MM is a member, with a 15% share, together with Italferr S.p.A. and two local partners, carried out the supervision activities for the construction of the First Line of the Bogota Metro for the Client EMB S.A., continuing on the last part of the Design Phase, concluded in July 2023, which includes both the control of the executive project and the works management of some preparatory works related to urban mobility and the construction of the depot - workshop.

The start of the Construction Phase, scheduled for January 2023, has been postponed to August 2023, with the activation of civil works, due to the delay in the delivery of some project drawings by the Concessionaire *Metro Línea 1 S.A.S. - ML1*.

MM is in charge of coordinating the team of experts who oversee the rolling stock and electro-rail systems, which will also be involved in factory tests at the plants in 2023.

For **Sucursal Colombia** in the year 2023, the net result amounted to € 51 thousand.

### Dubai Branch (United Arab Emirates) and India Branch

In early 2017, MM established a Branch at the *Special Economic Zone* called DWC/Dubai South in the United Arab Emirates, with effective start of operations in August 2017.

In March 2019, the Board of Directors of MM SpA had resolved to establish **a branch office in India** for the development of the orders acquired there; the opening of the *branch office* was authorised by the competent authority RBI (Reserve Bank of India) in July 2020. In 2021, the process of setting up the India Branch was finally completed.

Between 2017 and 2018, the Dubai Branch carried out predominantly commercial and *business development* activities; already in 2018, it acquired the first 3 contracts related to activities for Expo 2020 and the development of the Mumbai (India) Metros. During 2019, 3 contracts were acquired relating to:

- CMRL - Assignment for the detailed design service of the structures, architecture and civil installations of the underground Lot of the metro named Corridor 4 of the City of Chennai - State of Tamil Nadu (India) in March 2019;
- CMRL - Assignment for the detailed design service of the structures, architecture and civil installations of the Elevated Lot for the completion of the metro named Corridor 5 in the City of Chennai - State of Tamil Nadu (India) in July 2019;
- MMRDA - Assignment for the service regarding the feasibility study of Metro Line 14 in the City of Mumbai - Maharashtra State (India) in March 2019.

In 2023, in addition to the support in the management of the contracts acquired in India, the Dubai Branch continued its activity in the acquisition of additional extra-moenia (outside the city walls) projects

For the **Dubai Branch** in the year 2023, the net result amounted to € 40 thousand.

For the **India Branch** in the year 2023, the net result was € 189 thousand.

#### *Activities in Israel*

In August 2023, MM, in partnership with Dana Engineering (agent) and Yaniv Zohar Engineering, won the tender launched by NTA-Metropolitan Transit System for the development of the M1 line of the Tel Aviv Metro. The grouping (in which MM holds 30%) will be active in the management, design and works management of an 85 km long line, 62 stations, 2 depots and the connection of 14 municipalities. In November 2023, the contract was signed with the Contracting Authority, and the start of operations is scheduled for 2024.

## Housing

The housing stock owned by the Municipality of Milan includes, to date, **38,686 housing units** of which:

- **28,740 dwellings** (of which 783 in neighbouring municipalities);
- **8,667** garages and parking spaces;
- **1,279** building units intended for **Non-Residential Use**.

The year 2023 saw the consolidation of the management of Public Residential Housing assets also through initiatives involving processes and structure (e.g. development of CRM, WEB channels such as the on-line portal dedicated to tenants <https://casa.mmspa.eu/>, management system, newsletter, etc.); activities continued to equip the company with an advanced tool for the technical registration of assets using innovative technologies and the system for the remote control of plants using IoT technologies.

During 2023, the Business Unit had a total of **256,614 contacts** with users, of which:

- **158,765 telephone contacts** on the toll-free number 800 01 31 91 active 7 x 24;
- 25,571 appointments at head office counters or by telephone.
- 72,278 contacts by ordinary and registered mail

In addition, there are 4,188 contract holders who have logged in at least once to the reserved area of the Tenant Portal to send in reports, download bills or deliver the Register of Users 2023.

The 'Your Home' newsletter service was launched in 2023 and had 894 subscribers as of 31/12/2023.

In 2014, the first two **territorial offices** opened to the public (North East Office in via Civitavecchia, North West Office in via Senigallia), with the task of managing user relations and technical aspects of routine maintenance. Additional locations were added over time, resulting, as of the end of 2018, in an organisation based on four territorial *hubs*, three branch offices and one specialised office.

Working alongside the Housing Business Unit, MM's specialised staff in the Property Protection function is responsible for monitoring buildings under management to identify needs for intervention, squatting risks and potential dangers of various kinds. The **prevention of squatting** is the first task of the department and is carried out in coordination with the police. The results observed since the beginning of management have been significant: reduction of **the net balance of squatting from 1,722 to 514** (as at 31.12.2023), with a **net reduction of 65** during 2023.

As of 1 January 2023, the service to support the Municipality of Bergamo in the management of its Public Residential Housing property started. The organisation of the contact centre service and the provision of equipment for the start-up of the service (tenders, IT equipment, personnel, etc.) were taken care of.

In 2023, a portfolio of 988 dwellings and 288 parking spaces was managed, with a user base of 1,620 tenants and a total of 753 active leases.

As regards contacts with tenants:

- 3,445 calls were received on the freephone number 800 71 40 07

- 1,410 appointments were made, of which 64.82% at MM offices and 35.17% by telephone call or digital contact
- 3,019 reports were opened by users (of which 71% administrative, 25% technical, 4% other)
- 300 inspection visits and 171 maintenance works were carried out
- 2,445 contacts were made by ordinary and registered mail

A summary of the **Business Unit's results** is given below:

<b>Housing (€/000)</b>	<b>31.12.2023</b>	<b>31.12.2022</b>	<b>Abs. change</b>	<b>% Ch,</b>
Revenues	19,211	17,277	1,934	11.2%
Costs	(14,519)	(14,824)	305	-2.1%
<b>EBITDA</b>	<b>4,692</b>	<b>2,452</b>	<b>2,239</b>	<b>91.3%</b>
% of revenue	24.4%	14.2%		
Amortisation/depreciation and provisions	(1,959)	(1,696)	(263)	15.5%
<b>Operating Profit (Loss)</b>	<b>2,732</b>	<b>757</b>	<b>1,976</b>	<b>261.1%</b>
% of revenue	14.2%	4.4%		
<b>Investments</b>	<b>1,208</b>	<b>1,815</b>	<b>(607)</b>	<b>-33.5%</b>

**Revenues** increased by € 1,934 thousand (+11.2%), while operating costs decreased by € 305 thousand (-2.1%)

In spite of an increase in depreciation and amortisation, these dynamics led to an increase in the Operating Profit, which rose from +€ 757 thousand to +€ 2,732 thousand.

**Investments** in the Housing Business Unit amounted to € 1,208 thousand, down € 607 thousand from the previous year.

### *Plant and Property Management*

The movable and immovable assets of the DVGI accounting Business Unit, instrumental to the management of the waste collection and disposal service, are made available, as per mandatory requirements, to the current manager of the environmental hygiene services (Amsa SpA) through a lease agreement against the payment of an annual fee of € 2,030,137 plus VAT. This contract was originally for the period 2017-2021.

In view of the expiry of the contract stipulated with Amsa SpA for waste management and urban cleaning in the city, the Municipality of Milan has prepared a European tender at the end of 2020 to entrust environmental hygiene services from 2021 for the following 7 years. However, the tender procedure was suspended following the Lombardy Regional Administrative Court's granting of a number of precautionary motions. In September 2021, the Municipality of Milan cancelled the call for tenders and prepared the issuing of a new call for tenders, published in January 2022, with a deadline for the submission of offers set on 05.07.2022.

In order to ensure the continuity of the environmental hygiene service, pending the conclusion of the tender process, the Lease Agreement between MM and Amsa dated 24/07/2017 was subject to a

number of extensions, consistent with the period from time to time defined by the Municipality of Milan for the extension of the assignment of the environmental hygiene service.

Following suspension orders of the tender procedure by the Lombardy Regional Administrative Court dated 02.03.22 and the consequent extension of the Service Contract by the Municipality to Amsa, on 28.04.22, MM and Amsa signed a further extension of the lease covering the period 01.05.22-30.04.23.

On 16.03.23 Amsa again informed MM of the need to start the procedure for a further extension of the lease until 31.12.2023.

On 28 December 2023, a further extension to the existing lease agreement between MM and Amsa was signed for the period from 1 January 2024 to 31 March 2024, defined following Executive Determination 12161 of the Director of the Water Resources and Environmental Hygiene Area of the Municipality of Milan dated 19 December 2023.

The following table summarises the **results of Plant and Property Management**:

Plant and Property Management (€/000)	31.12.2023	31.12.2022	Abs. change	% Ch,
Revenues	2,072	2,033	39	1.9%
Costs	(197)	(226)	29	-12.9%
<b>EBITDA</b>	<b>1,875</b>	<b>1,807</b>	<b>68</b>	<b>3.8%</b>
% of revenue	90.5%	88.9%		
Amortisation/depreciation and provisions	(995)	(1,263)	268	-21.2%
<b>Operating Profit (Loss)</b>	<b>880</b>	<b>544</b>	<b>336</b>	<b>61.9%</b>
% of revenue	42.5%	26.7%		
<b>Investments</b>	<b>1,084</b>	<b>(16)</b>	<b>1,100</b>	<b>-6787.7%</b>

From an economic point of view, there was an increase in EBITDA in 2023, from € 1,807 thousand to € 1,875 thousand (+3.8%); investments amounted to € 1,084 thousand, an increase over the previous year.

### Ordinary Plant and Infrastructure Maintenance (DMOI)

- **School Building Stock:** The **maintenance** activities of the **school building stock** continued in 2023 through management that saw the gradual transition **from a predominantly 'buy'** management approach (i.e. using external contractors) **to a 'make' management** (i.e. using MM resources) approach, consolidating the processes needed for the operation of the new operating model. In response to the extraordinary weather events that occurred in Milan on 24-25 July and 26 August 2023, DMOI took over the responsibility of carrying out more than 370 restoration and safety works on school buildings in order to ensure the start of the planned teaching and educational activities at the beginning of September.



As of February 2023, DMOI activated the transitional phase of the **ordinary maintenance service of the electrical systems**, with **management exclusively based on a 'buy'** approach (i.e. with the use of external contractors), aimed at the technical-economic evaluation of the transition process that will allow the expansion of the scope of maintenance services managed by MM under the **'make'** approach.

- **Maintenance of lifting systems serving road subways**: activities continued in 2023, as regulated by a specific Contract signed on 9 September 2021 between MM S.p.A. and the Municipality of Milan, for a term of 4 years, renewable for a further 4 years.
- **Sports facilities owned by the Municipality of Milan and managed by Milanospport**: the activities continued in 2023 as regulated by the **Contract signed on 24.01.2020** between MM and Milanospport, for the performance of Facility Management and Energy Efficiency Services, including the roles of Third Party Responsible for Thermal Installations (ex art. 1 of Presidential Decree. 412/1993) and Responsible for the Conservation and Rational Use of Energy ( *Energy Manager*).
- **Roads, signalling and bridges**: in July 2023, MM took over the 'administrative management' of the executive phase of the ordinary maintenance contracts for roads, signalling and bridges previously managed by the Municipality of Milan; it also started the survey of the maintenance needs of the road heritage for the implementation of the road registry and the planning and management of maintenance activities.

A summary of the **Business Unit's results** is given below:

Ordinary Plant and Infrastructure Maintenance (€/000)	31.12.2023	31.12.2022	Abs. change	% Ch,
Revenues	11,659	10,957	701	6.4%
Costs	(8,668)	(9,242)	574	-6.2%
<b>EBITDA</b>	<b>2,991</b>	<b>1,716</b>	<b>1,275</b>	<b>74%</b>
% of revenue	25.7%	15.7%		
Amortisation/depreciation and provisions	(501)	(166)	(335)	202.0%
<b>Operating Profit (Loss)</b>	<b>2,490</b>	<b>1,550</b>	<b>940</b>	<b>61%</b>
% of revenue	21.4%	14.1%		
<b>Investments</b>	<b>2,991</b>	<b>984</b>	<b>2,007</b>	<b>204%</b>

In 2023, there was an increase in EBITDA from € 1,716 thousand to € 2,991 thousand (+74%); revenues increased by € 701 thousand (+6.4%) and costs fell by € 574 thousand (-6.2%).

### Public Residential Housing Green Management

During 2023, the organisational structure of the department was consolidated, which was entrusted with the **direct management of the maintenance of the green assets of Public Residential Buildings**, previously managed through external contractors identified through a public tender procedure, in accordance with the Convention for the Management of the municipal Public Residential Housing assets.

In response to the extraordinary weather events that occurred in Milan on 24-25 July and 26 August 2023, VER assumed responsibility for:

- carrying out 260 tree surgery operations on the 394 trees damaged by the weather event within the Public Residential Housing gardens and courtyards (felling, broken branches, etc.);
- supporting the Municipality of Milan in the management of the emergency by ensuring the safety of 31 school gardens with tree surgery operations on the 260 trees damaged by the weather event and the execution of swift agronomic surveys on the trees present in order to ensure the safe start of teaching and educational activities.

In 2023, **maintenance** activities were also carried out on the **green assets** of the **Integrated Water Service's own premises** and at the **Nosedo and San Rocco purification plants**. In addition:

- on 21.11.2023, the transfer to MM of the maintenance service of the green assets pertaining to the Water Supply System Power Stations was formalised;
- routine maintenance activities of the green areas of the Via Pacini parterre (*SuDS - Sustainable Urban Drainage System*) were commenced following the completion of the works and according to the Convention signed in 2022.

Also in 2023, the ordinary maintenance, periodic inspections and extraordinary maintenance service **for tactical town planning initiatives called 'Open Squares'** was consolidated with the execution of the first project in Viale Aretusa in September and the start of the second project in Via Muzio.

A summary of the **results of the department** is given below.

Public Residential Housing Green Management (€/000)	31.12.2023	31.12.2022	Abs. change	% Ch,
Revenues	1,739	1,201	538	44.8%
Costs	(1,809)	(1,311)	(498)	38.0%
<b>EBITDA</b>	<b>(69)</b>	<b>(110)</b>	<b>40</b>	<b>-37%</b>
% of revenue	-4.0%	-9.2%		
Amortisation/depreciation and provisions	(104)	(24)	(79)	328.2%
<b>Operating Profit (Loss)</b>	<b>(173)</b>	<b>(134)</b>	<b>(39)</b>	<b>29%</b>
% of revenue	-9.9%	-11.2%		
<b>Investments</b>	<b>489</b>	<b>25</b>	<b>464</b>	<b>1850%</b>

In 2023, the Business Unit recorded an increase in revenues of € 538 thousand, and a rise in operating costs of € 495 thousand, equal to (+38), thus the EBITDA decreased by € 40 thousand (-37%) compared to the previous year.

## Business outlook

The nature of the services prevalently performed by MM, since they refer to regulated sectors (Integrated Water Service) or in any case linked to *in-house* assignments by its sole shareholder, the Municipality of Milan (Engineering, Housing, Ordinary Plant Maintenance and Infrastructures), helps to confirm expectations of a mitigated negative impact of the consequences of the delicate national and international context from an economic point of view.

With reference to the energy market context, which has put particular pressure on the company's cost structure in previous years, there was a positive trend in gas and electricity prices. With regard to electricity, although procurement through variable-price contracts is currently the predominant contractual form on the markets, it should be noted that the PUN (wholesale reference price of electricity purchased on the Italian market) fell from an average value of € 304/MWh in 2022, to a value of € 127/MWh in 2023, to a range of monthly average values in the first three months of 2024 between € 87/MWh in February and € 99/MWh in January.

Also from a forward-looking perspective, the GME energy futures market prices recorded in the session of 12 March 2024 confirm this positive development for the years 2024 and 2025. The price reduction may result in less pressure on the forecast operating margin.

The recent approval of the Water Tariff Methodology for the Fourth Regulatory Period (MTI-4) by ARERA, confirming the substantial continuity in the methods of calculating the revenue constraint of the IWS operators, also makes it possible to maintain a positive expectation on the evolution of the operator's revenues, also thanks to the prospective adjustments envisaged to cover the energy costs already sustained by MM in the last two-year period 2022-2023.

The trend-based macroeconomic framework projected in the Bank of Italy's Economic Bulletin (January 2024) forecasts a slowdown in global economic growth to 2.7%, also due to the continuing international conflicts; the central banks' reference rates, however, after a long series of quarters with an upward trend, have recently remained unchanged, with expectations of a prospective reduction: the markets expect a drop of 150 points by the end of 2024, with a Euribor rate in December 2024 around 2.5%.

Eurozone inflation is expected to decrease, with an estimated 2.7% per annum in 2024 and a further reduction to 2.0% from Q3 2025 onwards.

As far as the national economy is concerned, GDP growth for 2024 is projected at +0.6%, with a recovery only in the following two years (+1.1% in 2025 and 2026). The Bank of Italy's inflation forecast for 2024 is +1.9%, down from 6.0% in 2023, and a stabilisation trend in the following years at 1.8%-1.7%

## Staff composition

As at 31 December 2023, MM had **1,337 employees**.

In addition, 9 staff members work for MM under a staff leasing contract, 3 under an internship contract and 8 people under collaboration contracts.

The composition of employees by category is as follows:

Staff by category		2020	2021	2022	2023
Senior managers	no.	36	35	33	31
Middle managers	no.	78	79	77	76
Clerical workers	no.	820	822	836	815
Apprentices	no.	5	2	0	0
Workers	no.	354	384	423	415
<b>Total</b>	<b>no.</b>	<b>1,293</b>	<b>1,322</b>	<b>1,369</b>	<b>1,337</b>
Internship contracts	no.	2	1	0	3
Workers hired by temporary employment agencies	no.	21	15	11	9
Collaboration contracts	no.	7	8	7	6
<b>Total</b>	<b>no.</b>	<b>1,323</b>	<b>1,346</b>	<b>1,387</b>	<b>1,355</b>

In 2023, the percentage of employees on **permanent contracts** is **99.03%**, marking an increase from 2022, when it was 96.85%.

MM believes in offering a permanent employment contract and pays close attention to the needs of its employees, which is why it supports each employee through a professional development process within the company.

Staff by type of contract	2020		2021		2022		2022	
	No.	%	No.	%	No.	%	No.	%
Permanent contracts	1,188	92%	1,247	94%	1,326	97%	1,324	99%
Fixed-term contracts	105	8%	75	6%	43	3%	13	1%
<b>Total</b>	<b>1,293</b>	<b>100%</b>	<b>1,322</b>	<b>100%</b>	<b>1,369</b>	<b>100%</b>	<b>1,337</b>	<b>100%</b>

Recruitment policies continued in 2023 in line with business developments.

## Relations with trade unions

During the course of 2023, a trade union negotiating table was set up across all the collective agreements applied in the company, in order to regulate matters of common interest in a unified manner regardless of the collective agreement of reference. In addition, several agreements were signed as follows:

- In the area of cross-divisional labour relations at MM, two important agreements were signed:
  - on smart working on 20/12/2023;
  - on video surveillance of MM's real estate assets on 27/11/2023;
- Work began on preparing the platform for the next performance bonus 2024-2025-2026, which will cover the Construction, Gas-Water and Federcasa national collective labour agreements;
- In addition, the following agreements were signed:
  - CCNL for the Construction Sector and CCNL for the Gas-Water Sector: One-year supplementary agreement (bridging agreement) for Gas-Water and Construction, in preparation for the next supplementary agreement on a three-year basis;

- CCNL for Gas-Water sector: Agreement on 03.08.2023 - funded training agreement (MM Contracting Authority Design/DL/DEC);
- CCNL Construction: Agreement on 03.08.2023 - funded training agreement (MM Contracting Authority Design/DL/DEC); Agreement on 03.10.2023 - funded training agreement on BIM;
- CCNL Federcasa: Agreement dated 04.08.2023 - funded training agreement (MM Contracting Authority Design/DL/DEC); Agreement dated 20.10.2023 - funded training agreement for custodians;
- CCNL for blue collar and white collar/agricultural middle managers: Agreement on 04.08.2023 - funded training agreement (MM Contracting Authority Design/DL/DEC);
- CCNL Industrial Executives: agreement on 25.09.2023 funded training agreement.

## Training

For MM, the personal and professional growth of people is an essential element of business development and it is therefore necessary that they are put in a position to carry out their activities in the best possible way, making full use of their skills.

For this reason, MM provides training courses aimed at consolidating and **enhancing the technical and soft skills of employees**, delivering both **compulsory training courses** required by law and the relevant regulations, and **refresher and extension courses**, based on the training needs expressed by directors and department heads.

The training courses dedicated to employees are geared towards enhancing technical and specialised skills, reducing the risks associated with carrying out operational activities, with particular reference to, for example, health and safety in the workplace and the environment, and raising awareness of critical events that may damage the company's reputation.

The training programme, with the exception of cases related to legal obligations, is defined on the basis of the strategic objectives, the needs expressed by the BUs and also the results of internal or external audits that highlight the need to conduct an in-depth analysis on certain topics on specific processes, as defined in the appropriate procedure.

In 2023, the **total training hours** stood at **22,022**.

The **training hours per capita** in 2023 came to **16.5** out of the total population.

With reference to the **request method**, over the last three years a progressive prevalence of '*top down*' training (processes established by the company for homogeneous categories of employees) vs. '*bottom up*' (specific training required by the functions) has been observed; in 2023, **top-down training hours** amounted to **20,146**, **accounting for 91.5%** of the total.

As far as training is concerned, **MM also** won the AIDP 2023 (Italian Association of Personnel Managers) 1st prize for its project to digitise the training process. In addition, the following was realised during 2023:

- BIM training continued with the certification of BIM specialists, BIM coordinators and BIM managers
- Training for contracting authority figures on the New Procurement Code has continued: training for the RdP and DL has been completed and training for DEC's is continuing
- The third edition of the 'one-to-one' English course for managers has started,

- A course on managing user relations has been planned and scheduled (will be delivered in the coming months) for all caretakers of our social housing;
- The complex reporting activities of the 'Conciliamo' call continued, which will allow further funds to be recovered

### The focus on the employees of MM

MM has always placed special emphasis on creating a stimulating working environment that is attentive to the needs of its employees. For this reason, the company provides numerous **benefits** for **those who work in the company**.

In addition to the most common *benefits* - such as **meal vouchers, agreements with transport companies** such as ATM and Trenord, provision of company mobile phones to all employees and PCs according to the job.

MM offers all its employees a **health surveillance** system, including an internal medicine service and the presence of a **rotating doctors at the company's premises**, as well as a preventive medicine service with specific check-ups for women and men.

In addition, corporate *welfare* will provide **insurance** for employees in the event of **hospitalisation for Covid-19** from 2020.

Life insurance and a supplementary health fund are also provided for managers.

In the cases provided for by law, MM also allows the **advance payment of accrued severance pay**, which is also applicable to dependants.

An **annual production bonus** is paid to employees as a supplement to their salary; subject to agreement with the trade union representatives, employees are given the option of converting part of the bonus into *welfare* services, subject to the legal conditions on tax exemption.

In accordance with the new strategic corporate objectives, the Human Resources Department restructured itself in order to be able to respond effectively to the new challenges posed by the new corporate strategic course. Specifically with the aim of providing greater care for people and with the intention of reducing the outgoing turnover and, conversely, enhancing the sense of belonging, the HR Management Department was created within DORU, which immediately initiated an interview campaign, aimed at identifying even weak signs of demotivation, and attempting to anticipate their solution before the problem arises. In addition, the previous performance appraisal system was temporarily suspended as it was incomplete and unrelated to staff development, potential assessment and reward policy, in order to redesign it by completing the missing parts to make it also suitable for the implementation of the Succession Tables.

The start of the revamped performance management & people development system will take place in the first quarter of 2024. In the same period, the first Bonus Policy Management Procedure will be launched. At the same time, work is being done to make the current HR management system, Success Factor, more effective and easier for users to use, which has shown all its limitations both in terms of functionality and adaptation to the new HR processes.



## Safety in the Workplace

MM makes safety an indispensable element of its internal policy and, for this reason, methodically renews, updates and improves **tools to minimise the risk of accidents or injuries** in its daily operations.

One of the tools used by MM to minimise risks is **training**, through which the company makes its employees aware of the risks related to their various tasks, providing them with the appropriate tools to avoid harmful events and improve general working conditions. Training on **behavioural and legal obligations** for the correct execution of operational activities is accompanied by codes of conduct, with the aim of informing personnel on the correct conduct to adopt in order to minimise accidents and occupational diseases.

In 2023, 27 'accident' cases were recorded, of which: 7 cases of work-related accidents; the other 20, comprising both commuting accidents and workplace accidents, but not work-related.

None of the accident events in 2023 involved absences of more than six months, confirming **the trend that has been in place for a decade of limiting the number of actual work-related events**. The accident index defined by the ratio of the number of accidents at work to total hours worked (frequency index<sup>8</sup>) is 0.56.

Also in 2023, in line with 2021-2022, no cases of occupational disease were recorded. The monitoring and constant analysis of incidents leading to an accident allow MM to identify continuous and renewed corrective actions that are disseminated within the company through safety procedures.

There were no occupational diseases of employees or former employees and no cases of mobbing for which the company has been declared definitively liable.

MM has formal Health and Safety Committees at each operational site or per Business Unit, representing 100% of MM's workforce.

Certification according to UNI ISO 45001 for the Engineering and Integrated Water Service sectors was maintained in 2023.

## Non-financial Statement

On 29 September 2014, the European Council adopted the Directive on the disclosure of non-financial and diversity information, which had already been approved by the European Parliament in plenary session on 15 April 2014. The transposition of the directive in Italy took place with Legislative Decree No. 254 issued on 30 December 2016.

The Declaration must ensure an understanding of the organisational model, activities, main risks and performance indicators with regard to environmental, social, personnel-related, human rights, and active and passive corruption aspects that are relevant in view of the company's activities and characteristics.

MM has chosen to prepare a **separate document from the Management Report** called the '**2023 Sustainability Report**', which corresponds to the non-financial statement prepared pursuant to Art. 3 of Legislative Decree no. 254/2016. The document is prepared in accordance with the *Global*

<sup>8</sup> The frequency index is calculated as: *Number of accidents / Number of hours worked x 200,000*.

*Reporting Initiative* (GRI) Standards and subsequent updates<sup>9</sup>, under the option '*In accordance with GRI Standards*'.

Furthermore, within the 2023 Sustainability Report we report the evidence from the analysis conducted by MM with respect to the requirements of Art. 8 of EU Regulation 2020/852 (European Taxonomy), according to which companies subject to the obligation to publish non-financial information are required, from 1 January 2023 to disclose the share of economic activities that potentially contribute to the achievement of specific environmental objectives (*Taxonomy-eligible* activities) and those that are actually aligned with the technical screening criteria (*Taxonomy-aligned* activities), reporting for each of them details in terms of revenues, capital expenditure (Capex) and operating expenditure (Opex).

It should be noted in this regard that in 2023 the European Union approved Delegated Regulation 2023/2486 ('Environmental and Climate Act'), which defines activities and related criteria for the remaining four environmental objectives: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and restoration of biodiversity and ecosystems. This act stipulates that, as of 1 January 2024, non-financial companies must report the share of turnover, capital expenditure and significant operating expenditure associated with the eligible and non-eligible economic activities in the taxonomy with reference to all six targets, while the verification of alignment, i.e. compliance with the criteria for defining these activities as truly environmentally sustainable, only needs to be carried out for the first two climate targets.

Please note that the Non-Financial Statement, approved by the Board of Directors, is made available on the corporate website at [www.mmspa.eu](http://www.mmspa.eu) (in the section 'Company - Financial information' and in the section 'Sustainability - Social Reports').

## Risk Management

The Company's activities are exposed to the following financial risks: market risk (defined as exchange rate and interest rate risk), credit risk (both in relation to normal commercial relations with customers and financing activities) and liquidity risk (in terms of availability of financial resources and access to the credit and financial instruments market).

The Company's objective is to maintain, over time, balanced management of its financial exposure, capable of guaranteeing a liability structure that is in balance with the composition of the assets on the balance sheet, and able to ensure the necessary operational flexibility through the use of the liquidity generated by current operating activities and recourse to bank loans.

The Company's ability to generate cash from operations, together with its borrowing capacity, allows it to adequately meet its operating needs and finance working capital and investments, as well as to meet its financial obligations.

The company's financial policy and the management of related financial risks are overseen and monitored centrally. In particular, the finance department is responsible for assessing and approving forecast financial requirements, monitoring their progress and taking appropriate corrective action where necessary.

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<sup>9</sup> In October 2021, the *Global Reporting Initiative* updated the Universal GRI Standards and published the latest version of the 'GRI Standards'.



The following section provides qualitative and quantitative reference information on the impact of these risks on the Company.

## Market risk

### *Exchange rate risk*

The Company is mainly active on the Italian market and is therefore **exposed to exchange rate risk only** with reference to i) bank accounts and commercial credit and debit transactions denominated in RON (Romanian Leu) ii), bank accounts and commercial credit and debit transactions denominated in AED (United Arab Emirates Dirham) iii), bank accounts and commercial credit and debit transactions denominated in INR (Indian Rupee) and iv), bank accounts and commercial credit and debit transactions denominated in COP (Colombian Peso).

### *Sensitivity analysis on exchange rate risk*

For the purposes of the exchange rate *sensitivity analysis*, balance sheet items (financial assets and liabilities) denominated in currencies other than the Company's functional currency were identified.

For the purpose of the analysis, two scenarios were considered that respectively reflect an appreciation and a depreciation of 10% of the exchange rate between the currency in which the balance sheet item is denominated and the reporting currency.

(In thousands of Euros)	Impact on profit and shareholders' equity, net of tax effect									
	COP		RON		INR		AED		Total	
<b>Sensitivity analysis</b>	-10%	10%	-10%	10%	-10%	10%	-10%	10%	-10%	10%
Financial year ending on 31 December 2023	50	(41)	10	(8)	311	(254)	(3)	2	368	(301)

*Note: A positive sign indicates a higher profit and an increase in equity; a negative sign indicates a lower profit and a decrease in shareholders' equity.*

### *Interest rate risk*

The company is exposed to risks related to interest rate fluctuations as it uses a mix of debt instruments differentiated on the basis of the nature of its financial needs.

In particular, the Company normally resorts to short-term borrowing to finance working capital requirements and to medium- and long-term forms of financing to cover investments made and related to the business, as well as extraordinary operations. The financial liabilities that expose the Company to interest rate risk are mostly medium-/long-term variable-rate indexed loans. The interest rate to which the Company is most exposed is Euribor. The financial transactions finalised in 2016 (EIB structured loan and bond loan), being both fixed-rate, further mitigate the interest rate risk.

To cope with these risks, the Company uses interest rate derivatives ('*Interest Rate Swaps*') with the aim of mitigating, under economically acceptable conditions, the potential impact of interest rate variability on the economic result. The main features of these contracts **as at 31 December 2023** are summarised below:

Interest rate swaps (IRS)	Start	Expiry	Nominal value (in thousands of Euro)	Fair value (in thousands of Euro)
IRS Intesa Sanpaolo	2006	2026	4,015	(83)
IRS BNP Paribas	2009	2028	5,000	(420)

#### Sensitivity analysis on interest rate risk

With regard to interest rate risk, a sensitivity analysis was performed to determine the effect on the income statement and equity that would result from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out mainly with regard to the following items: short and medium/long-term financial liabilities, in connection with related derivative instruments, if any.

With regard to short- and medium-/long-term financial liabilities, the impact was calculated on an ad hoc basis. Fixed-rate financial liabilities were not included in this analysis.

The table below highlights the results of the analysis carried out:

(In thousands of Euros)	Impact on profit, net of tax effect		Impact on shareholders' equity, net of tax effect	
<b>Sensitivity analysis</b>	-100 bps	+100 bps	-100 bps	+100 bps
Financial year ending on 31 December 2023	424	(424)	424	(424)

*Note: A positive sign indicates a higher profit and an increase in equity; a negative sign indicates a lower profit and a decrease in shareholders' equity.*

#### Credit risk

Credit risk represents the Company's exposure to the risk of **potential losses arising from the failure of counterparties to meet their obligations**.

With reference to the **Engineering** sector, almost all of the receivables are due from the Municipality of Milan or other public entities or concessionaires of the same, which ensures that the risk in question is mitigated. With regard to receivables due from the Municipality of Milan, during the 2019 financial year, a series of credit positions dating back many years were investigated and verified. The preliminary investigations carried out allowed the identification of shared criteria that would allow the crystallisation of MM's receivables from the Municipality, in particular, consistently with the documents analysed, to consider existing and collectable only the receivables claimed by MM corresponding to amounts that are consistent, for each individual job, with the available funds provided for in the relevant approved economic frameworks, and, with regard to the job orders subject to co-financing, subject to the disbursement by the co-financing entities of their share. This activity made it possible to accurately assess credits on the basis of the risk profile.

Instead, with reference to the **Integrated Water Service**, the Company manages credit risk through policies and procedures that regulate the monitoring of expected recovery flows, the issuance of

reminders, the granting of payment extensions if necessary, and the implementation of appropriate recovery actions.

Trade receivables amounting to € 206 million as of 31 December 2023 (€ 248 million as of 1 January 2023) are stated net of advances for works in the amount of € 2,115 million and accounted for net of the impairment calculated by the company's management by estimating the expected loss, differentiated according to the private or public nature of the debtor. The estimate of the expected loss arises from the historical experience differentiated by type of debtor, adjusted for the seniority of past-due balances, and any *forward-looking elements* that may affect recovery expectations. The valuation of receivable positions for which objective conditions of partial or total uncollectability were noted, in addition to the expectations of expected losses, led to the establishment of a bad debt provision that amounted to € 50,036,448 as of 31 December 2023.

With particular reference to the **customers** of the **Water Service**, considering the high fragmentation of the customer base and the limits in the possibility of selecting customers given the 'essential' nature of the resource offered, the valuation of the bad debt provision was conducted by the company's management by estimating the expected losses determined on the basis of past experience for similar receivables and monitoring the trend of current and prospective economic conditions of the reference market.

It should also be noted that the receivables of the Water Service are covered by security deposits up to the amount of € 11,618 thousand.

### *Liquidity risk*

Liquidity risk is the risk that, due to the inability to raise new funds or liquidate assets on the market, the Company may not be able to meet its payment commitments, resulting in an impact on the economic result if it is forced to incur additional costs to meet its commitments or a situation of insolvency. The Company's objective is to put in place a financial structure that, consistent with business objectives and defined limits, ensures an **adequate level of liquidity** pursued through the planned tariff increases, minimising the related opportunity cost and maintaining a **balance in terms of duration and debt composition**.

Again with reference to liquidity risk, appropriate assessments have been carried out, including through the information provided by financial counterparties, which make it possible to exclude that cash and bank deposits may result in potential impairment losses, also taking into account the possibility of on-demand liquidation of deposits at maturity.

The following table provides an analysis of the expected cash flows in future years related to **financial liabilities as of 31 December 2023**:

<i>(In thousands of Euros)</i>	Balance as at 31 December 2023	Expected outflows			
		Within 1 year	From 1 to 5 years	Over 5 years	Total
Financial liabilities	270,452	72,481	88,948	109,022	270,452
Trade payables	172,205	172,205	-	-	172,205
Other liabilities	71,421	32,554	27,214	11,653	71,421

All flows shown are undiscounted nominal future cash flows, determined with reference to the remaining contractual maturities, for both the principal and interest portions.

Loans have been included on the basis of the contractual maturity at which repayment takes place. Flows from financial liabilities include those related to currently outstanding IRSs.

The bond loan, issued by the company on 23 December 2016, and the EIB loan agreement, signed on 18 November 2016, require MM to comply with specific **financial covenants**, calculated as ratios between variables of an economic and equity nature, aimed at monitoring the company's economic and financial sustainability. The analysis of the covenants is detailed in the previous sections of the Report on Operations.

## Corporate Governance Report

### Information on ownership structure

The share capital is € 36,996,233.00 divided into 36,996,233 shares with a nominal value of € 1 each, fully subscribed and paid up, held by the Municipality of Milan.

Shares confer equal rights.

### Board of Directors

The company is administered by a Board of Directors (BoD) consisting of three to five members, including the Chairperson, appointed by the Shareholders pursuant to Art. 2449 of the Italian Civil Code.

The members of the Board serve for a term of three financial years or such shorter period as may be determined at the time of appointment and may be re-elected. Their mandate expires on the date of the Shareholders' Meeting convened to approve the financial statements for the last financial year of their term of office.

Within the scope of the company's object and purpose, the Board of Directors is responsible for the management of the company, without prejudice to the powers reserved to the Shareholders' Meeting by law or the Articles of Association.

The Administrative Body ensures the transposition and implementation of the directives, guidelines and policy acts of the Municipality of Milan. It also ensures the pursuit of the management and/or operational objectives entrusted to the Board members upon their appointment.

The Chairperson of the Board of Directors legally represents the Company vis-à-vis third parties and in court. He/she has the power to bring judicial or administrative actions and petitions, at any level and in any forum, including cassation and revocation proceedings, appointing lawyers and attorneys at law. He/she may also appoint attorneys for certain acts and categories of acts.

The Chief Executive Officer and the General Manager, if appointed, are vested with the power to represent the Company, also in court, within the limits of the delegation conferred.

### Chairman

At its meeting on 29.07.2022, the Board of Directors resolved to grant the Chairperson, in addition to pursuant to the provisions of the Articles of Association, the following powers and proxies:

- to manage the company's external relations and institutional relations, making the relevant decisions and entering into the necessary contracts for the implementation thereof, up to the amount of € 150,000.00 per individual contract and within the limits of the expenditure budget approved by the Board of Directors. Within the scope of this management, it decides on the company's membership in bodies, associations, organisations of a scientific, technical, study and research nature in fields of interest to the company, for an expense commitment not exceeding € 100,000.00 per individual membership, within the limits of the expense budget approved by the Board of Directors and no provision is made for the acquisition of equity interests in the organisation to which the entity belongs;

- to represent the company in the shareholders' meetings of companies in which MM S.p.A. has an interest, associations, bodies and organisations not constituting corporations of which it is a member, with the power to issue special proxies.

For the exercise of the above-mentioned delegations and powers, the Chairperson shall make use of the personnel operating in the organisational units dedicated to this purpose and directly employed by him/her.

The Shareholders' Meeting of 30.09.2022 resolved, pursuant to Article 15.7 of the Articles of Association, to authorise the granting of proxies to the Chairperson of the Board of Directors, confirming the same proxies and powers granted to the Chairperson during the previous term of office.

### **Chief Executive Officer**

The Shareholders' Meeting of 30.09.2022 resolved to provide for the appointment of a Chief Executive Officer in the person of Board Member Mr. Francesco Mascolo, granting the Administrative Body the power to grant him the broadest powers for delegating tasks and of representation to help him best exercise his management functions.

By virtue of the minutes of the Board of Directors' meeting held on 30.09.2022, received by Notary Luca Zona of Milan on 05.10.2022, index no. 40510 and folder no. 18473, noting that, pursuant to Article 15.7 of the Articles of Association, the Board of Directors is responsible for appointing and conferring proxies and powers on the Chief Executive Officer proposed by the Shareholder, it appointed Director Mr. Francesco Mascolo, Chief Executive Officer of MM S.p.A., granting him the following powers:

- a. directing and coordinating the activities of the organisational structures reporting to him, ensuring the implementation of the policies, guidelines, decisions and resolutions of the Corporate Bodies, ensuring the adequacy of the organisational structure and implementing any necessary improvements and amendments;
- b. formulating proposals to the Board of Directors for the definition of corporate objectives and the planning of related activities;
- c. drawing up and submitting to the Board of Directors, in consultation with the relevant Departments, the financial plans, the annual budget and the final accounts for the financial year, ensuring the adequacy of the administrative and accounting structure and making any necessary improvements and amendments;
- d. ensuring the preparation of the preliminary documentation within its competence for the resolutions of the Corporate Bodies;
- e. signing deeds that do not bind the Company by negotiation and that fall within the normal correspondence with third parties, and also signing all deeds resulting from the execution of the powers delegated to him by the Board of Directors.

In order to execute and implement the conferred powers, the Board of Directors, at the same meeting, resolved to assign the following proxies and powers to the Chief Executive Officer (CEO):

1. defines and stipulates, with all appropriate clauses, manages, modifies and terminates, with the power to manage and settle, both in and out of court, any and all related disputes, including through the approval of amicable agreements, tender contracts, in any case pertaining to the corporate purpose, up to a total amount of € 5,000,000.00 for each individual contract, in compliance with the applicable regulations in force and ensuring all legal obligations;
2. carries out, subject to the authorisation of the Board of Directors, in compliance with the applicable legislation in force and ensuring all legal compliance, the entire procedure for the awarding to third parties of tender contracts worth over € 5,000,000.00 for each individual contract, from the preparation of the tender documents, up to the awarding and conclusion of the relevant contracts, issuing and signing all the necessary and/or appropriate deeds and declarations, with the power to manage and settle, both in and out of court, any and all related disputes;
3. manages, modifies and settles, with the power to manage and settle, both in and out of court, any and all related disputes, also including through the approval of amicable agreements, procurement contracts exceeding € 5,000,000.00 for each individual contract, in compliance with the relevant regulations in force and ensuring all legal compliance;
4. authorises and revokes the granting of subcontracts;
5. adopts all measures and signs all acts concerning Test Certificates, Certificates of Conformity Verification and Certificates of Regular Execution relating to procurement contracts, without limits of amount, fulfilling all subsequent obligations, including the payment of the amounts deriving therefrom;
6. adopts all the measures and signs all the deeds relating to the procedures for the permanent and/or temporary acquisition of areas and movable and immovable property, above and below ground, including but not limited to the expropriation, temporary occupation and emergency occupation procedures provided for by the laws in force, aimed at the realisation of public works and the management of public services also in the name and on behalf of the entities from which the Company has been entrusted with the relevant services, including all preliminary and preparatory measures and deeds, as well as all consequent and related measures and deeds aimed at finalising the acquisition procedure, none excluded or excepted, exercising all related and consequent powers all without limitation as to the value of the assets subject of the said procedures. Upon completion of the aforementioned procedures, it shall sign expropriation decrees, deeds of voluntary assignment, deeds of temporary occupation, easement deeds, and any other type of deed; all without limitation of amount, provided that they are within the approved Technical and Economic Framework of the project;
7. in compliance with the annual expenditure budget approved by the Board of Directors, defines and enters into, with all the appropriate clauses, manages, modifies and terminates, with the power to manage and settle, both in and out of court, any and all related disputes, contracts for consideration of any nature whatsoever pertaining to the corporate purpose up to the amount of € 5,000,000.00 per individual contract, with the exception of the purchase and sale of real estate and leases for more than nine years;
8. manages contracts for consideration of any kind, other than tender contracts, entered into as a result of resolutions passed by the Corporate Bodies, authorising amendments and variations thereto up to a total amount of € 5,000,000.00 for each individual contract, and ensuring all legal compliance;

9. adopts all measures and signs all deeds relating to the ordinary management and execution of 'Service Agreements' and/or 'Conventions' in force between the Shareholder Municipality of Milan, or other entities in which the latter holds an interest, and the Company for the assignment to the latter of (i) appointments for professional services (ii) the management of public services (iii) the performance of services, including, by way of example but not limited to Addendum acts to the aforementioned 'Service Contracts' and 'Agreements', tenders, assignment specifications, accounting and payment documentation and any other related and connected act;
10. submitting bids without limit of amount to take on assignments relating to the performance of activities included in the corporate purpose, either individually or as a member of Temporary Associations of Companies, consortia, joint ventures, associations in general and other bodies, all of which, however, without legal personality also by participating in tenders, including negotiated procedures and public procedures in general, and in financed projects, by signing all the necessary, appropriate and consequent deeds and documents, including the relevant contract or assignment specifications, and by issuing all the declarations and guarantees required by current legislation;
11. constitutes, modifies and terminates, without limitation, Temporary Associations of Companies, consortia, joint ventures, associations in general and other bodies, all however without legal personality, for the performance of assignments relating to the performance of activities included in the corporate purpose also for the purpose of participating in tenders and financed projects, with the power to grant or receive collective mandates with representation and to manage and settle, both in and out of court, any and all related disputes, defining, with all appropriate clauses, the agreements with the joined or grouped companies;
12. manages, modifies and settles, with the power to manage and settle, both in court and out of court, any and all related disputes, active contracts, other than those indicated in point 9 above, relating to the performance of activities included in the corporate purpose, in compliance with the applicable regulations in force and ensuring all legal compliance;
13. defines and enters into, with all appropriate clauses, modifies and terminates, with the power to settle, both in and out of court, any and all related disputes, legal, administrative, tax and fiscal consultancy contracts in any event pertaining to the corporate purpose, up to the amount of € 500,000.00 per individual contract, relating to the performance of activities included in the corporate purpose, in compliance with the applicable laws and regulations and ensuring all legal compliance;
14. within the scope of the functions of management and coordination of the activities of the dependent organisational structures, assigned to the CEO by the Board of Directors, it adopts all measures and signs all deeds relating to the definition, implementation and continuous updating of the appropriate organisational structure; it also formalises, as a result of the determinations of the Corporate Bodies, all deeds relating to the organisational structures that are not directly dependent; all in compliance with the regulations in force and taking into account the trend and development of the company's activities;
15. hires staff in compliance with the annual expenditure budget approved by the BoD; defines, stipulates, modifies and terminates, with the power to manage and settle, both in and out of court, any related disputes for amounts of up to € 500,000,00 per individual settlement, all individual employment contracts of indefinite and/or fixed-term duration and/or in the forms permitted by current legislation, establishing the terms and conditions thereof in compliance with collective



labour or employment agreements and, in any case, in compliance with the regulation permitted by law; imposes disciplinary measures and carries out dismissals;

16. defines and concludes, within the annual expenditure budget approved by the Board of Directors, Trade Union Agreements relating to staff of all grades;
17. represents the Company before all Authorities, Bodies and Institutions in the field of labour, before Insurance and Social Security Bodies and Trade Unions, in compliance with the relevant legislation in force and ensuring all legal obligations;
18. represents the Company, both in and out of court, in disputes regarding non-contractual civil liability, pursuant to and for the purposes of Article 2043 of the Italian Civil Code, arising from the exercise of the Company's activities, with the power to settle for amounts of up to € 500,000.00 per individual transaction and to perform any appropriate action in the Company's interest;
19. within the framework of the financial strategy lines approved by the Board of Directors, it establishes current account relations with credit institutions, factoring companies and post offices, negotiates and defines, as best it can, all related contractual conditions and clauses, including the opening of short- and/or medium-term credit, financial and endorsement lines, also for the purpose of discharging the Company's receivables from third parties, performs any act pertaining to such relations and signs all documents required for their completion;
20. with joint signature with the Administration, Finance, Control and Regulation Director, Mr. Lorenzo Persi or, in the event of his absence, even if not prolonged or his impediment, including temporary, with the Legal, Procurement and Purchasing Director, Mrs. Antonella Cupiccio, carries out debit and credit transactions on the Company's current accounts with Credit Institutions and Post Offices, issues and/or requests the issue of bank cheques and bank drafts, endorses and cashes bank cheques and bank drafts;
21. collects debts, collects sums, mandates, Treasury bills, money orders, cheques, credit instruments of any kind and security deposits from the Issuing Institution, the Cassa Depositi e Prestiti, the Treasury of the Italian Republic, Regions, Provinces and Municipalities, Post Offices and any Public Office or private parties in general and releases the paying parties from liability by issuing receipts and quittances;
22. represents the Company in insolvency proceedings, proposing applications for admission to the liabilities, signing acceptances of composition agreements and issuing third party declarations in enforcement proceedings;
23. makes security deposits in cash, securities or by bank or insurance guarantees;
24. represents the Company with any Public or Government Entity and/or subject, both central and peripheral, with Local and Autonomous Authorities, Associations, Social Security, Welfare and Insurance Funds and Institutions, with Ministries, Prefectures, Chambers of Commerce and all Public Registers as well as at the Optimal Territorial Area Offices, the Regulatory Authority for Energy, Networks and Environment, the National Anti-corruption Authority and the Health Protection Agencies, ensuring any obligation, producing documents and declarations as well as proposing appeals and petitions, also for the purpose of obtaining authorisation deeds in general;
25. with reference to administrative offence reports served on the Company and/or its employees for violations committed in the performance of their duties, represents the Company, proposes defensive writs and documents and authorises the payment of administrative fines imposed by

Health Protection Agencies, Environmental Protection Agencies, other Agencies, Local Authorities and/or the Judicial Authority;

26. represents the Company at any Tax and Customs, Government or Local Office, even abroad, ensuring any fulfilment and carrying out any file concerning taxes, duties and contributions, appeals against rolls and assessments, issues declarations concerning direct or indirect taxes, certifications, forms and questionnaires, presents petitions, appeals and complaints, pleadings and documents before any Tax Office or Commission, collects refunds and interest from the Tax Administration, issuing receipts in the name of the Company;
27. represents the Company with the Postal Administration and with railway, maritime, air and land transport companies, ensuring any obligation, with the power to execute any document and request, sign correspondence, collect from the Post Office and from any other public or private office letters, packages and/or parcels, even if registered and/or insured, collect reimbursements for any transport and collect from railway transport companies and from any other carrier and/or courier goods destined for the Company, issuing the relative release declarations;
28. represents the Company in import and export transactions, signs and withdraws documents including bank documents relating thereto, affixes endorsements and signatures to invoices, distribution certificates and applications and declarations required for the aforementioned transactions;
29. all powers attributed to the CEO for the management of the Company extend, within the same limits of competence and value, also to the management of local units abroad (Branches);
30. within the scope of the powers as conferred above, delegate to Managers and employees of the Company or, in any case, to persons with the necessary technical expertise, the powers needed for the performance of the functions and tasks entrusted to them; revoke, amend, supplement the powers of attorney and the powers conferred;
31. within the scope of the provisions of the second paragraph of Article 20 of the Articles of Association, represent the Company before social security, tax, arbitration and dispute resolution bodies, the ANAC as well as before any judicial, administrative, tax (including the Revenue Agency offices), trade union authority, within the limits of the powers and proxies as conferred above, with the power to sign, submit and file deeds, petitions, applications, declarations, complaints pleadings, appeals, claims, complaints, conciliations, settlements and waivers to protect and in the interest of the Company, as well as to take legal action of any kind and nature, and to resist and intervene in trials or proceedings brought by the Judicial Authority or third parties, at any stage and level and in any venue, including cassation and revocation proceedings, appointing lawyers and attorneys for the proceedings, with the power also to appoint attorneys for specific acts and categories of acts.

On a quarterly basis, the Chief Executive Officer shall provide the Board of Directors with a report on the activities performed in the exercise of the powers and proxies conferred as above, and shall report on the general performance of operations, the foreseeable evolution with respect to the budget and the most significant transactions performed, reporting in particular on the following topics

- procurement contracts,
- personnel and trade union agreements,
- acts of acquisition of land and movable and immovable property for the purpose of carrying out public works and managing public services,

- contracts for consideration,
- participation in tenders and their outcomes,
- temporary associations of undertakings and bodies without legal personality,
- new current accounts and credit lines.

Pursuant to Article 15.7, last part of the Articles of Association, the CEO will also report to the Board of Directors and the Board of Statutory Auditors, at least every six months, on the general performance of operations and its foreseeable evolution, as well as on the most significant transactions, in terms of size and characteristics, carried out by the Company;

In view of the company's organisational structure, in order to ensure the efficient fulfilment of legal obligations in the field of hygiene and safety at work and the proper fulfilment of legal obligations in the field of the environment, the management and organisational powers as well as the decision-making and spending powers conferred, given the experience, skills and professional background:

- a. identifies in the person of the Chief Executive Officer, Mr. Francesco Mascolo, the Employer pursuant to and for the purposes of Article 2 letter b) of Legislative Decree No. 81 of 9 April 2008 and Environmental Manager with the right to sub-delegate within the limits of what is established by the regulations in force;
- b. the Chief Executive Officer, by virtue and by effect of his identification as Employer, as defined in Article 2, paragraph 1, letter b) of Legislative Decree No. 81 of 9 April 2008, is vested with all the powers listed below, to be exercised without expense limits with single and separate signature, also using consultants and entering into contracts with companies authorised for this purpose, to carry out, pursuant to the provisions of Articles 28 and 29 of the aforesaid regulatory provision the assessment of all risks to the safety and health of workers, as well as, in full compliance with the provisions of Articles 15 and 18 of Legislative Decree no. 81 of 9 April 2008, to assess, foresee and adopt all the measures and fulfil all the appropriate obligations for the prevention of accidents and fires, as well as for hygiene and safety in the workplace; the Employer ut supra is conferred, in particular, all the powers needed to organise and coordinate the functions of company security, fire prevention, accident prevention and hygiene and safety in the workplace, with the power to confer specific delegations of powers, by means of specific notarial power of attorney and, in any case, in full compliance with the provisions of Articles 16, 17 of Legislative Decree No. 81/2008, to the figures envisaged by the applicable legislation and to grant them powers of representation and autonomous management of the financial resources that may be necessary for the concrete implementation of the tasks assigned. By way of example, included in the delegation are the powers to:
  - i. designate the person(s) in charge of the Risk Prevention and Protection Service, in accordance with the provisions of Articles 31, 32 and 33 of Legislative Decree no. 81/2008; the Competent Doctor(s) in accordance with Articles 38 and 39 of Legislative Decree no. 81/2008; the person(s) in charge of carrying out the supervisory activities referred to in Article 19;
  - ii. supervise all the tasks necessary to ensure compliance with the rules on accident prevention, in general, and against occupational diseases within the company, including those relating to compulsory insurance against accidents at work and occupational diseases by Presidential Decree 30.6.1965 No. 1124 as subsequently amended;

- iii. personally oversee the fulfilment by the Company of its obligations under the regulations on the protection of the health and safety of workers in the workplace, including compliance with the provisions dictated in this regard by Legislative Decree no. 81/08 ('Implementation of Article 1 of Law no. 123 of 3 August 2007 on the protection of health and safety in the workplace') as subsequently amended;
  - iv. provide training and information to personnel on the regulations and the correct use of plants, machines and tools, and monitor the efficiency of plants and the behaviour of employees, also for the purposes of the provisions of Legislative Decree No. 81/2008 as subsequently amended, in order to protect workers from risks arising from exposure to chemical, physical and biological substances;
  - v. in the context of the execution of works in preparation for the opening of new Company premises, or ordinary and/or extraordinary maintenance works on existing premises, with express reference to the provisions contained in current safety regulations, represent the Company in relations with the Head of the Prevention and Protection Service;
  - vi. limited to works contracts, which fall within the definition of temporary or mobile work-sites as defined in Article 89, paragraph 1, letter a) to act as Principal as defined in Article 89, paragraph 1, letter b), complying with the obligations set forth in Article 90 et seq. also by appointing a competent Works Manager as defined in Article 89, paragraph 1, letter c);
- c. the Chief Executive Officer is also appointed 'Environmental Manager', attributing to him all the necessary powers of representation and expenditure, to be exercised - also through the support of persons appointed for this purpose - with single signature, for the observance of the obligations set forth by European, national and local regulations applicable to environmental protection, including, in particular, Legislative Decree no. 152 of 3.4.2006, as amended and supplemented, as well as all orders, directives, regulations, prescriptions, circulars, communications, and any similar act, adopted by any competent authority on the matter, as well as all standards applicable in the sector (hereinafter, the 'Environmental Regulations'), performing all acts, practices and formalities aimed at guaranteeing the application and constant compliance with the Environmental Regulations and adopting all the necessary control, prevention and safety strategies and measures to avoid the occurrence of accidents that may affect the environment and human health; setting up, organising and coordinating, in line with company policies, the various company functions identified by the same according to criteria of suitability of classification, technical competence and personal capacity to best carry out the functions and tasks assigned to it in the field of environmental protection and the relative authorisation system;
- d. attributes to the Chief Executive Officer, Mr. Francesco Mascolo, all powers of direction, management, organisation, supervision and control with regard to the protection of personal data pursuant to Legislative Decree No. 196/2003 and EU Regulation 2016/679 and Legislative Decree No. 101/2018, including the necessary and instrumental spending powers as well as the duties and prescriptions dictated by the regulations on the subject and explained in the resolution passed on the point by the BoD at the meeting of 14.05.2018, which is deemed to be fully referred to herein, as well as in the subsequent resolutions passed on the subject;
- e. in particular, all management, decision-making, managerial, representative powers, with no spending limits, are attributed with single signature, for the fulfilment of the obligations and/or activities provided for by the General Data Protection Regulation no. 2016/679, by Legislative

Decree no. 196/2003 and subsequent amendments and by any law and provision - national and/or EU - on the protection of personal data applicable from time to time, as well as for the management of relations with the subjects involved in various ways in the personal data processing operations carried out by the Company and/or the competent control Authorities. With the same resolution, the Board of Directors also ruled that all existing delegations of functions, sub-delegations and/or special powers of attorney in the area of health and safety in the workplace pursuant to Article 16 of Legislative Decree No. 81 of 09.04.2008 and in the area of the environment remained valid and effective.

## **General Manager**

In light of the appointment of the Chief Executive Officer and the authorisation expressed by the Shareholder regarding the revocation or transfer of the functions of the General Management in the most appropriate time and manner in the interest of the Company and the Shareholder, by deed of the Notary Luca Zona dated 14.11.2022 in Index no. 40635 and Folder No. 18547, all powers previously conferred and associated with the office of General Manager were revoked and assumed by the Chief Executive Officer, who therefore acts in continuity with and in place of the General Manager, in addition to all his other powers.

## **Board of Statutory Auditors**

The Board of Statutory Auditors consists of the Chairperson, two Standing Auditors and two Alternate Auditors, appointed by the Shareholders pursuant to Art. 2449 of the Italian Civil Code among those registered as statutory auditors.

Statutory Auditors hold office for three financial years, their term expires on the date of the Shareholders' Meeting called to approve the financial statements for their last year of office and they may be re-elected; the Shareholders' Meeting determines their remuneration in accordance with the law.

The Board of Statutory Auditors is entrusted with the task of supervising compliance with the law and the Articles of Association, observance of the principles of proper administration and, in particular, the adequacy of the organisational, administrative and accounting structure adopted by the Company and its proper functioning.

## **Shareholders' Meetings**

The Shareholders' Meeting is ordinary and extraordinary in accordance with the law.

The duly constituted Shareholders' Meeting represents the entirety of the Shareholders and resolutions passed in accordance with the law and the Articles of Association are binding on all Shareholders, even if not attending or dissenting.

The Shareholders' Meeting is convened at the registered office or at another location, provided it is in Italy.

Shareholders who have deposited their shares at least three days before the date set for the Shareholders' Meeting at the registered office or at the banks indicated in the notice of meeting are entitled to attend.

Each share gives the right to one vote.

Each Shareholder entitled to attend the Shareholders' Meeting may be represented, by written proxy, by another person who is not a Director, Statutory Auditor or employee of the Company, without prejudice to the other prohibitions and exclusions set forth in Art. 2372 of the Italian Civil Code.

It is up to the Chairperson of the Shareholders' Meeting to ascertain the validity of the proxies and the right to participate in the Shareholders' Meeting.

The Ordinary and/or Extraordinary Shareholders' Meeting may be held with participants located in more than one place, contiguous or distant, with audio and/or video connection, provided that the collective method and the principles of good faith and equal treatment of Shareholders are respected.

Without prejudice to the matters devolved to the competence of the Shareholders pursuant to Art. 2449 of the Italian Civil Code, the Shareholders' Meeting resolves on matters attributed to it by law pursuant to Art. 2364 of the Italian Civil Code, if ordinary, and Art. 2365 of the Italian Civil Code, if extraordinary, as well as any other applicable legal provisions and the Articles of Association.

In accordance with the provisions introduced by Decree-Law No. 18 of 17 March 2020, published in the Official Gazette. Extraordinary . Edition no .70 of 70 of 17.03.20, as subsequently converted with amendments by Law No. 27 of 24.04.2020, as amended and supplemented, concerning measures to strengthen the national health service and provide economic support for families, workers and businesses connected to the epidemiological emergency from COVID-19 ( 'Cura Italia' - Heal Italy - Decree), the Shareholders' Meeting may be held by means of telecommunications that guarantee the identification of the participants, their participation and the exercise of their voting rights, pursuant to and for the purposes of Articles 2370, paragraph 4, Article 2479-bis, paragraph 4, and 2538, paragraph 6 of the Italian Civil Code, without the need for the Chairperson, Secretary or Notary to be in the same place, where provided for.

It should also be noted that Decree Law 29 December 2022 no. 198 (Decreto Milleproroghe - Thousand extensions - for 2023), converted with amendments by Law no. 14 of 24.02.2023, provided in Article 3 paragraph 10-undecies that *'in Article 3, paragraph 1, introductory sentence, of Decree-Law no. 228 of 30 December 2021, converted with amendments by Law no. 15 of 25 February 2022, the words: '31 July 2022' shall be replaced by the following: '31 July 2023'.*

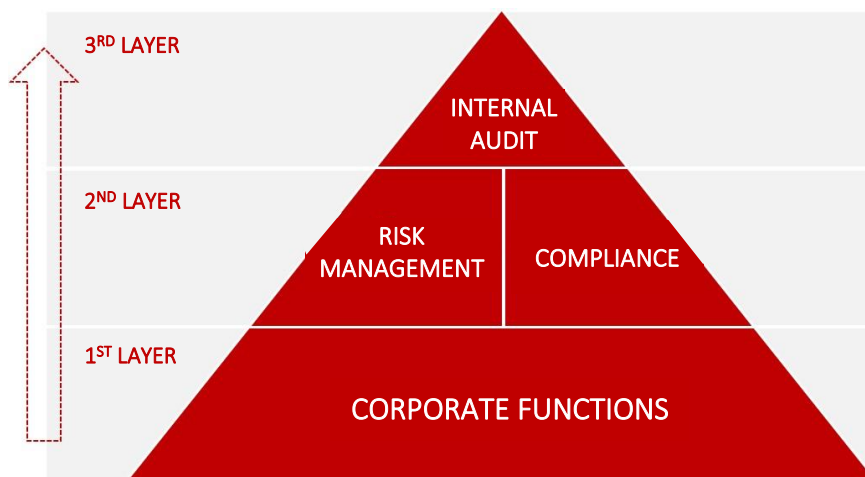
Therefore, the deadline set forth in Article 106, paragraph 7, of Decree-Law No. 18 of 17 March 2020, converted, with amendments, by Law No. 27 of 24 April 2020, concerning the holding of Shareholders' Meetings of Companies and Entities, has been extended to 31 July 2023.

## **Internal Control and Risk Management System**

The Internal Control System consists of the set of rules, procedures and organisational structures, which aim to achieve the following objectives:

- ensure that corporate strategies are adhered to;
- achieve effectiveness and efficiency in business processes;
- safeguard the value of assets;
- ensure the reliability and integrity of accounting and management information;
- ensure compliance of operations with all existing regulations.

MM built its **Internal Control System (ICS)** on the basis of the classical methodology that sees the controls structured into **three levels according to a pyramid structure**.



The **first level of control** identifies, assesses, manages and monitors the risks for which it is responsible, in relation to which it identifies and implements specific treatment actions.

The **second level of control** aims to ensure the proper implementation of the risk management process, compliance with the operational limits assigned to the various functions, and the compliance of company operations with regulations, including self-regulatory ones. The functions responsible for these controls are: Risk Management and Compliance.

The latter, in particular, aims to prevent and manage the risk of non-compliance with regulations and to monitor the occurrence of conflicts of interest.

The aim of the Risk Management function is to improve the process of identifying corporate risks, the related safeguards and how they are managed.

The **third control level** provides independent and objective *assurance* on the adequacy and effective operation of the first and second control levels and, in general, on MM's SCIGR (Internal Control and Risk Management System) as a whole.

Responsibility for this level of control lies with the Internal Auditing function, which assesses the completeness, functionality and adequacy of systems and procedures.

The control system is completed with:

The **Supervisory Body**, which has the task, with regard to the Organisation, Management and Control Model, of constantly monitoring its observance by all addressees, its actual effectiveness in preventing the commission of offences, the implementation of the prescriptions contained therein and, finally, its updating, should the need to adapt the Model arise due to changes in the company organisation or in the regulatory framework of reference. The Supervisory Board has the opportunity to carry out (directly or indirectly under its direct supervision and responsibility) periodic inspections and to access information concerning the company's sensitive activities.

At present, the Supervisory Board is composed in collective form of three external members who meet the requirements of Legislative Decree No. 231/2001, appointed by the Board of Directors.

The Supervisory Board receives whistleblowing reports on the commission, or attempted commission, of offences provided for by the Italian and foreign legislative system or the violation or circumvention of the principles, values and rules of conduct contained in the Code of Ethics and the

Organisation, Management and Control Model, of which it is an integral part. The Supervisory Board guarantees the absolute confidentiality of the identity of the reporting party in good faith, ensuring it against any form of retaliation, discrimination or penalisation during and after the inspection activity.

On 23 January 2023, the **Ethics Committee**, a body that previously supported the company in interpreting and implementing the Code of Ethics, proposing its updating, and supervising its correct dissemination, application and implementation, in cooperation with internal and external company departments, was dissolved; its functions were transferred to the Supervisory Board. The observance of the rules of the Code of Ethics remains unaffected, which must be considered an essential part of the contractual obligations of the Addressees for whom MM also provides, in the relevant contracts, the right to termination of the contractual relationship in the event of conduct and actions in breach of the principles contained in the Code.

The **Board of Statutory Auditors** is entrusted with the task of supervising, by means of inspection and control, compliance with the law, the Articles of Association and the principles of proper administration.

The **Independent Auditing Company**, whose task is to verify that the accounts are properly kept and that the operating events are correctly recorded in the accounting records, as well as that the financial statements comply with the rules governing their preparation and representation, expressing an opinion both on the financial statements and on the consistency of the Management Report with the Financial Statements and on the compliance of the Management Report with the law.

The **Data Protection Officer (DPO)**, whose main tasks are those set out in Art. 39 GDPR including informing and advising the data controller or processor as well as the employees carrying out the processing about their obligations under the data protection rules; overseeing compliance with the data protection rules as well as the data controller's or processor's policies in this area, including the allocation of responsibilities, awareness-raising and training of staff involved in processing and related control activities; providing, if requested, an opinion on the data protection impact assessment and overseeing its conduct; cooperating with the supervisory authority and acting as a point of contact with it.

The **Anti-Corruption Contact Person**, who, on the basis of the mandate conferred by the Board of Directors, supervises the design and adoption of the corruption prevention system, supports the Risk Manager, monitors the compliance of the Policy with *best practices* and current regulations on corruption prevention, provides training on corruption prevention, and verifies the effective implementation of the Anti-Corruption Policy on the basis of the control programme of the Internal Audit Function approved by the Board of Directors.

The **Control, Risk and Sustainability Committee (CCRS)**, established by the Board of Directors at its meeting on 09.02.2021, and consisting of three members of MM's Board of Directors, whose task is to support the Board of Directors' assessments and decisions relating to the internal control and risk management system as well as sustainability. The ESRAB plays an advisory and proposal-making role with regard to risk management strategies, receives the annual report on risk mapping and monitoring activities and related mitigation actions.



### *Enterprise Risk Management (ERM) model*

MM has adopted a **Risk Assessment & Reporting process** that aims to make corporate risk management an integral and systematic part of management processes and to ensure effective risk management in line with corporate objectives.

In particular, an **Enterprise Risk Management (ERM) framework** has been developed, through which analysis and monitoring activities have been carried out; the system in place, through a cyclical process, aims to achieve greater insights over the years, with a focus on the risks of individual processes/activities and of the various corporate business units.

The coordination of this process has been entrusted to the **Risk Manager** whose main tasks are:

- Support the structuring of risk analysis governance that is aligned to the complexity of the business;
- Define with the CEO risk management objectives and activities relevant to the company and propose a possible update of the relevant procedure;
- Define, in cooperation with the impacted organisational structures, actions, tools and methodologies needed for the operational supervision of Risk Management activities;
- Contribute to the definition of audit and compliance plans by reporting on the analysis of the activities carried out;
- Informing the CEO in a timely manner when particularly critical risk scenarios are identified;
- Prepare the ERM report annually aimed at informing stakeholders about the development of MM's risk profile, possible impacts on strategic objectives and the implementation of response strategies.

The revision of the risk analysis was carried out on the basis of the previous mapping, updating and supplementing of the ERM through interviews with the company risk owners, with the support of special checklists.

The top risk report was made available to the Control, Risk and Sustainability Committee and subsequently to the Board of Directors for their consideration.

MM in 2023 continued the process of integrating the risk management system with respect to sustainability risks by providing in the ERM, whose focus is the identification of economic-financial-operational risks, a specific classification with a label related to ESG risks.

### *The main constituent elements of MM's Internal Control System*

#### *The Code of Ethics*

The Code of Ethics aims to define the **ethical principles** and **rules of conduct** that MM recognises and assumes as binding values and an expression of its ethical corporate culture.

The set of ethical principles, values and behavioural rules set out in the Code must inspire the activities of all 'Addressees', i.e. those who operate within or outside the Company's sphere of action: directors, auditors, control bodies, employees, suppliers and collaborators.

MM operates in accordance with the principle that human dignity is inviolable and must be respected and protected (Art. 1 EU Charter of Fundamental Rights). It follows that MM is committed to providing all its employees with a positive and stimulating working environment, ensuring that their dignity, rights, cultural and individual diversity are recognised and respected, while at the same time striving to create a strong corporate culture.

The code presupposes compliance with the legal provisions in force, as well as observance of internal regulations and procedures: MM is determined to carry out its activities in full compliance with Italian laws and those of the countries in which it already operates and may operate, also in cooperation or association with other companies. In particular, the Company undertakes to conform its activities to the requirements of the Legislative Decree. No. 231 of 8 June 2001 as amended and supplemented. For this reason, the Code is to be considered an integral part of the Organisation, Management and Control Model adopted by MM and constitutes the basis of the preventive control system for the purposes of the aforementioned Decree.

The current Code of Ethics was approved by the Board of Directors at its meeting on 15 December 2023; the Code is published in the 'Mission and Values' section of MM's website.

#### [The Organisation, Management and Control Model](#)

The MM Organisation, Management and Control Model (MOGC) is the document that **defines and formalises** the **rules, principles, tools** and **control mechanisms** adopted by MM to prevent the commission of the offences envisaged by **Legislative Decree No. 231/2001**. It is a strategic document for corporate governance and is process-oriented based on the disciplines of *risk assessment* and *risk management*.

The Model consists of two parts:

the General Part, which identifies the Company's governance system, the methodology for preparing the Model, the addressees, the system of sanctions to protect against violations, the composition and functioning of the Supervisory Board, the dissemination of the model and the training activities to be provided to personnel; also attached are: the table of sensitive activities/offences/protocols, the list of protocols/sensitive activities/procedures, examples of relevant predicate offences.

the Protocols that make up the Special Part, contain the rules governing the Sensitive Activities and set out the operational control measures to which all recipients must adhere in the performance of their activities in order to prevent or mitigate the risk of the commission of the predicate offences.

They also form an integral part of the Model:

the document 'Control & risk self-assessment and gap analysis pursuant to Legislative Decree no. 231/2001', which formalises the results of the control and risk self-assessment activity aimed at identifying Sensitive Activities;

the Code of Ethics, which defines the general principles and rules of conduct of the Company; procedures.

The MOGC is published in the **'Transparency' section** of MM's **institutional website**, on the company intranet and is brought to the attention of employees through periodic training initiatives.

All amendments and updates to the Model have been approved by the Board of Directors; the last update was approved at the meeting of 15 December 2023.

### Anti-corruption Policy

The Board of Directors has decided to adopt, **on a voluntary basis**, an Anti-Corruption Policy aimed at preventing acts of corruption or in any case conduct referable to even attempted acts of corruption.

The Policy is based on the analysis and assessment of the risks of acts of corruption being committed and is based on principles, rules of conduct and procedures to protect areas that are sensitive to the commission of acts of corruption. The Policy also mentions information and training activities vis-à-vis all recipients and the concept of corporate regulation of processes, structured on the definition of: roles and responsibilities, reporting procedures, monitoring of corruption risks and a disciplinary system for possible violations.

### Procedures

To ensure the integrity, transparency, correctness and effectiveness of its processes, MM adopts specific procedures and operating instructions for the performance of corporate activities, ensuring compliance with the general principles of **traceability and segregation**. In fact, MM is aware of the importance of full compliance by corporate bodies, management and all employees with the system of internal rules.

In addition to compliance with procedures, the roles and responsibilities assigned within the company are adequately outlined through the system of delegation of powers and the exercise of authority.

In relation to the risk management and internal control system within the financial reporting process, the company has adopted administrative-accounting procedures, operating practices and an administrative organisation based on the principle of segregation of duties, so as to ensure reliability, accuracy and trustworthiness in the process of preparing the annual financial statements.

### Information flows to top management

In order to monitor the performance of the various corporate structures, with a view to achieving the strategic objectives, the top management receives specific reports on its own activities and those of its executive lines. It also receives:

from the Compliance Function, upon request, the 'Compliance Plan', the 'Half-yearly and Annual Activity Report' and the 'Compliance Reports';

from the Data Protection Officer (DPO - pursuant to European Regulation 679/2016), the 'Privacy Reports' and the 'Half-yearly and Annual Activity Reports' on privacy issues;

from the Internal Auditing Function, the Audit Plan, audit reports, periodic reports, the Annual Activity Report and the Internal Control System Assessment Report;

from the Anti-Bribery Contact Person, the plan of activities, the results of the checks carried out and the Annual Report on the activities carried out for the purpose of monitoring the Anti-Bribery Prevention System adopted by the Company;

from the Risk Manager, the mapping of corporate risks and related mitigation activities.

Finally, the Supervisory Board reports to the Board of Directors and the Board of Statutory Auditors on relevant facts of its office or any urgent critical aspects of the Model that have emerged during the performance of its supervisory activities; it submits a written report every six months, outlining a summary of the activities performed, any discrepancies found in the Model, new offences, the

verification of reports if received, an account of expenses incurred and any changes in the regulatory framework.

#### Information flows to the Supervisory Board

Reports are sent to the Supervisory Board, by the first-level structures, for the **monitoring of 231 risk areas**.

The second-level structure - the Compliance Function - sends the 'Compliance Plan', the 'Half-yearly and Annual Activity Report' and the 'Compliance Reports'.

The DPO submits the 'Privacy Report' and the 'Half-yearly and Annual Activity Reports' on privacy.

The Internal Audit function submits the Audit Plan, audit reports, periodic reports, the Annual Activity Report and the Internal Control System Assessment Report.

The Anti-Bribery Contact Person submits the results of the checks carried out and the annual report on the activities carried out for the purpose of monitoring the Anti-Bribery Prevention System adopted by the Company.

The Risk Management function conveys the mapping of corporate risks and related mitigation activities.

The Supervisory Board must also promptly obtain other relevant information from the Directors/Managers of the Organisational Structures according to their area of competence.

The Supervisory Board may propose to the Board of Directors the additional types of information that the managers involved in the management of Sensitive Activities must transmit, together with the frequency and manner in which such communications are forwarded to the Supervisory Board itself, also through the definition of a specific operational procedure and/or the integration of existing procedures.

#### Corporate crisis risk assessment

The assessment of corporate crisis risk cannot disregard the specific characteristics related to the different regulatory frameworks and contract types underlying the activities performed.

The Engineering Business Unit operates in an in-house *providing* context, the Water Service Business Unit operates in a regulated sector whose tariff is determined on the basis of the *full cost recovery* principle; the Housing Business Unit operates under a multi-year contract in the form of *in-house providing*; the recent M.O. Plant and Infrastructure Business Unit also operates on an *in-house providing* basis, similarly to the recently established Green Business Unit.

MM has equipped itself with **planning and budgeting tools** that disregard these specific characteristics and allow for forward-looking monitoring of the performance of the different businesses and the prevention of crisis and insolvency situations.

MM proceeds to the systematic preparation of the Business Plan, which shows the sustainability of the debt, the assumption of business continuity, the determination of the financial requirements and the resources available to cover it with any corrective actions.

To monitor financial aspects and short-term cash flows, MM uses the annual Budget and a Net Financial Position reporting system on a quarterly basis.

It should also be considered that, within the framework of the ERM model described above, MM, by equipping itself with a risk *assessment* and risk *reporting* process, aims to make corporate risk management an integral and systematic part of *management* processes. MM actually believes that in order to create and protect the value of an organisation, it is essential to manage risks in a structured manner and based on well-defined principles: specifically, the ERM model maps and defines mitigation actions for the various corporate risks; with regard to the corporate crisis risk in particular, all *strategic* risks are addressed.

From a more operational point of view, quarterly economic and financial figures are monitored both at the overall company level and at the individual Business Unit.

In particular, on a **quarterly basis**, the main results in terms of revenues, EBITDA, EBIT and deviations from the budget are analysed for each Business Unit, as well as the performance of the company's net financial position and investments in the Integrated Water Service.

In addition to measuring the aforementioned quantities at the level of the various corporate businesses, this system also contains operational information that, together with economic and financial data, allows top management to put in place corrective and preventive actions in order to eliminate and/or mitigate phenomena that may lead to particularly critical situations. In particular, each quarter, the main operating indicators are analysed for each individual business unit (e.g. revenues accrued on individual engineering orders, cubic metres of water injected into the distribution network, electricity consumption, the amount of waste-water treated by purification plants, etc.).

In addition, the bond issued by the Company on 23 December 2016 and the EIB loan agreement signed on 18 November 2016, require MM to comply with specific **financial covenants**, calculated as ratios between variables of an economic and equity nature, aimed at monitoring the Company's economic and financial sustainability. These parameters, derived from MM's financial statements certified by the Independent Auditing Company, are verified and transmitted to the financial counterparts every year. The financial covenants in question are as follows:

**Net Financial Position/EBITDA  $\leq 4.5$ :** this ratio allows us to assess the sustainability of the company's debt based on the gross *cash flow* produced by operations. In fact, if there are no changes in working capital, EBITDA expresses an indicative summary measure of the operating cash flows generated by core operations, which can thus be used to service financial commitments undertaken;

**Net Financial Position/Fixed Assets  $\leq 70\%$ :** expresses the portion of asset financing covered by the net financial position;

**EBITDA/Financial Expenses  $\geq 4.5$ :** measures the ability of EBITDA to meet financial expenses.

A further aspect concerning the assessment of corporate crisis risk is monitored in MM through the Company's relations with the **rating agencies**, which are periodically called upon to make their considerations regarding the rating they have issued to MM since 2016. Specifically, in the case of MM, a rating from Moody's, a global rating agency, is currently being issued and periodic meetings are held with management in which corporate data and analysis of the net financial position are presented.

On 20 September 2023, Moody's updated MM's credit *opinion* confirming its *credit profile* with a Baa3 rating (with negative outlook). On 22 November 2023, as a result of the change in outlook

assigned to Italy's sovereign debt from negative to stable, Moody's announced a rating action that assigned MM a Baa3 rating, with a stable outlook.

With specific reference to the monitoring and verification of the corporate crisis risk for the financial year 2023, please refer to the dedicated sections of the Report on Operations and the chapter 'Summary of Operations and Financial Performance'.

## Environment

During the financial year, there was no damage caused to the environment for which the company was found guilty, nor were there any definitive sanctions or penalties imposed for environmental crimes or damage.

## Branch offices

Pursuant to paragraph 4 of Article 2428 of the Italian Civil Code, it should be noted that the company has established 29 branch offices located in the city of Milan, the municipality of Bresso and the city of Naples.

## Relations with parent company and subsidiary, associated and affiliated companies

### Relations with the Municipality of Milan

With reference to Art. 5 of Legislative Decree 50/2016 lett. b) regarding the percentage of activities carried out in the performance of tasks entrusted by the Municipality, the following table shows the revenues broken down between the values in favour of the Municipality and those in favour of third parties.

Revenue Breakdown 2023	Municipality	Third parties	Total
€/000	219,368	9,857	229,224
%	95.7%	4.3%	100%

It should be noted that the revenues in favour of the Municipality of Milan indicated above also include those values deriving from the management of services entrusted by the Municipality even though they refer to entities other than the same.

As of 31 December 2023, the Company's receivables from the Municipality of Milan totalled € 2.6 billion, while its payables to the same amounted to Euro 2.5 billion; the debit and credit items arising from the mandate relationship on behalf of the Municipality are offset against each other; the Balance

Sheet therefore shows the net balance of the reciprocal positions. The Company's revenues from the Municipality of Milan amounted to Euro 60 million, while the value of costs incurred as contracting authority on behalf of the Municipality of Milan amounted to Euro 48 million; revenues and costs deriving from the role of contracting authority are offset against each other and consequently represented in the Income Statement net of reciprocal positions.

During the year, the following **direct relations** were maintained **with the Municipality of Milan**:

#### **BALANCE SHEET**

##### **Trade Receivables**

Receivables from parent company for works net of payments on account	7,154,791
Receivables for invoices issued	22,936,647
Receivables for invoices to be issued for services and supplies	50,288,041
Receivables for expenses incurred in the name and on behalf of the municipality net of advances paid	9,093,453
<b>Total trade receivables</b>	<b>89,472,932</b>

##### **Trade Payables**

Invoices to be received for services and rents	14,665,437
Payables for invoices issued	0
Other trade payables	27,447,876
<b>Total trade payables</b>	<b>42,113,312</b>

##### **Other current liabilities**

Advances	1,639,399
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#### **INCOME STATEMENT**

##### **Revenues from sales and services**

Engineering services	22,505,449
Housing Revenues - Property and Facility Management Fees	14,409,342
Other income - supplies and services	23,490,504
<b>Total Revenues</b>	<b>60,405,296</b>

##### **Costs for services**

	2,962,300
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### **Relations with investee companies of the Municipality of Milan**

Transactions with investee companies of the Municipality of Milan mainly concern

engineering and facility services for Milanospo Spa, Sogemi SpA, AMAT S.r.l. and Milano Ristorazione Spa;

costs for removing interferences of transport lines with works in the engineering and/or Integrated Water Service sectors charged by ATM Spa and companies of the A2A group;

administration of water services to all companies in which the Municipality of Milan has an interest;

provision of waste disposal services by the A2A Group.

## Allocation of the annual result

It is proposed that the Shareholders' Meeting allocate the profit for the year of € 20,101,937 as follows:

- € 18,262,615 to the extraordinary reserve
- € 1,839,322, equal to the portion of the net result for the year attributable to the Housing Business Unit for activities pertaining to the Municipality of Milan, to the Optional Reserve to be used to make specific investments set out in the Housing Business Unit's strategic plan and for activities to complete the documentation pertaining to the real estate assets managed;

Considering also that, at the behest of the Municipality of Milan, projects pertaining to these specific investments were implemented during the year for the amount of € 143,423 and € 1,988 was used for activities to complete the documents pertaining to the Public Residential Housing assets, which remained at the expense of the Housing Business Unit, it is proposed that the Optional Reserve established with the portion of profits from previous years, attributable to the Housing Business Unit itself, be released for the amount of € 145,411.

We thank you for the trust you have placed in us and invite you to approve the financial statements as presented.

*On behalf of the Board of Directors*

*The Chief Executive Officer*

FRANCESCO MASCOLO



**MM S.P.A**

Registered Office in MILAN - VIA DEL VECCHIO POLITECNICO, 8

Paid-up share capital EUR 36,996,233

Registered with the Milan Chamber of Commerce, Industry, Crafts and Agriculture

Tax Code and Company Register No. 01742310152

VAT number: 01742310152 - Rea no.: 477753

**Financial statements as at 31/12/2023****STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Notes</b>	<b>31/12/2023</b>	<b>31/12/2022</b>
<b>ASSETS:</b>			
<i>NON-CURRENT ASSETS</i>			
Property, Plant and Equipment	1.1	66,973,863	68,067,509
Rights over the infrastructure relating to service concession arrangements	1.2	375,398,344	349,837,427
Other intangible assets	1.3	9,595,486	11,689,047
Deferred tax assets	1.4	36,673,761	34,409,238
Other non-current assets	1.5	2,229,615	2,810,803
<b>Total non-current assets</b>		<b>490,871,061</b>	<b>466,814,024</b>
<i>CURRENT ASSETS</i>			
Inventories	1.6	4,533,501	3,301,187
Trade receivables	1.7	205,861,111	247,429,631
Cash and cash equivalents	1.8	61,000,428	59,403,554
Other current assets	1.9	34,163,907	35,503,904
<b>Total current assets</b>		<b>305,558,946</b>	<b>345,638,275</b>
<b>TOTAL ASSETS</b>		<b>796,430,014</b>	<b>812,452,299</b>

## STATEMENT OF FINANCIAL POSITION

LIABILITIES	Notes	31/12/2023	31/12/2022
<b>EQUITY AND LIABILITIES</b>			
<i>EQUITY</i>			
Share Capital		36,996,233	36,996,233
Reserves		209,451,190	203,316,110
Net profit (loss)		20,101,937	5,995,566
<b>Total equity</b>	<b>1.10</b>	<b>266,549,359</b>	<b>246,307,909</b>
<i>NON-CURRENT LIABILITIES</i>			
Non-current financial liabilities	1.11	197,970,734	199,876,321
Provisions for risks and charges	1.12	6,765,038	6,892,262
Employee benefits	1.13	4,676,907	5,353,258
Other non-current liabilities	1.14	38,866,392	36,545,928
<b>Total non-current liabilities</b>		<b>248,279,071</b>	<b>248,667,769</b>
<i>CURRENT LIABILITIES</i>			
Current financial liabilities	1.11	72,481,383	99,531,069
Current tax liabilities	1.15	4,361,415	0
Trade payables	1.16	172,204,510	190,837,344
Other current liabilities	1.17	32,554,276	27,108,209
<b>Total current liabilities</b>		<b>281,601,584</b>	<b>317,476,621</b>
<b>TOTAL LIABILITIES</b>		<b>529,880,655</b>	<b>566,144,390</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>796,430,014</b>	<b>812,452,299</b>

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	31/12/2023	31/12/2022
<b>REVENUES</b>		<b>308,171,086</b>	<b>298,360,451</b>
Revenues	2.1	229,224,266	213,230,710
Revenues arising from work on infrastructure subject to service concession arrangements	2.2	52,977,482	50,917,337
Other revenues and income	2.3	25,969,338	34,212,404
<b>OPERATING COSTS</b>		<b>271,048,534</b>	<b>285,188,832</b>
Costs for raw materials, consumables and goods for resale	2.4	6,300,780	7,389,807
Other operating costs	2.5	4,660,416	3,065,891
Costs for services	2.6	97,040,080	115,245,119
Costs arising from work on infrastructure subject to service concession arrangements	2.7	51,027,415	48,909,037
Personnel costs	2.8	74,276,796	70,518,623
Amortisation/depreciation, impairment and other provisions	2.9	37,066,581	39,867,778
Losses from disposals and divestment of fixed assets	2.10	676,466	192,577
<b>OPERATING PROFIT (LOSS)</b>		<b>37,122,552</b>	<b>13,171,619</b>
Financial income	2.11	810,186	351,422
Financial costs	2.11	10,103,661	6,800,108
<b>NET FINANCIAL INCOME AND COSTS</b>		<b>(9,293,475)</b>	<b>(6,448,686)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>27,829,077</b>	<b>6,722,933</b>
Taxes	2.12	7,727,141	727,367
<b>NET PROFIT (LOSS)</b>		<b>20,101,937</b>	<b>5,995,566</b>
<b>Other items of comprehensive income not to be reclassified to profit or loss</b>			
Actuarial gains/(losses) on employee benefits		(26,228)	422,929
Tax effect related to actuarial gains/(losses) on employee benefits		7,361	(118,393)
<b>Other items of comprehensive income to be reclassified to profit or loss</b>			
Change in fair value of cash flow hedges		208,395	1,709,654

Tax effect on the change in the fair value of cash flow hedges	(50,015)	(410,317)
<b>Total other items of comprehensive income, net of tax effect (B)</b>	<b>139,513</b>	<b>1,603,873</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR (A)+(B)</b>	<b>20,241,450</b>	<b>7,599,439</b>

**CASH FLOW STATEMENT**

<i>(amounts in Euro)</i>	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before tax	27,829,077	6,722,933
<i>Adjustments for:</i>		
Depreciation/amortisation of fixed assets	29,425,390	28,901,484
Allocations to the bad debt provision	5,913,434	8,561,353
Allocations to provision for risks and charges	1,727,757	2,577,517
Allocations to provision for write-down of inventories	(397,025)	(36,515)
Net financial costs	9,293,475	5,853,392
Other non-cash items	2,640,342	2,404,349
<b>Cash flows from operating activities prior to changes in net working capital</b>	<b>76,432,450</b>	<b>54,984,513</b>
<b>Cash flow generated/(absorbed) by changes in net working capital</b>	<b>22,215,402</b>	<b>(7,041,331)</b>
- Trade receivables and other assets	37,671,702	(26,267,612)
- Inventories	(835,289)	1,094,100
- Trade payables and other liabilities	(14,621,011)	18,132,181
Taxes paid	-	<b>(7,113,813)</b>
Net financial costs paid	<b>(7,453,312)</b>	<b>(5,843,587)</b>
Use of provisions	<b>1,752,776</b>	<b>435,677</b>
<b>Cash flow generated/(absorbed) by operating activities (A)</b>	<b>92,947,316</b>	<b>35,421,459</b>
<b>INVESTING ACTIVITIES</b>		
Net investments in fixed assets	(61,490,930)	(62,419,867)
<b>Cash flow generated/(absorbed) by investing activities (B)</b>	<b>(61,490,930)</b>	<b>(62,419,867)</b>
<b>FINANCING ACTIVITIES</b>		
Taking-out of medium/long-term loans	-	27,896,626
Repayment of medium/long-term loans	(9,234,446)	(2,197,651)
Changes in equity	-	-
Other changes in financial liabilities	(20,625,066)	5,077,536
<b>Cash flow generated/(absorbed) by financing activities (C)</b>	<b>(29,859,512)</b>	<b>30,776,511</b>
<b>Increase/(decrease) in cash and cash equivalents (A)+(B)+( C)</b>	<b>1,596,874</b>	<b>3,778,103</b>
Cash and cash equivalents at the beginning of the year	59,403,554	55,625,452
Cash and cash equivalents at the end of the year	61,000,428	59,403,553

## STATEMENT OF CHANGES IN EQUITY

<i>(In Euro)</i>	Share Capital	Cash flow hedge reserve	Other reserves	Net profit (loss)	Total equity
<b>As at 1 January 2022</b>	<b>36,996,233</b>	<b>(1,839,797)</b>	<b>194,424,912</b>	<b>9,127,122</b>	<b>238,708,470</b>
Change in fair value of cash flow hedge, net of tax effect	-	1,299,337	-	-	1,299,337
Allocation of profit (loss)	-	-	9,127,122	(9,127,122)	-
Net profit (loss)	-	-	-	5,995,566	5,995,566
Actuarial gains (losses) on employee benefits, net of tax effect	-	-	304,536	-	304,536
<b>As at 31 December 2022</b>	<b>36,996,233</b>	<b>(540,460)</b>	<b>203,856,570</b>	<b>5,995,566</b>	<b>246,307,909</b>
<i>(In Euro)</i>	Share Capital	Cash flow hedge reserve	Other reserves	Net profit (loss)	Total equity
<b>As at 1 January 2023</b>	<b>36,996,233</b>	<b>(540,460)</b>	<b>203,856,570</b>	<b>5,995,566</b>	<b>246,307,909</b>
Change in fair value of cash flow hedge, net of tax effect	-	158,380	-	-	158,380
Allocation of profit (loss)	-	-	5,995,566	(5,995,566)	-
Net profit (loss)	-	-	-	20,101,937	20,101,937
Actuarial gains (losses) on employee benefits, net of tax effect	-	-	(18,867)	-	(18,867)
<b>As at 31 December 2023</b>	<b>36,996,233</b>	<b>(382,080)</b>	<b>209,833,269</b>	<b>20,101,937</b>	<b>266,549,359</b>

*The Chief Executive Officer*  
*Francesco Mascolo*

**MM S.P.A**

Registered Office in MILAN - VIA DEL VECCHIO POLITECNICO, 8

Paid-up share capital EUR 36,996,233

Registered with the Milan Chamber of Commerce, Industry, Crafts and Agriculture

Tax Code and Company Register No. 01742310152

VAT number: 01742310152 - Rea no.: 477753

**Notes to the Financial Statements as at 31.12.2023****Company's Structure and Activities**

**MM S.P.A** (hereinafter referred to as 'MM' or the 'Company') is a company, incorporated and domiciled in Italy, with its registered office in MILAN at VIA DEL VECCHIO POLITECNICO 8 and organised according to the legal system of the Italian Republic.

The sole shareholder of the Company is the Municipality of Milan.

The company manages the Integrated Water Service ('IWS') of the city of Milan, by virtue of the concession signed on 28 November 2007 by the Optimal Territorial Area Authority (ATO – Autorità d'Ambito Territoriale Ottimale) of the City of Milan, currently defined as Optimal Territorial Area Management Entity (EGATO – Ente di Governo dell'Ambito Territoriale Ottimale) of the metropolitan city; as a result of an amendment made on 28 September 2015, the concession terms were extended to 2037.

The company also operates in the field of engineering services and carries out property and facility management activities for the assets of the Municipality of Milan.

**Approval of the Financial Statements**

The draft financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 29 April 2024.

The audit is carried out by PricewaterhouseCoopers S.p.A. in execution of the shareholders' resolution of 20 May 2016 that granted the appointment to said company for the three-year period 2016/2018, subsequently extended for a further six years as a result of the completion of the bond issue transaction.

## Statement of Compliance with IFRSs

These financial statements have been prepared in accordance with *International Financial Reporting Standards* (hereinafter referred to as IFRS or IAS) issued by the *International Accounting Standards Board* (IASB), as interpreted by the *International Financial Reporting Interpretation Committee* (IFRIC) and adopted by the European Union.

The financial statements are compared with the financial statements of the previous year, and consist of the statement of financial position, income statement, statement of cash flows, statement of changes in equity, statement of comprehensive income and these notes. They are also accompanied by the Directors' report on operations.

## Accounting Standards and Financial Statements

The financial statements as at 31.12.2023 have been prepared in accordance with the International Financial Reporting Standards - IFRS issued by the International Accounting Standards Board, as published in the Official Journal of the European Communities (OJEU).

### Financial statements formats adopted

The Company's statement of financial position includes a breakdown of current and non-current assets and liabilities, while the income statement includes cost items broken down by nature.

In the cash flow statement, cash flows from operating activities are presented using the indirect method, whereby the result for the year is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense related to cash flows from investing or financing activities.

Furthermore, the financial statements as at 31 December 2023 were prepared in accordance with the provisions adopted by Consob on financial statement formats.

The measurement criteria are consistent with those used to prepare the financial statements of the previous year.



## Measurement criteria

### General principles

These Financial Statements have been prepared on a going concern basis as there is a reasonable expectation that the Company will continue its operations in the foreseeable future, and in any case with a time horizon equal to, but not limited to, twelve months after the end of the administrative period.

The presentation currency of the financial statements is the Euro. The balances are expressed in Euro units.

The notes to the financial statements are expressed in Euro units unless indicated otherwise.

### Property, plant and equipment

Property, plant and equipment are recognised at cost and recorded at purchase price or production cost including directly attributable incidental costs necessary to make these assets ready for use. Cost includes financial expense directly attributable to the acquisition, construction or production of the asset.

Charges incurred for maintenance and repairs of an ordinary and/or cyclical nature are charged directly to the income statement of the financial year in which they are incurred. The capitalisation of costs related to the expansion, modernisation or improvement of structural elements owned or used by third parties is only made to the extent that they meet the requirements to be separately classified as an asset or part of an asset by applying the component approach.

Property, plant and equipment are systematically depreciated each year on a straight-line basis according to economic-technical rates determined in relation to the remaining useful life of the assets. The depreciation rates for the various categories of property, plant and equipment are listed below:

Engineering/Housing/Maintenance/Green	Depreciation rates
Directly used buildings relating to the company's business activities	3%
Plants relating to buildings	15%
Furniture and fixtures	12%
Telephone systems	25%
Computers	20%
Cars	25%

Integrated Water Service	Depreciation rates
Directly used buildings relating to the company's business activities	3%
Lightweight constructions	10%
Furniture and fixtures	12%
Telephone systems	25%
Computers	20%
Cars	25%
Transport vehicles	20%

Plant and Real Estate	Depreciation rates
Directly used buildings relating to the company's business activities	3%
Lightweight constructions	10%
Specific waste treatment plants	10%
Waste containers	15%-20%
Equipment	20%

Depreciation begins when the asset is available for use, taking into account the actual time at which this condition arises.

### Leased assets

Tangible assets subject to lease agreements are accounted for as a right of use in accordance with IFRS 16 with a balancing entry as a financial liability.

Right-of-use assets refer to assets held under rental or lease agreements, through which the Company is substantially granted the rights to control the use of a specified asset for a period of time; they are recognised as assets of the Company and measured at fair value at the date the agreement is signed or, if lower, at the present value of the minimum lease payments due, including any amount to be paid for exercising the purchase option. The corresponding liability to the lessor is shown in the financial statements as a financial payable.

The cost of the lease is broken down into its components of a finance charge, which is recognised in the income

statement over the term of the contract, and of capital repayment, which is recognised as a reduction of the financial liability.

The assets in question are depreciated by applying the criterion and rates indicated above, unless the duration of the lease is less than the useful life represented by these rates and there is no reasonable certainty of the transfer of ownership of the leased asset at the natural expiry of the contract; in this case, the depreciation period is represented by the duration of the lease. The term of the lease is determined as the non-cancellable period of the lease, to which both of the following periods are added:

- periods covered by a lease extension option if the Company is reasonably certain to exercise the option; and
- periods covered by the lease termination option, if the Company is reasonably certain not to exercise the option.

In assessing whether the Company is reasonably certain to exercise the lease extension option or not to exercise the lease termination option, all relevant facts and circumstances that create an economic incentive for the Company to exercise the lease extension option or not to exercise the lease termination option are considered. The Company must redetermine the term of the lease in the event of a change in the non-cancellable term of the lease. On the effective date of the contract, the Company recognises the right-of-use asset and the related lease liability.

At the effective date of the contract, the right-of-use asset is valued at cost. The cost of the right-of-use asset includes:

- a) the amount of the initial valuation of the lease liability;
- b) lease payments made on or before the effective date net of lease incentives received;
- c) directly attributable ancillary charges;
- d) estimated costs for dismantling or restoration.

On the effective date of the contract, the Company values the lease liability at the present value of the unpaid lease payments due at that date. The lease payments due include the following amounts:

- a) fixed payments, net of any leasing incentives to be received;
- b) variable lease payments that depend on an index or rate, measured initially using an index or rate at the effective date;
- c) the amounts that the Company is expected to pay by way of residual value guarantees;
- d) the exercise price of the purchase option, if the lessee is reasonably certain to exercise the option; and
- e) lease termination penalty payments, if the lease term takes into account the lessee's exercise of the lease

termination option.

The lease payments are discounted using the interest rate implicit in the lease, if this can be easily determined. If this is not possible, the company uses its marginal financing rate, i.e. the incremental interest rate the company would have to pay to obtain financing of the same duration and amount as the lease.

After initial recognition, the right-of-use asset is measured at cost:

- a) net of accumulated depreciation and accumulated impairment losses; and
- b) adjusted for any restatement of the lease liability.

Subsequent to initial recognition, the lease liability is measured:

- a) by increasing the carrying amount to account for interest on the lease liability;
- b) by decreasing the carrying amount to reflect payments due for leases made; and
- c) by restating the carrying amount to reflect any new valuations or changes to the lease or revision of payments due under fixed leases in substance.

It should be noted that the Company avails itself of two exemptions provided for by IFRS 16, with reference to short-term leases (i.e. leases with a term of 12 months or less from the effective date) and leases for low-value assets (i.e. when the value of the underlying asset, if new, is indicatively less than USD 5,000). In such cases, the asset consisting of the right of use and the related lease liability is not recognised, and the lease payments due are recognised in the income statement.

In the presence of specific indicators of the risk of failure to recover the carrying value of property, plant and equipment, these are subject to an impairment test, as described in the specific paragraph below.

Items of property, plant and equipment shall be derecognised following their disposals; any gain or loss (calculated as the difference between the disposal value, net of selling costs, and the carrying value) is recognised in the income statement in the year of disposal.

## **Intangible assets**

Intangible assets consist of non-monetary items that are identifiable and without physical substance, controllable and capable of generating future economic benefits. These items are initially recognised at purchase and/or production cost, including directly attributable expenses to prepare the asset for use.

Any interest expenses accrued during and for the development of intangible assets are considered part of the acquisition cost. In particular, the following main intangible assets can be identified within the Company:

### *Rights over the infrastructure relating to service concession arrangements*

‘Rights over the infrastructure relating to service concession arrangements’ represent the Company's right to use the assets under concession of the Integrated Water Service (the intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return them at the end of the concession.

The value corresponds to the ‘*fair value*’ of the design and construction activity plus capitalised borrowing costs, in accordance with the requirements of IAS 23, during the construction phase.

The *fair value* of the construction services of the Integrated Water Service is determined on the basis of the costs actually incurred increased by a mark-up of 3.68 % representing the best estimate of the remuneration of internal costs for the works management and design activity carried out by the Company, equal to the mark-up that a third-party general constructor would require to carry out the same activity, as provided for by IFRIC 12. The mark-up is redetermined annually and the impact on the value of investments shown above is for the financial year 2023.

The rationale for determining *fair value* follows from the fact that the concessionaire must apply the provisions of paragraph 67 of IFRS 15, and therefore if the *fair value* of the services received (in this case, the right to use the asset) cannot be reliably determined, the revenue is calculated on the basis of the *fair value* of the construction services performed.

Construction services under way at the end of the reporting period are measured based on the work in progress pursuant to IFRS 15 and recognised under the income statement item ‘Revenues arising from work on infrastructure subject to service concession arrangements’. Assets subject to concession arrangements are depreciated over the life of the concession, as it is assumed that the future economic benefits of the asset will be utilised by the concessionaire. The value to be depreciated is the difference between the acquisition value of the goods under concession and their residual value that is expected to be realised at the end of their useful life, according to the regulations currently in force. If events occur that give rise to the presumption of a reduction in the value of such intangible assets, the difference between the book value and the recovery value is charged to the income statement.

### *Software and other intangible assets*

Software and other intangible assets are recognised at cost, as described above, less accumulated amortisation and any impairment losses. Amortisation begins when the asset is available for use and is allocated on a straight-line basis over its remaining useful life. The useful life estimated by the Company for software is three

years.

### **Impairment of property, plant and equipment and intangible assets**

At the end of each reporting period, a test is conducted to determine whether there are any indicators that property, plant and equipment and intangible assets may be impaired. Both internal and external sources of information are considered for this purpose. For the former (internal sources), the following are considered: the obsolescence or physical deterioration of the asset, any significant changes in the use of the asset, and the economic performance of the asset compared to what was expected. As far as external sources are concerned, the following are considered: the market price trend of assets, any technological, market or regulatory discontinuities, the trend in market interest rates or the cost of capital used to evaluate investments. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but are tested for impairment whenever specific events indicate that they may be impaired.

If the presence of such indicators is identified, the recoverable amount of these assets is estimated, and any impairment from the relevant book value is charged to the income statement. The recoverable amount of an asset is the higher of its *fair value* less costs to sell and its value in use, the latter being the present value of estimated future cash flows for that asset. In determining the value in use, expected future cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the cost of money, related to the period of the investment and the asset-specific risks. For an asset that does not generate largely independent cash flows, recoverable amount is determined in relation to the *cash-generating unit* to which that asset belongs.

An impairment loss is recognised in the income statement if the carrying amount of the asset, or of the CGU to which it is allocated, is greater than its recoverable amount. Impairments of CGUs are first recognised as a reduction in the carrying amount of any goodwill allocated to it, and then as a reduction of assets, in proportion to their carrying amount and within the limits of their recoverable amount. If the conditions for a previously recognised impairment loss are no longer met, the carrying amount of the asset is reversed through profit or loss, up to the net carrying amount that the asset in question would have had if the impairment had not been made and the relevant depreciation had been made.

### **Trade receivables and other assets**

Depending on the characteristics of the instrument and the business model adopted for its management, trade receivables and other financial assets are classified into the following three categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income

(hereinafter also referred to as OCI); (iii) financial assets measured at fair value through profit or loss.

Trade receivables and other financial assets are initially recorded at *fair value* and subsequently measured at amortised cost based on the effective interest rate method.

Trade receivables and other financial assets are included in current assets, except for those with a contractual maturity of more than 12 months from the end of the reporting period, which are classified as non-current assets.

Trade receivables are tested for recoverability by applying an impairment model based on 'expected credit losses' ('ECL'). The estimate of the expected loss arises from the historical experience differentiated by type of debtor, adjusted for the seniority of past-due balances, and *anyforward-looking elements* that may affect recovery expectations.

The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows and recognised in the income statement. If, in subsequent periods, the reasons for previous impairments no longer apply, the value of the assets is reinstated up to the value that would have resulted from the application of amortised cost.

Financial assets representing debt instruments whose business model provides for both the possibility of collecting the contractual cash flows and the possibility of realising capital gains on disposal (hold-to-collect and sell business model), are measured at fair value through OCI (hereinafter also FVTOCI).

A financial asset that is not measured at amortised cost or FVTOCI is measured at fair value through profit or loss (hereafter FVTPL).

## **Inventories**

Inventories are stated at the lower of purchase cost, determined using the weighted average cost method, and realisable value based on market trends.

Obsolete and slow-moving inventories are written down in relation to their possibility of utilisation or realisation by setting up a special provision, which is directly deducted from the corresponding asset item.

## **Financial liabilities, trade payables and other liabilities**

Financial liabilities (excluding derivative financial instruments), trade and other payables, are initially recorded at *fair value*, net of directly attributable incidental costs, and are subsequently measured at amortised cost, applying the effective interest rate method. If there is an estimable change in the expected cash flows, the value

of the liabilities is recalculated to reflect that change based on the present value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer their payment for at least 12 months after the reporting date. Financial liabilities are removed from the financial statements when they are extinguished and when the Company has transferred all risks and charges relating to the instrument.

### Derivative financial instruments

Derivative instruments are assets and liabilities recognised at *fair value*. The Company uses them to hedge interest rate risk.

Derivative financial instruments are accounted for in accordance with *hedge accounting* only when, at the inception of the hedge, the hedging relationship itself is designated. The hedge is assumed to be highly effective: effectiveness can be reliably measured during the various accounting periods for which it is designated. All derivative financial instruments are measured at *fair value*.

When financial instruments qualify for *hedge accounting*, the following accounting treatments apply:

- *fair value hedge*: where a derivative financial instrument is designated as a hedge of the exposure to changes in the fair value of a recognised asset or liability attributable to a particular risk that may affect the income statement, the gain or loss from remeasuring the hedging instrument at fair value is recognised in the income statement; the gain or loss on the hedged item attributable to the hedged risk is recognised as part of the carrying amount of that item and recognised in the income statement;
- *cash flow hedge*: if a financial instrument is designated as a hedge of the exposure to variability in future cash flows of a recognised asset or liability or a highly probable forecast transaction that could affect the income statement, the effective portion of any gain or loss on the financial instrument is recognised in other comprehensive income; the cumulative gain or loss is removed from equity and recognised in the income statement in the same period in which the hedged transaction affects the income statement; the gain or loss associated with a hedge, or that portion of the hedge that has become ineffective, is recognised in the income statement when the ineffectiveness is recognised.

If the hedged transaction is no longer considered probable, unrealised gains or losses suspended in equity are recognised in the income statement.

If *hedge accounting* cannot be applied, gains or losses arising from the *fair value* measurement of the derivative instrument are recognised immediately in the income statement



## Translation of transactions in a currency other than the functional currency

Transactions in currencies other than the functional currency of the entity entering into the transaction are translated using the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses generated by the closing of the transaction or the year-end translation of assets and liabilities in currencies other than the euro are recognised in the income statement.

## Employee benefits

Short-term benefits consist of wages, salaries, related social security charges, allowances in lieu of holidays and incentives paid in the form of bonuses payable within twelve months after the reporting date. These benefits are recognised as a component of personnel costs in the period in which the work is performed.

Post-employment benefits are divided into two types: defined contribution plans and defined benefit plans.

In defined contribution plans, contribution costs are charged to the income statement when they are incurred, based on their nominal value.

In the case of defined benefit plans, which also include severance pay due to employees pursuant to Article 2120 of the Italian Civil Code ("**TFR**"), the amount of the benefit to be paid to the employee is quantifiable only after the termination of employment, and is linked to one or more factors such as age, years of service and salary; therefore, the related expense is charged to the statement of comprehensive income based on an actuarial calculation. The liability recognised in the financial statements for defined benefit plans corresponds to the present value of the obligation at the end of the reporting period. Obligations for defined benefit plans are determined annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit plan is determined by discounting future cash flows at an interest rate equal to that of (high-quality corporate) bonds issued in Euro and taking into account the duration of the relevant pension plan.

As of 1 January 2007, the 2007 Finance Act and its implementing decrees introduced significant changes to the rules governing severance pay, including employees' choice as to the destination of their accruing severance pay. In particular, the new TFR flows can be directed by the worker to chosen forms of pension schemes or kept in the company. In the case of allocation to external pension schemes, the company is only subject to the payment of a defined contribution to the chosen fund, and from that date the newly accrued units are in the nature of defined contribution plans not subject to actuarial valuation.

Following the adoption, as of 1 January 2013, of the revised version of IAS 19 (Employee Benefits), changes

in actuarial gains/losses are recognised in other comprehensive income. The revised version of IAS 19 (Employee Benefits), as governed by EC Regulation No. 475-2012, was applied.

IAS 19 requires the recognition of changes in actuarial gains/losses in other comprehensive income for defined benefit plans. The service cost as well as the interest expense related to the *time value* component in actuarial calculations remain in the separate income statement.

### Provisions for risks and charges

Provisions for risks and charges are set aside to cover losses or charges, the existence of which is certain or probable, but whose amount or date of occurrence could not be determined at year-end. They are recognised only when a current obligation (legal or constructive) exists for a future outflow of economic resources as a result of past events and it is probable that such an outflow will be required to settle the obligation. This amount represents the best discounted estimate of the expenditure required to settle the obligation.

When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the present value of the expected outlay using a rate that reflects market conditions, the change in the cost of money over time and the specific risk associated with the obligation. The increase in the value of the provision, determined by changes in the cost of money over time, is accounted for as interest expense.

### Grants

Plant-related grants are recognised in the income statement over the period necessary to match them with the related costs; in the statement of financial position, equipment grants are shown by recording the grant as a decrease in the value of the investment to which they relate.

Water connection fees are recorded under other non-current liabilities and released to the income statement over the life of the concession.

The ‘Fondo Nuovi Investimenti’ (FoNI – Fund for New Investments) is a component of the annual tariff of the integrated water service, itself made up of a number of sub-components, aimed at incentivising investments, net of the corresponding coverage of the tax burden for the years in which this effect has been provided for by the tariff regulation defined by the sector regulatory authority (ARERA). This contribution is accounted for according to the following methodology:

- *direct recognition in the Income Statement of only the component covering the tax burden for the years in which the regulatory method calls for it, assimilating its accounting treatment to the form of the operating grant;*
- *allocation of the remainder of FoNI (including the AMM FoNI component) as a direct reduction in the carrying amount of non-current assets under the Statement of Financial Position, i.e., reducing the value of individual assets entering into service from year to year, in the same way as public plant-related grants.*

## Revenue recognition

Revenues are initially recognised at the fair value of the consideration received net of rebates and discounts.

Revenues from the sale of goods are recognised when the customer obtains control of the goods. Revenues from services are recognised at an amount reflecting the consideration the Company expects to be entitled to receive for the transfer of services.

Revenues related to water supplies are recognised and accounted for at the time of disbursement and include the provision for disbursements made but not yet invoiced (estimated on the basis of historical analyses determined in relation to past consumption).

Revenues from users' connections to the Integrated Water Service are recognised on the basis of the duration of the assimilated supply relationship equal to the duration of the concession.

Revenues accrued during the year related to design and construction management activities are recognised in relation to the progress of works according to the percentage-of-completion method determined on the basis of the ratio of costs incurred to expected costs.

Revenues accrued in the year related to the construction activities of the Integrated Water Service are recognised on the basis of the costs incurred for these activities increased by a mark-up of 3.68% representing, for the year 2023, the remuneration of the internal costs of the works management and design activities carried out by the Company, equal to the mark-up that would have been applied by a general constructor (as provided for by IFRIC 12).

In accordance with IFRS, fees collected on behalf of third parties, as in agency relationships that do not lead to an increase in the company's equity, are excluded from revenue, which is instead represented solely by the premium accrued on the transaction.

## **Costs for the purchase of goods and provision of services**

The costs of purchasing goods and providing services are recognised in the income statement on an accrual basis.

## **Taxes**

Current taxes are calculated on the basis of taxable income for the year, applying the tax rates in effect at the reporting date.

Deferred tax assets and liabilities are calculated for all differences arising between the tax value of an asset or liability and its book value. Deferred tax assets, to the extent not offset by deferred tax liabilities, are recognised to the extent that it is probable that future taxable income will be available against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to apply in the years in which the differences will be realised or extinguished, based on the tax rates that are applicable or essentially applicable at the reporting date.

Current, deferred and prepaid taxes are recognised in the income statement, except for those relating to items directly debited or credited to equity, in which case the related tax effect is also recognised directly in equity. Taxes are offset when they are levied by the same tax authority and there is a legal right of set-off.

## **Changes to International Accounting Standards**

Pursuant to IAS 8, the following paragraph 'Accounting standards, amendments and interpretations that apply for the first time on or after 1 January 2023' indicates and briefly explains the amendments effective from 1 January 2023. The following paragraph, 'Accounting standards, amendments and interpretations applicable after the end of the financial year and not adopted early' details the accounting standards and interpretations that have already been issued, whether endorsed or not yet endorsed by the European Union, but which are not applicable for the preparation of the financial statements as at 31 December 2023, and whose impact, if any, will therefore be transposed starting with the financial statements of future financial years.

## Accounting standards, amendments and interpretations that apply for the first time as from 1 January 2023

### **Amendments to IAS 1 - Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure on accounting standards**

These amendments provide guidance for the application of materiality judgments to accounting policy disclosures in a way that is more useful; in particular:

the obligation to indicate the 'significant' accounting policies has been replaced by the obligation to indicate the 'material' accounting policies;

guidance has been added on how to apply the concept of materiality to accounting policy disclosures.

In assessing the materiality of accounting policy disclosures, entities should consider the size of transactions, other events or conditions, and their nature. There is no impact on the disclosure of the Company's financial statements.

### **Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors**

These amendments introduce a new definition of 'accounting estimates', distinguishing them more clearly from accounting policies, and provide guidance on whether changes should be treated as changes in estimates, changes in accounting policies or errors. There is no impact on the Company's financial statements.

### **Amendments to IAS 12 Income Taxes - Deferred tax assets and liabilities arising from a single transaction**

These amendments eliminate the possibility of not recognising deferred taxes upon initial recognition of transactions that give rise to taxable and deductible temporary differences (e.g., lease agreements).

With respect to leases, these amendments also clarify that when lease payments are deductible for tax purposes, it is a matter of judgement (after considering the applicable tax law) whether such deductions are attributable for tax purposes to the lease liability recognised in the Financial Statements or to the related right of use. If tax deductions are allocated to the right of use, the tax values of the right of use and the lease liability are the same as their carrying amounts, and no temporary differences arise upon initial recognition. However, if tax deductions are allocated to the lease liability, the tax values of the right of use and lease liability are nil, giving rise to taxable and deductible temporary differences, respectively. Even if the gross temporary differences are equal, a deferred tax liability and a deferred tax asset must still be recognised. There is no impact on the

Company's financial statements.

### **IFRS 17 - Insurance Contracts and Amendments to IFRS 17 - First-time Application of IFRS 17 and IFRS 9 Comparative Disclosures**

IFRS 17, which replaces IFRS 4 'Insurance Contracts', defines the accounting for insurance contracts issued and reinsurance contracts held.

The amendments eliminate one-off differences in the classification of comparative information from the previous year upon first-time application of IFRS 17 and IFRS 9 Financial Instruments. The optional classification overlay introduced by this amendment makes the comparative information presented at the time of first-time application of IFRS 17 and IFRS 9 more useful. There is no impact on the Company's financial statements.

### **Amendments to IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules**

These amendments offer a temporary exemption to the accounting of deferred taxes resulting from the application of the new tax rules ('deferred taxation'). 'GloBE rules'), of European origin, for the implementation of the Global Minimum Tax, introduced by the Organisation for Economic Cooperation and Development (OECD). The OECD published the Pillar Two model rules in December 2021 to ensure that large multinational companies are subject to a minimum tax rate of 15%.

The changes include:

- *a temporary exception to deferred tax accounting and related disclosure from jurisdictions that apply global tax rules. This will help to ensure consistency of financial statements while facilitating the implementation of the rules; and*
- *the publication of disclosures aimed at helping investors better understand a company's exposure to income taxes resulting from the reform, particularly prior to the entry into force of implementing legislation.*

Accounting standards, amendments and interpretations applicable after the end of the financial year, which were not adopted in advance

As required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', new Standards or Interpretations that have already been issued, but have not yet come into force or have not yet been endorsed by the European Union as at 31 December 2023 and are therefore not applicable, and their foreseeable impact

on the Company's Financial Statements are indicated below.

None of these Standards and Interpretations have been adopted early by the Company.

**Amendments to IAS 1 - Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current**

The amendments clarify the criteria to be applied in classifying liabilities as current or non-current and specify that the classification of a liability is not affected by the probability that settlement of the liability will be deferred for 12 months after the reporting period. The Company's intention to liquidate the liability in the short term has no impact on the classification. These amendments, which have been endorsed by the European Union, will enter into force on 1 January 2024. No impact on the classification of financial liabilities is expected as a result of these changes.

**Amendments to IAS 1 - Presentation of Financial Statements - Non-current Liabilities with Covenants**

These amendments specify that covenants to be met after the end of the reporting period do not affect the classification of debt as current or non-current at the Financial Statements date. Instead, the amendments require the company to disclose information on these covenants in the notes to the financial statements.

These changes, approved by the European Union, will enter into force on 1 January 2024. No impact on the classification of financial liabilities and in terms of disclosure is expected as a result of these changes.

**Amendments to IFRS 16 Leases: Lease Liabilities in a Sale and Leaseback Transaction**

These amendments specify the requirements for accounting for a sale and leaseback after the transaction date. In particular, in the subsequent measurement of the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in such a way that no gain or loss is recognised in respect of the retained right of use.

These changes, approved by the European Union, will enter into force on 1 January 2024. No impact on the Company's financial statements is expected as a result of these changes.

**Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Supplementary Information - Supplier Finance Arrangements**

These amendments introduce new disclosure requirements to improve the transparency of information provided about supplier financing arrangements, particularly with regard to the effects of such arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.

These changes, which will enter into force on 1 January 2024, have not yet been approved by the European Union.

#### **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability**

These amendments clarify when a currency is exchangeable for another currency and, consequently, when it is not. When one currency is not exchangeable for another, these changes define how the exchange rate to be applied is to be determined. The amendments also specify the information to be provided when a currency is not exchangeable.

These changes, which will enter into force on 1 January 2025, have not yet been endorsed by the European Union.

### **Risk Management**

The Company's activities are exposed to the following financial risks: market risk (defined as exchange and interest rate risk), credit risk (both in relation to normal commercial relations with customers and financing activities) and liquidity risk (with reference to the availability of financial resources and access to the credit market and financial instruments in general).

The Company's objective is to maintain, over time, balanced management of its financial exposure, capable of guaranteeing a liability structure that is in balance with the composition of its assets and able to ensure the necessary operational flexibility through the use of the liquidity generated by current operating activities and recourse to bank loans.

The Company's ability to generate cash from operations, together with its borrowing capacity, allows it to adequately meet its operating needs and finance working capital and investments, as well as to meet its financial obligations.

The company's financial policy and the management of related financial risks are overseen and monitored centrally. In particular, the finance department is responsible for assessing and approving forecast financial requirements, monitoring their progress and taking appropriate corrective action where necessary.

The following section provides qualitative and quantitative reference information on the impact of these risks on the Company:



## Market risk

### Exchange rate risk

The Company is mainly active on the Italian market and is therefore exposed to exchange rate risk only with reference to i) bank accounts and commercial credit and debit transactions denominated in RON (Romanian Leu) ii), bank accounts and commercial credit and debit transactions denominated in AED (United Arab Emirates Dirham) iii), bank accounts and commercial credit and debit transactions denominated in INR (Indian Rupee) and iv), bank accounts and commercial credit and debit transactions denominated in COP (Colombian Peso).

### Sensitivity analysis relating to foreign exchange risk

For the purposes of the exchange rate *sensitivity analysis*, the statement of financial position items (financial assets and liabilities) denominated in currencies other than the Company's functional currency were identified. For the purpose of the analysis, two scenarios were considered that respectively reflect an appreciation and a depreciation of 10% of the exchange rate between the currency in which the financial statement item is denominated and the reporting currency.

(thousands of Euro)		Impact on profit and equity, net of tax effect								
		COP		RON		INR		AED		Total
Sensitivity analysis	-10%	10%	-10%	10%	-10%	10%	-10%	10%	-10%	10%
Financial year 31/12/2023	50	(41)	10	(8)	311	(254)	(3)	2	368	(301)

Note: A positive sign indicates a higher profit and an increase in equity; a negative sign indicates a lower profit and a decrease in equity.

### Interest rate risk

The company is exposed to risks related to interest rate fluctuations as it uses a mix of debt instruments depending on the nature of its financial needs.

In particular, the Company normally resorts to short-term borrowing to finance working capital requirements and to medium- and long-term forms of financing to cover investments made and related to the *business*, as well as extraordinary operations. The financial liabilities that expose the Company to interest rate risk are

mostly medium-/long-term variable-rate indexed loans. The interest rate to which the Company is most exposed is Euribor.

The financial transactions finalised in 2016 (BEI structured loan and bond loan), being both fixed-rate, further mitigate the interest rate risk.

To cope with these risks, the Company uses interest rate derivatives (*'Interest Rate Swaps'*) with the aim of mitigating, under economically acceptable conditions, the potential impact of interest rate variability on the economic result. The main features of these contracts are summarised below:

**As at 31 December 2023**

<b>Interest rate swaps (IRS)</b>	<b>Start date</b>	<b>Maturity date</b>	<b>Par value (in Euro)</b>	<b>Fair value (in Euro)</b>
IRS Intesa Sanpaolo	2006	2026	4,015	(83)
IRS BNP Paribas	2009	2028	5,000	(420)

**Sensitivity analysis relating to interest rate risk**

With regard to interest rate risk, a sensitivity analysis was performed to determine the effect on the income statement and equity that would result from a hypothetical positive and negative change of 100 bps in interest rates compared to those actually recorded in each period.

The analysis was carried out mainly with regard to the following items:

- short- and medium-/long-term financial liabilities, in connection with related derivative instruments, if any.

With regard to short- and medium-/long-term financial liabilities, the impact was calculated on an ad hoc basis. Fixed-rate financial debt was not included in this analysis.

**The table below highlights the results of the analysis carried out:**

<i>(In thousands of Euros)</i>				
<b>Sensitivity analysis</b>	<b>Impact on profit, net of tax effect</b>		<b>Impact on equity, net of tax effect</b>	
	-100 bps	+100 bps	-100 bps	+100 bps
Year ending 31 December 2022	424	(424)	424	(424)

**Note: A positive sign indicates a higher profit and an increase in equity; a negative sign indicates a lower profit and a decrease in equity.**

### *Credit Risk*

Credit risk represents the Company's exposure to the risk of potential losses arising from the failure of counterparties to meet their obligations.

With reference to the Engineering sector, almost all of the receivables are due from the Municipality of Milan or other public entities or concessionaires of the same, which ensures that the risk in question is mitigated.

With regard to receivables due from the Municipality of Milan, during the 2019 financial year, a series of credit positions dating back many years were investigated and verified. The preliminary investigations conducted allowed the identification of shared criteria that allow the crystallisation of MM's receivables from the Municipality, in particular, consistent with the documents analysed, to consider existing and collectable only those receivables claimed by MM corresponding to amounts that are consistent, for each individual job, with the available funds provided for by the relevant approved economic frameworks. This activity made it possible to accurately assess credits on the basis of the risk profile.

The analysis described above, whose purpose is to verify the quality of receivables, is conducted on an annual basis for the positions claimed against the main debtor entities and allows for the definition of appropriate collection actions, where possible; it also constitutes the basis for estimating the expected losses on which provisions are made for bad debts.

Instead, with reference to the Integrated Water Service, the Company manages credit risk through policies and procedures that regulate the monitoring of expected recovery flows, the issuance of reminders, the granting of payment extensions if necessary, and the implementation of appropriate recovery actions.

Trade receivables amounting to € 206 million as of 31 December 2023 (€ 248 million as of 1 January 2023) are stated net of advances for works in the amount of € 2,115 million and accounted for net of the impairment calculated by the company's management by estimating the expected loss, differentiated according to the private or public nature of the debtor. The estimate of the expected loss arises from the historical experience differentiated by type of debtor, adjusted for the seniority of past-due balances, and any forward-looking elements that may affect recovery expectations. The valuation of receivable positions for which objective conditions of partial or total uncollectability were noted, in addition to expected losses, led to the establishment of a provision for bad debts, which as at 31 December 2023 totalled € 50,036,448 (€ 46,883,386 in the previous year).

With particular reference to the customers of the Water Service, considering the high fragmentation of the customer base and the limits in the possibility of selecting customers given the 'essential' nature of the resource offered, the valuation of the bad debt provision was conducted by the company's management by estimating

the expected losses determined on the basis of past experience for similar receivables and monitoring the trend of current and prospective economic conditions of the reference market.

It should also be noted that the receivables of the Water Service are covered by security deposits up to the amount of € 11,618 thousand.

### *Liquidity Risk*

Liquidity risk is the risk that, due to the inability to raise new funds or liquidate assets on the market, the Company may not be able to meet its payment commitments, resulting in an impact on the economic result if it is forced to incur additional costs to meet its commitments or a situation of insolvency. The Company's objective is to put in place a financial structure that, consistent with business objectives and defined limits, ensures an adequate level of liquidity pursued through the planned tariff increases, minimising the related opportunity cost and maintaining a balance in terms of duration and debt composition.

Again with reference to liquidity risk, appropriate assessments have been carried out, including through the information provided by financial counterparties, which make it possible to exclude that cash and bank deposits may result in potential impairment losses, also taking into account the possibility of on-demand liquidation of deposits at maturity.

The following table provides an analysis of the expected cash flows in future years related to financial liabilities as of 31 December 2023:

	Balance as at 31 December 2023	Expected outflows			
		Within 1 year	From 1 to 5 years	Over 5 years	Total
Financial liabilities	270,452	72,481	88,948	109,022	270,452
Trade payables	172,205	172,205	-	-	172,205
Other liabilities	71,421	32,554	27,214	11,653	71,421

All flows shown are undiscounted nominal future cash flows, determined with reference to the remaining contractual maturities, for both the principal and interest portions.

Loans have been included on the basis of the contractual maturity at which repayment takes place. Flows from financial liabilities include those related to currently outstanding IRSs.

The bond loan, issued by the company on 23 December 2016, and the BEI loan agreement, signed on 18 November 2016, require MM to comply with specific financial covenants, calculated as ratios between variables of an economic and equity nature, aimed at monitoring the company's economic and financial

sustainability.

With reference to the analysis of the financial covenants, it should be noted that in the current financial year all the indicators envisaged in the loan agreements were respected; for a more detailed analysis of which, see the Report on Operations.

### Financial assets and liabilities by category

Below is a classification of financial assets and liabilities by category as at 31 December 2023:

(In thousands of Euros)	As at 31 December 2023				
	Financial assets and liabilities measured at fair value through OCI	Loans and receivables	Available-for-sale financial assets	Financial liabilities at amortised cost	Total
<b>ASSETS:</b>					
Other non-current assets	-	2,229	-	-	<b>2,229</b>
Trade receivables	-	205,861	-	-	<b>205,861</b>
Cash and cash equivalents	-	61,000	-	-	<b>61,000</b>
Other current assets	-	34,163	-	-	<b>34,163</b>
<b>LIABILITIES:</b>					
Non-current financial liabilities	503	-	-	197,467	<b>197,970</b>
Other non-current liabilities	-	-	-	38,866	<b>38,866</b>
Trade payables	-	-	-	172,205	<b>172,205</b>
Current financial liabilities	-	-	-	72,481	<b>72,481</b>
Other current liabilities	-	-	-	32,554	<b>32,554</b>

For trade receivables and payables and other short-term receivables and payables, the carrying value is deemed to be a reasonable approximation of their respective *fair values*. It is also considered that the carrying value of the bond loan recorded under financial liabilities and which was issued at the end of December 2016 is also a reasonable approximation of its *fair value*, also considering that no market quotations are available for this financial instrument in the absence of transactions.

### Fair Value estimate

The *fair value* of financial instruments listed in an active market is based on market prices at the end of reporting period. The *fair value* of instruments that are not quoted in an active market is determined using valuation techniques based on a variety of methods and assumptions related to market conditions at the end of the reporting period.

The following is a classification of the *fair values* of financial instruments based on the following hierarchical

levels:

**Level 1:** *Fair Value* determined by reference to quoted prices (unadjusted) in active markets for identical financial instruments;

**Level 2:** *Fair Value* determined using valuation techniques with reference to observable variables in active markets;

**Level 3:** *Fair Value* determined using valuation techniques with reference to unobservable market variables.

The following table summarises the assets and liabilities that are measured at *fair value* as of 31 December 2023, based on the level reflecting the inputs used in determining *fair value*:

<u>(In thousands of Euros)</u>	<b>As at 31 December 2023</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative financial instruments (IRS)	-	(503)	-

## Estimates and assumptions

The preparation of these Financial Statements requires the directors to apply accounting standards and methodologies that, in certain circumstances, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that are from time to time considered reasonable and realistic under the relevant circumstances. The application of these estimates and assumptions affects the amounts reported in the financial statements as well as the disclosures provided. The final results of the financial statement items for which the above estimates and assumptions have been used may differ from those reported in the financial statements that reflect the effects of the occurrence of the event being estimated, due to the uncertainty that characterises the assumptions and conditions on which the estimates are based.

Below is a brief description of the areas that require greater subjectivity on the part of the directors in the preparation of estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data.

### *Depreciation of property, plant and equipment and amortisation of intangible assets*

The cost of tangible and intangible assets is amortised on a straight-line basis over the estimated useful life of each asset. The economic useful life of tangible and intangible assets is determined at the time they are acquired and is based on historical experience for similar assets, market conditions and forecasts regarding future events that may have an impact, including changes in technology. The actual economic life may therefore differ from

the estimated useful life. The Company annually assesses changes in technology and industry, any changes in contractual terms and regulations related to the use of tangible and intangible assets, and the recovery value to update the remaining useful life. The result of these analyses can change the depreciation period and thus also the depreciation charge for the year and future years.

#### *Mark up - IFRIC 12*

The *fair value* of the construction services of the Integrated Water Service is determined on the basis of the costs actually incurred, increased by a mark-up of 3.68 % representing the best estimate redetermined for the year 2023 on the remuneration of internal costs for the works management and design activities carried out by the Company, as provided for by IFRIC 12. The valuation of the mark-up is based on factors and estimates that may change over time, which may lead to a change in this value in the financial statements.

#### *Residual value upon conclusion of the Concession*

MM will receive compensation at the end of the Concession in an amount equal to the residual value of the works and assets realised during the concession period. This value, determined according to the rules defined by the Regulatory Authority for Energy Networks and the Environment (ARERA), is based on factors and estimates that may change over time.

#### *Impairment/reversal of impairment*

Non-current assets are tested for impairment. If there is indication that recovery will be difficult, the net carrying amount is written down. The verification of the existence of these indicators requires subjective assessments based on information available within the Company and in the market, as well as on historical experience. Furthermore, when a potential impairment is deemed to have occurred, it is determined using appropriate valuation techniques. The correct identification of the elements indicating the existence of a potential impairment, as well as the estimates for their determination, depend on factors that may vary over time, reflected in the valuations and estimates made. Similar considerations in terms of the existence of indicators and the use of estimates in the application of valuation techniques can be found in the assessments to be made with regard to the possible reversal of impairment made in previous years.

#### *Deferred tax assets*

Deferred tax assets are recognised on the basis of expected income in future years. The assessment of expected

income for the purpose of accounting for deferred tax assets depends on factors that may vary over time and have a significant effect on the valuation of this item.

### *Provisions for risks and charges*

The Company recognises, under provisions for risks and charges, probable liabilities arising from disputes with personnel, suppliers, third parties, and, in general, charges arising from obligations undertaken. The determination of these provisions involves making estimates based on current knowledge of factors that may change over time, and may therefore generate final outcomes that are also significantly different from those taken into account when preparing the financial statements.

### *Provision for bad debts*

The provision for bad debts reflects the estimated expected losses on the loan portfolio. Provisions for expected losses express the estimated credit risk arising from past experience for similar receivables, from the analysis of past due (current and historical) losses and collections, and finally from the monitoring of trends in the current and prospective economic conditions of the reference markets.

### *Measurement of derivative financial instruments*

The determination of the *fair value* of unlisted financial assets, such as derivative financial instruments, is done through commonly used financial valuation techniques that require basic assumptions and estimates. These assumptions may not occur according to the expected timing and methods. Therefore, estimates of these derivative instruments may differ from the actual figures.

### *Determination of revenues*

As far as the Engineering Division is concerned, revenues related to design and/or construction management contracts are allocated in proportion to the percentage progress of the work, which is determined by the ratio of the direct hours already spent on contractual activities to the total estimated hours including hours to completion.

With reference to the IWS division, the revenues include the estimated income accrued for the supplies made between the date of the last recording of actual consumption and the year-end date. The recognition of these revenue components is determined on the basis of tariff regulation using algorithms and includes an estimative component.



## Disclosures by operating segments

Segment reporting has been prepared in accordance with the provisions of IFRS 8 'Operating Segments', which requires reporting to be consistent with the manner in which management makes operating decisions. Therefore, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by management for the allocation of resources to the various segments and for the analysis of their performance.

An operating segment is defined in IFRS 8 as a component of an entity that: (i) engages in revenue- and expense-generating activities (including revenues and expenses relating to transactions with other components of the same entity); (ii) whose operating results are reviewed periodically at the entity's highest level of operational decision-making for the purpose of making decisions about resources to be allocated to the segment and assessing performance; and (iii) for which separate financial information is available.

Management has identified the following areas:

- **Integrated Water Service (IWS)** includes integrated water services mainly for the population of the city of Milan
- **Engineering:** includes the provision of engineering, works management and contracting authority services for works concerning transport and mobility systems and infrastructures carried out mainly for the Municipality of Milan;
- **Housing:** includes property management and facility management activities carried out in the name and on behalf of the Municipality of Milan, with reference to some of the latter's real estate properties; starting from the current financial year, it also includes the management of the Public Residential Housing assets owned by the Municipality of Bergamo;
- **Real Estate and Networks:** includes the assets and public asset management activities previously carried out by MIR before the merger with MM.;
- **Ordinary Plant and Infrastructure Maintenance:** includes facility management and works management activities carried out on the school real estate assets of the Municipality of Milan and on facilities managed by other companies in which the Municipality of Milan has an interest;
- **Public Residential Housing Green Management:** includes public green maintenance activities limited to the areas pertaining to the public housing estate of the Municipality of Milan;
- **Staff:** includes the activities performed by the functions serving the operating divisions, the costs of which are allocated, based on parameters, to each division.

Operating segments are monitored on the basis of: *i*) revenue; *ii*) EBITDA; *iii*) EBIT; and *iv*) Net Financial Position.

Management believes that EBITDA provides a good indication of performance as it is not affected by tax regulations and depreciation policies.

For further information at company level and by business segment, please refer to the Management Report.

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### Assets

#### 1.1 Property, plant and equipment

Property, plant and equipment amounted to € 66,973,863 (€ 68,067,509 in the previous year).

The composition, changes during the year and other information are set out and commented on below.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Assets under construction	Leasehold improvements	Other Property, Plant and equipment	IFRS 16 - Rights of Use	Total
Historical cost as at 31.12.2022	74,882,636	25,720,966	4,488,348	10,918,640	3,008,265	10,194,386	6,136,907	135.350147
Accumulated depreciation as at 31.12.2022	(22,965,017)	(25,066,874)	(4,487,722)	-	(2,342,282)	(7,818,475)	(4,602,269)	(67,282,638)
Increases for the year	186,457	-	42,649	859,042	20,731	678,832	1,080,734	2,868,444
Decreases for the year	(58,640)	-	-	-	-	-	(22,037)	(80,677)
Restatements	-	-	-	-	-	-	-	-
Depreciation for the year	(1,404,021)	(341,673)	(3,756)	-	(98,663)	(994,490)	(1,038,810)	(3,881,412)
<b>Balance as at 31.12.2023</b>	<b>50,641,415</b>	<b>312,419</b>	<b>39,520</b>	<b>11,777,682</b>	<b>588,051</b>	<b>2,060,253</b>	<b>1,554,524</b>	<b>66,973,863</b>
Historical cost as at 31.12.2023	75,010,453	25,720,966	4,530,997	11,777,682	3,028,996	10,873,218	7,199,529	138,141,840
Accumulated depreciation as at 31.12.2023	(24,369,038)	(25,408,547)	(4,491,477)	-	(2,440,945)	(8,812,965)	(5,645,005)	(71,164,051)

The increases for the year totalling € 2,868,000 mainly refer to:

- improvements to owned properties
- purchase of furniture, office machines;
- transport vehicles
- increase in the value of 'Rights of Use' accounted for in accordance with IFRS 16.

Tangible fixed assets in progress include € 5,008,000 for the net book value of investments made by AMSA with which a lease agreement is in place, with a commitment to purchase the improvements made by the lessee.

#### 1.2 Rights over the infrastructure relating to service concession arrangements

Rights over the infrastructure relating to service concession arrangements amounted to € 375,398,344 (€349,837,427 in the previous year).

Changes in the item for the period from 1 January 2023 to 31 December 2023 are shown below:

Rights over the infrastructure relating to service concession arrangements	
<b>Balance as at 1 January 2023</b>	<b>349,837,427</b>
Historical cost	506,554,510
Accumulated amortisation	(156,717,083)
Increases	52,977,482
FoNI (Fund for New Investments)	(9,691,830)
Decreases	(691,766)
Amortisation	(17,032,969)
<b>Balance as at 31 December 2023</b>	<b>375,398,344</b>
Historical cost	549,148,396
Accumulated amortisation	173,750,052

Pursuant to IFRIC 12, rights over the infrastructure relating to service concession arrangements amounted to € 375,398 thousand as at 31 December 2023. These rights are amortised on a straight-line basis over the term of the concession; the residual value of Euro77.3 million, which represents the value of the assets to be transferred to the grantor at the end of the concession, is not amortised.

The item ‘Rights over the infrastructure relating to service concession arrangements’ is shown net of the ‘FoNI’ (Fund New Investments) tariff component; this component, which constitutes an advance for the financing of new works, is subject to a restriction on its use. The value of the FoNI accumulated from the date of initial recognition to 31 December 2023 and recorded as a reduction of Rights over the infrastructure relating to service concession arrangements amounted to € 109,736,539 (€ 100,044,709 in the previous year).

Capital expenditures in the financial year 2023 amounted to € 52,977,482 (gross of the increase in the ‘Fund for New Investments’) and mainly concerned pipelines, work on the purification plant, and power stations.

#### *Impairment test of the infrastructure relating to service concession arrangements*

As at 31 December 2023, the rights over the infrastructure relating to service concession arrangements were tested for impairment. Both internal and external sources of information were considered, such as any significant changes in the use of the assets, the economic performance of the business compared to what was expected, any technological, market or regulatory discontinuities, trends in market interest rates or the cost of capital used to evaluate investments. In consideration of the fact that the sources of information used did not show any indicators of impairment, no impairment losses in relation to the rights over the infrastructure relating to service concession arrangements were recognised in 2023 and the relevant assets were not subject to impairment.

### 1.3 Other intangible assets

Other intangible assets amounted to € 9,595,486 (€ 11,689,047 in the previous year).

Changes in the item 'Other intangible assets' for the period from 1 January 2023 to 31 December 2023 are shown below:

	Balance as at 31/12/2022	Increases 2023	Amortisation 2023	Balance as at 31/12/2023
Software	11,632,712	6,417,448	(8,511,009)	9,539,151
Other Intangible Assets	56,336	-	-	56,336
<b>Total</b>	<b>11,689,047</b>	<b>6,417,448</b>	<b>(8,511,009)</b>	<b>9,595,486</b>

The investments made in 2023 mainly relate to the upgrading and fine-tuning of the new integrated business process management software. In particular, a significant component of the year's increase relates to the enhancement and development of the management software already in use.

### 1.4 Deferred tax assets

Deferred tax assets amounted to € 36,673,761 (€ 34,409,238 in the previous year).

They were calculated on the temporary differences between the asset values recorded in the financial statements and the corresponding values recognised for tax purposes, based on the rates that are expected to be applied when these differences reverse.

The composition of this item is detailed below:

Deferred tax assets	2022		2023	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Provisions for risks and charges	9,802,160	2,677,583	6,686,409	1,968,810
Bad debt provision	13,921,384	3,341,132	20,602,388	4,944,573
IRS fair value measurement	711,130	170,671	502,735	120,656
FoNI contributions	97,316,590	27,443,278	102,614,033	28,937,157
Late payment interest provision	497,192	119,326	0	0
Deferrals for connections of customers	11,276,168	2,688,991	10,524,423	2,496,920
Other items	436,935	104,864	340,436	81,704
<b>Total for the Company</b>	<b>133,961,559</b>	<b>36,545,846</b>	<b>141,270,422</b>	<b>38,549,821</b>
Deferred tax liabilities	2022		2023	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Late payment interest	682,460	175,970	497,251	148,866
Tangible fixed assets	6,723,647	1,875,898	6,723,647	1,669,067

Employee benefits	761,798	84,742	242,204	58,129
<b>Total for the Company</b>	<b>8,167,905</b>	<b>2,136,609</b>	<b>7,463,102</b>	<b>1,876,062</b>
<b>Total deferred tax assets/liabilities</b>	<b>125,793,654</b>	<b>34,409,237</b>	<b>133,807,320</b>	<b>36,673,760</b>

As required by IAS 12, deferred tax assets are reported net of deferred tax liabilities, as deferred tax assets and liabilities relate to income taxes levied by the same tax jurisdiction.

### 1.5 Other non-current assets

Non-current assets amounted to € 2,229,615 (€ 2,810,803 in the previous year) and are broken down as follows:

	Current period	Previous period
Accrued income and prepaid expenses	2,056,957	2,542,337
Guarantee deposits	172,658	268,466
<b>Total</b>	<b>2,229,615</b>	<b>2,810,803</b>

The increase in prepaid expenses is mainly attributable to the advance payment of deferred costs incurred during the year.

### 1.6 Inventories

Inventories amounted to € 4,533,501 (€ 3,301,187 in the previous year).

This item refers mainly to spare parts and maintenance materials for the Integrated Water Service. The value of inventories is shown net of the allowance for write-down of inventory, which amounts to € 1,573,259.

The change with respect to the previous year mainly refers to the increase in inventories in the amount of € 1,629,339; these mainly consist of measuring instruments in stock at the end of the year, which were installed on the water supply network during the first months of the following year. The composition of inventories is shown below:

	As at 1 January 2023	As at 31 December 2023
Raw materials, consumables and goods for resale	4,477,421	6,106,760
Provision for write-down of inventories	(1,176,234)	(1,573,259)
<b>Total</b>	<b>3,301,187</b>	<b>4,533,501</b>

## 1.7 Trade receivables

Trade receivables, net of the corresponding bad debt provision, amounted to € 205,861,111 (€ 247,429,631 in the previous year).

The composition is detailed below.

	Current Period	Previous Period
Due from third parties	166,470,045	181,613,754
Due from parent companies	89,427,517	112,299,263
<b>Total trade receivables - gross</b>	<b>255,897,562</b>	<b>293,913,016</b>
Bad debt provision	(50,036,451)	(46,483,386)
<b>Total trade receivables</b>	<b>205,861,111</b>	<b>247,429,631</b>

### *Receivables due from third parties*

This item includes receivables of the Engineering and Staff Sector for € 26,267,684 (€ 35,794,089 in the previous year) related to services rendered to third parties, receivables arising from the management of the Integrated Water Service for €138,578,176 (€ 143,433,567 in the previous year), receivables of the Plant Maintenance Sector for € 460,060 (€ 1,455,728 in the previous year), and receivables related to the Home and Plant and Property Management Sectors for the remaining € 1,164,125 (€ 930,470 in the previous year).

### *Receivables due from parent companies*

Receivables from parent companies refer to the Engineering and Staff Sector for services rendered, invoiced and to be invoiced for € 54,962,871 (€ 86,983,822 in the previous year), to the Integrated Water Service for € 12,150,289 (€ 8,743,014 in the previous year), to the Housing Sector for € 17,643,688 (€ 16,091,442 in the previous year), to the Plant Maintenance Sector for € 4,012,460 (€ 128,840 in the previous year) and to the Public Residential Housing Green Management Sector for €658,208 (€ 352,146 in the previous year).

The value of receivables is shown net of advances received from the City of Milan in the amount of € 2,115 million.

### *Provision for Bad Debts*

The nominal value of receivables was adjusted to their presumed realisable value by means of a special provision for bad debts, which changed as follows during the year:

Description	Total
Balance as at 31 December 2022	<b>46,483,386</b>
Use during the year	(2,360,372)
Allocation for the year	5,913,434
<b>Balance as at 31 December 2023</b>	<b>50,036,448</b>

The aforementioned provision of € 28,520,573 (€ 28,495,387 in the previous year) relates to the impairment of receivables due from customers of the Water Service, and € 21,515,875 (€ 17,987,999 in the previous year) relates to the impairment of receivables due to the Engineering Division mainly from its Parent Company.

During the year, a total provision of € 5,738,010 was set aside; € 1,580,000 of this provision relates to the Water Service Division; it is related to items for water consumption and is estimated on the basis of expected losses.

For the remainder, amounting to € 4,158,010, the provision, related to the Engineering Division, was determined by estimating probable losses on invoices to be issued for work in progress. In fact, contracts in the execution phase were analysed and a detailed analysis of the positions claimed against the main customers was carried out in order to define their actual recoverability; the provision made reflects the outcome of this analysis.

### 1.8 Cash and cash equivalents

Cash and cash equivalents amounted to € 61,000,428 (€ 59,403,554 in the previous year).

The composition is set out below.

	Current Period	Previous Period
Cash	9,861	8,667
Bank deposits	60,990,567	59,394,887
<b>Total</b>	<b>61,000,428</b>	<b>59,403,554</b>

### 1.9 Other current assets

Other assets amounted to € 34,163,907 (€ 35,503,904 in the previous year).

The composition of this item is set out below.



	Current Period	Previous Period
Receivables due from tax authorities	5,074,693	9,432,018
Prepayments	27,511,298	24,495,368
Receivables due from social security agencies	495,892	494,192
Other current receivables	1,482,024	1,482,326
Provision for bad debts	(400,000)	(400,000)
<b>Total</b>	<b>34,163,907</b>	<b>35,503,904</b>

Tax credits mainly refer to tax credits deriving from the application of the 'Superbonus' accrued for works carried out on public residential buildings owned by the municipality and for which MM is the manager, in the amount of € 4,595,025, and credits for taxes paid on account in the amount of € 479,668.

The item 'Prepayments', amounting to € 27,511,298, refers to contractual advances paid to contractors in accordance with the provisions of the Tender Code.

## Equity and Liabilities

### 1.10 Equity

The share capital consists of 36,996,233 ordinary shares with a nominal value of € 1, fully subscribed and paid up, held by the Municipality of Milan.

#### Equity - origin, use and availability for distribution

Below is the information required by Article 2427, No. 7 bis, which provides for the indication of equity items, distinguishing them according to their availability, their origin and their use in previous years to cover losses.

	Amount	Origin/nature	Possible use	Quota available	Summary of utilisations in the previous year
Capital	36,996,233	subscription / capital reserve	loss coverage		
Legal reserve	7,399,247	profit reserve	loss coverage		
Other reserves					
Merger surplus reserve	47,193,065	Merger surplus reserve	capital increase, loss coverage, distribution	47,193,065	
Extraordinary reserve	159,335,503	profit reserve	capital increase, loss coverage, distribution	159,335,503	
Housing Business Unit Reserve	2,849,932	profit reserve	capital increase, loss coverage, distribution	2,849,932	
IFRS Transition Reserve	4,381,955	IFRS Transition Reserve	capital increase, loss coverage, distribution	4,381,955	
Cash Flow Hedge Reserve	(382,077)			(382,077)	
Fund for New Investments Reserve	(11,326,435)			(11,326,435)	
<b>Total Other Reserves</b>	<b>202,051,943</b>			<b>202,051,943</b>	
<b>Total Equity (excluding Profit/(Loss) for the Year)</b>	<b>246,447,423</b>				

The 'Fund for New Investments Reserve' includes the adjustment resulting from the retroactive application, effective 1.1.2021, of the change in the accounting treatment of the FoNI (New Investment Fund) tariff component in the billing of the Water Service.

### 1.11 Current and non-current financial liabilities

Financial liabilities amounted to € 270,452,117 (€ 299,407,390 in the previous year).

The composition and distinction between current and non-current portions are set out and commented on below.

Current and non-current financial liabilities	As at 31 December 2023		As at 31 December 2022	
	Current portion	Non-current portion	Current portion	Non-current portion
Bank loans	18,209,033	77,421,583	5,259,300	95,479,911
Bond loan	-	98,962,104	-	98,850,879
Other loans	50,948,313	19,960,940	91,448,313	3,957,879
Bank account overdrafts	449,161	-	872,513	-
Fair value of IRSs	-	502,733	-	711,128
Payables relating to finance costs	2,186,937	-	953,444	-
Financial liabilities for rights of use	687,939	1,123,374	997,498	876,524
<b>Total</b>	<b>72,481,383</b>	<b>197,970,734</b>	<b>99,531,069</b>	<b>199,876,321</b>

The charges incurred by the Company to obtain the bank loans and the bond are initially recognised as a reduction of financial liabilities and subsequently charged to the income statement using the amortised cost method in accordance with IFRS 9.

The item 'Other loans' refers to the debt for the use of 'Hot Money' lines and for 18-month loans.

'Financial liabilities for rights of use' to third parties refer to the discounted value of payables arising from the application of IFRS 16 for leases previously classified as operating leases.

Information on the bank loans and the bond is summarised in the table below:

	Nominal value	Opening	Deadline	Interest rate	As at 31 December 2023			
					Total	expiring within 1 year	expiring in 2-5 years	expiring over 5 years
<b>Bank loans:</b>								
Floating Rate Loan -BNL	20,000,000	2008	2028	6-month Euribor + 0.25%	5,000,000	1,000,000	4,000,000	
Floating Rate Loan - Banca Intesa	20,000,000	2006	2026	6-month Euribor + 0.12%	4,015,228	1,289,350	2,725,878	-
Floating rate loan – CREDEM	20,000,000	2022	2025	3-month Euribor + 0.7%	20,000,000	10,000,000	10,000,000	-
Amortised cost					(178,551)	(138,870)	(39,681)	-
Fixed rate Loan – BEI	70,000,000	2018	2034	1.757%	66,956,522	6,086,957	24,347,826	36,521,739
Amortised cost					(162,583)	(28,401)	(83,535)	(50,647)
<b>Bond Loan:</b>								
Senior secured amortising Fixed rate notes	100,000,000	2016	2035	3.15%	100,000,000	-	27,000,000	73,000,000
Amortised cost					(1,037,897)		(589,172)	(448,725)
<b>Total</b>					<b>194,592,719</b>	<b>18,209,036</b>	<b>67,361,316</b>	<b>109,022,367</b>

## 1.12 Provisions for risks and charges

Provisions for future liabilities and charges amounted to € 6,765,038 (€ 6,892,262 in the previous year).

The composition and movements during the year are set out and commented on below.

	Balance as at 1 January 2023	Increase	Uses/releases	Balance as at 31 December 2023
Provisions for risks	4,047,175	763,482	(1,854,982)	2,955,675
Provision for future charges	2,845,087	964,275	-	3,809,362
<b>Total</b>	<b>6,892,262</b>	<b>1,727,757</b>	<b>(1,854,982)</b>	<b>6,765,037</b>

The 'Provision for risks' totalling € 2,955,675 includes € 1,259,384 to cover estimated future losses on orders in progress in the Engineering Division for which negative margins have been recognised; € 968,770 is set aside to cover lawsuits and disputes with companies and personnel, for which the risk of losing the case is considered probable. For the remainder, the provision is set aside for deductibles to be paid to insurance companies for outstanding claims.

The accrual for the year is € 110,000 related to insurance deductibles calculated on outstanding claims, while € 635,482 is related to the recognition of future losses on ongoing job orders, and the remainder to disputes with employees.

The 'Provision for future charges' totalling € 3,809,362 refers for € 2,845,087 to charges that will not be recognised by the Municipality of Milan in its capacity as customer and that are estimated to be incurred to complete certain orders of the Engineering Division. These charges, which were assessed on the basis of the redefinition of the economic framework of certain contracts, were accounted for in previous years following the finalisation of a 'Deed of Assessment' signed in 2020 with the Municipality of Milan and aimed at defining and solidifying certain credit positions claimed and dating back a long time.

During the year, a provision of € 964,275 was also set aside for charges to be paid to users of the Water Service in application of the ARERA resolution and as a consequence of the failure to achieve certain technical and contractual quality objectives imposed by the Regulatory Authority.

## 1.13 Employee Benefits

This item included severance pay and other employee benefits amounting to € 4,676,907 (€ 5,353,258 in the previous year).

	Current Period	Previous period
Post-employment benefits (TFR)	3,860,802	4,146,808
Other benefits	816,105	1,206,449
<b>Total</b>	<b>4,676,907</b>	<b>5,353,258</b>

### *Post-employment benefits TFR*

The composition and movements during the year are set out and commented on below

<b>Employee benefits</b>	
Balance as at 31 December 2022	4,146,808
Financial costs	152,373
Actuarial losses	26,229
Sums paid	(464,608)
<b>Balance as at 31 December 2023</b>	<b>3,860,802</b>

The provision for termination benefits reflects the effects of discounting in accordance with IAS 19. The economic and demographic assumptions used for actuarial valuation purposes are detailed below:

Discount rate	3.08 % Engineering, Water, Home and Staff division 3.17% Plant Maintenance and Greening Division
Inflation rate	2.00%
Expected mortality rate	State General Accounting Tables RG48
Expected invalidity rate	INPS1998M/ INPS1998F Tables
Demographic assumptions: probability of exit/advance	3.00%-3.10%
Annual rate of increase of TFR	3.00%

### *Other employee benefits*

The item under consideration amounting to € 816,105 refers to the amount set aside to date for capitalisation policies that will be paid out to executives at the end of their employment as provided for in the supplementary contract.

### 1.14 Other non-current liabilities

Other non-current liabilities amounted to € 38,866,392 (€ 36,545,928 in the previous year).

The composition is set out below:

	Current Period	Previous Period
Guarantee Deposits	20,659,453	18,349,773
Deferred income	18,206,939	18,196,155
<b>Total</b>	<b>38,866,392</b>	<b>36,545,928</b>

Security deposits refer to the sums paid by the tenants of the Housing Division and the users of the Water Service in accordance with the rules and regulations in force.

Deferred income mainly refers to contributions for connections and network strengthening work that will be released annually in constant instalments by the expiry date of the Water Service concession.

### 1.16 Trade payables

Trade payables amounted to € 172,204,510 (€ 190,837,344 in the previous year).

The composition of this item is as follows:

	Current Period	Previous period
Due to third parties	130,093,122	143,333,890
Due to parent companies	42,111,388	47,503,454
<b>Total</b>	<b>172,204,510</b>	<b>190,837,344</b>

This item includes payables related to the Company's normal course of business for the supply of goods, fixed assets and services. As at 31 December 2023, no payables with a residual maturity of more than five years were recognised.

#### *Payables due to third parties*

The balance as at 31 December 2023 includes payables related to the Engineering and Staff Sector for € 49,000,445 (€ 56,783,513 in the previous year), payables related to the Integrated Water Service for € 50,115,113 (€ 64,612,828 in the previous year), related to the Housing Sector for € 21,723,561 (€ 15,519,009 in the previous year), related to Plant and Property Management for € 5,008,501 (€ 3,924,243 in the previous year), for € 335,838 (€ 182,474 in the previous year) related to the Public Residential Housing Green Sector,

and for € 3,909,664 (€ 2,311,823 in the previous year) related to the Plant Ordinary Maintenance Sector.

This balance also includes the contractual deductions made from the progress payments, which will only be paid once the work has been accepted.

### *Payables due to Parent Companies*

Payables to parent companies are entirely attributable to the City of Milan.

The balance as at 31 December 2023 includes debts related to the Engineering and Staff Sector for € 63,336 (€ 74,394 in the previous year), the Integrated Water Service for € 41,294,762 (€ 47,325,373 in the previous year) and the Housing Sector for € 753,290 (€ 103,688 in the previous year).

The payables for the Integrated Water Service include, in addition to the service fee, the portion pertaining to the Municipality of Milan of the bills issued by the Company after 30 June 2003 and the purification fee to be paid to it in its capacity as Commissioner for the construction of the purification plants.

### **1.17 Other current liabilities**

Other current liabilities amounted to € 32,554,276 (€ 27,108,209 in the previous year).

The composition of this item is as follows:

<b>Other current liabilities</b>	<b>Current period</b>	<b>Previous period</b>
Payables due to employees	9,919,922	8,706,205
Payables due to users of the Integrated Water Service	223,138	223,138
Advances	6,595,650	3,703,761
Payables due to social security institutions	5,311,353	4,804,564
VAT and other tax debts	5,162,441	3,091,844
Payables to Cassa per i servizi energetici e ambientali (Energy and Environmental Services Fund)	2,859,218	4,307,526
Other liabilities	2,482,555	2,271,170
<b>Total</b>	<b>32,554,276</b>	<b>27,108,209</b>

The item 'Payables due to employees' mainly includes payables for untaken holiday days, deferred remuneration, contractual bonuses and unpaid redundancy incentives.

The item 'Payables due to users of the Integrated Water Service' refers to the portion of the A.T.O. tariff billed in 2012/13 to be returned to users.

The item 'Advances' includes the value of amounts invoiced on account from customers, of which € 4,956,251 from third parties and € 1,639,399 from the Parent Company.

The item 'Payables to Cassa per i servizi energetici e ambientali' amounting to € 2,859,218 is inherent to the sums collected from the users of the Water Service through the tariff and periodically to be retroceded to the Cassa (fund) for the purpose of implementing forms of equalisation and financing projects benefiting consumers.



## NOTES TO THE INCOME STATEMENT

### 2.1 Revenues

Revenues from sales and services amounted to € 229,224,266 (€ 213,230,710 in the previous year).

The breakdown by sector is set out below:

	Current Period	Previous Period
Integrated Water Service	169,839,676	157,113,060
Engineering and Staff	27,546,834	27,386,816
Housing	17,176,639	15,251,356
Plant and Real Estate	2,031,406	2,032,674
Ordinary Plant and Infrastructure Maintenance	11,166,637	10,270,914
Public Residential Housing Green Management	1,463,075	1,175,890
<b>Total</b>	<b>229,224,266</b>	<b>213,230,710</b>

The increase in the item ‘Revenues’ is mainly attributable to the updating of the Water Service tariffs following their approval in the current year by the regulatory body ARERA. Again with reference to the Water Service revenues, which totalled € 169,839,676, it should be noted that they incorporate a component referring to end-of-period consumption, accrued during the year and estimated through the use of billing calculation algorithms, which amounted to € 20,331 thousand.

Revenues are shown net of costs for contracted works on behalf of third parties, which are repeated to customers on the basis of the concession deeds and service contracts, in the amount of € 48,283 thousand for the year ended 31 December 2023.

The breakdown by geographical area is shown below:

<i>Values in thousands</i>	Current Period	Previous Period
Italy	227,532	212,172
Europe	0	20
Rest of the World	1,693	1,039
<b>Total</b>	<b>229,224</b>	<b>213,231</b>

Foreign revenues earned relate to engineering activities carried out through the Company's foreign offices.

## 2.2 Revenues arising from work on infrastructure subject to service concession arrangements

Revenues for work on goods under concession amounted to € 52,977,482 for the year ended 31 December 2023. These revenues correspond, in application of IFRIC 12, to the works performed on the assets under concession of the Integrated Water Service increased by 3.68%, representing the best estimate of the remuneration of internal costs for the works management and design activities performed by the Company, equal to the mark-up that a general constructor would require to perform the same activity. The mark-up is restated on an annual basis and the value shown above relates to the year 2023.

## 2.3 Other revenues and income

Other revenues and income amounted to € 25,969,338 (€ 34,212,404 in the previous year).

The composition is set out below:

	Current Period	Previous Period
Sundry services carried out by the IWS	1,767,317	1,653,966
Chargebacks and expense refunds	1,304,088	190,070
Increases for internal work	6,928,738	10,711,954
Release of the provision for risks	2,163,967	516,995
Charge of costs for seconded staff	674,576	618,063
Contingent assets	656,651	3,327,958
Other revenues and income	12,451,795	17,171,192
Capital contributions	22,206	22,206
<b>Total</b>	<b>25,969,338</b>	<b>34,212,404</b>

The change in the item ‘Increases for internal work’ mainly refers to the recognition of the value of internal personnel employed to implement the investments of the Water Service.

The item ‘Other revenues and income’ includes € 3,837,001 for the tax credit accrued in relation to electricity and gas costs in accordance with the provisions of the ‘Aid Decree’ and its subsequent amendments; the concession rule for ‘non energy-intensive’ and ‘non gas-intensive’ companies, on the basis of which the tax credit was determined, was introduced in 2022 and remained in force until 30 June 2023.

This item also includes income of € 5,026,016 recognised by ARERA for the achievement of technical quality standards for the Water Service.

The increase in the item 'Release of the provisions for risks' is mainly due to the settlement of disputes with contractors; this resulted in the release of provisions for risks and charges set aside in previous years. The dynamics of this item are also influenced by the release of losses on orders of the Engineering Business Unit as a result of the progress of work in progress during the year.

## 2.4 Costs for raw materials, consumables and goods for resale

Raw and consumable materials amounted to € 6,300,780 (€ 7,389,807 in the previous year).

The composition is set out below.

	Current Period	Previous Period
Consumables and other	7,533,094	6,332,222
Changes in raw materials, ancillaries and consumables	(1,232,314)	1,057,585
<b>Total</b>	<b>6,300,780</b>	<b>7,389,807</b>

## 2.5 Other operating costs

Other operating costs amounted to € 4,660,416 (€ 3,065,891 in the previous year).

The composition is set out below.

	Current Period	Previous Period
Membership fees	370,662	449,587
Taxes and other deductible taxes	186,338	177,879
IMU (Municipal Property Tax)	360,962	360,460
Donations	-	19,000
Losses on receivables	908,575	-
Other operating costs	2,833,879	2,058,965
<b>Total</b>	<b>4,660,416</b>	<b>3,065,891</b>

## 2.6 Costs for services

Costs for services amounted to € 97,040,080 (€ 115,245,119 in the previous year).

The composition is set out below.

	Current Period	Previous Period
Utilities (water, electricity)	38,512,018	50,634,666
Gas	2,121,169	3,951,383
Outsourced work	365,136	376,330
Maintenance	10,429,692	12,624,117
Technical and legal consulting	7,814,249	7,377,831
Remuneration of directors	253,422	172,033
Remuneration of Statutory Auditors	53,650	42,038
Marketing and advertising	106,285	58,712
Telephone and postal expense	566,306	572,101
Insurance	3,089,610	3,051,917
Business trips and transfers	184,781	192,666
Other costs for services	10,579,367	12,851,190
Costs for activated carbon regeneration	2,211,929	1,314,475
Canteen and luncheon vouchers	1,789,793	2,092,084
Services supplied by the Municipality of Milan	2,946,939	3,272,853
Wastewater treatment plant management fee	4,847,060	6,615,904
Waste disposal	8,223,294	8,279,695
Use of third party assets	2,945,379	1,765,124
<b>Total</b>	<b>97,040,080</b>	<b>115,245,119</b>

The decrease in the item ‘Costs for services’ is mainly attributable to the reduction in energy and gas tariffs during the year; this change is due to the significant changes in the international context and the consequent repercussion on the domestic energy market.

The item ‘Other costs for services’ mainly includes costs incurred for various types of consultancy activities, for bank fees and commissions, for contributions to cover the operating expenses of the regulatory bodies (ATO and ARERA), for IT services, and for maintenance services.

The reduction in the item ‘Wastewater treatment plant management fee’ is attributable to the partial change in the perimeter managed by the Water Service following the transfer to another manager of the utilities located in the municipality of Corsico as from January 2023.

The item ‘Use of third-party assets’ is broken down as follows:

	Current Period	Previous Period
Rents and leases	1,001,323	1,044,180
IP rights and patents	1,892,763	709,062
Other costs for use of third-party assets	51,293	11,881
<b>Total</b>	<b>2,945,379</b>	<b>1,765,124</b>

## 2.7 Costs arising from work on infrastructure subject to service concession arrangements

Costs arising from work on infrastructure subject to service concession arrangements amounted to € 51,027,415 for the year ended 31 December 2023. This item represents the cost of works carried out on assets under concession.

## 2.8 Personnel costs

Personnel costs amounted to € 74,276,796 (€ 70,518,623 in the previous year).

The breakdown of labour costs is set out and commented on below.

	Current Period	Previous Period
Salaries and wages	53,587,823	51,380,838
Social security costs	16,556,064	15,352,819
Post-employment benefits	3,611,639	3,456,315
Other costs	521,270	328,651
<b>Total</b>	<b>74,276,796</b>	<b>70,518,623</b>

The composition of personnel by category is as follows:

Number of employees		
	Average number for the year	At the end of the year
Senior managers	32	31
Middle managers	77	76
Clerical workers	826	815
Workers	419	415
<b>Total</b>	<b>1,353</b>	<b>1,337</b>

Other personnel costs include charges for agreed exits paid to employees, based on individual agreements.

## 2.9 Amortisation/ depreciation, impairment and provisions

This item amounted to € 37,066,581 (€ 39,867,778 in the previous year).

The composition is set out and commented on below.

	2023	2022
Depreciation of property, plant and equipment and amortisation of intangible assets	29,425,390	28,708,907
Impairment and other provisions	7,641,191	11,158,871
<b>Total</b>	<b>37,066,581</b>	<b>39,867,778</b>

The breakdown of depreciation and amortisation for tangible and intangible assets is shown below:

	Current Period
Property, Plant and Equipment	3,881,412
Rights over the infrastructure relating to service concession arrangements	17,032,969
Other intangible assets	8,511,009
<b>Total</b>	<b>29,425,390</b>

The item 'Impairment and other provisions', amounting to € 7,641,191, includes € 1,727,757 in provisions for risks and charges.

The provision, as better detailed in paragraph '1.12 Provisions for risks and charges', was made for € 964,275 against charges to be paid to the users of the Water Service in application of the ARERA resolution concerning the achievement of certain technical and contractual quality objectives. In addition, a provision of € 653,482 was set aside to cover future losses on orders of the Engineering Business Unit and € 110,000 refers to provisions for insurance deductibles.

For the remainder, amounting to € 5,913,434, an allocation was made to the provision for bad debts as detailed in section '1.7 Trade Receivables'

## 2.10 Impairment loss on the disposal of fixed assets

Impairment losses on assets under concession, tangible and intangible assets amounted to € 676,466 (€ 192,577 in the previous year).

The composition is set out below:

	Current Period	Previous Period
Impairment losses on assets included in the item 'Rights over the infrastructure relating to service concession arrangements'	676,466	192,577

The significant increase in this item is mainly attributable to the decommissioning of meters and plants owned by the Water Service and related to the water and sewerage network serving the users located in the municipality of Corsico, whose management left the Company's scope of operations in 2023.

## 2.11 Financial income and costs

Financial expenses net of income amounted to € 9,293,475 (€ 6,448,686 in the previous year).

The composition is set out and commented on below.

Financial income and costs	Current period	Previous period
Interests on trade receivables and penalties for late payment	58,852	-
Interest income on bank current accounts	376,577	31,998
Foreign exchange gains	374,757	319,424
<b>Total financial income</b>	<b>810,186</b>	<b>351,422</b>
Interest expense on mortgages and loans	7,262,271	5,515,742
Bank interest expense	1,830,058	416,291
Interest cost - employee benefits	140,130	24,839
Foreign exchange losses	426,037	716,491
Other financial costs	445,164	126,746
<b>Total financial charges</b>	<b>10,103,661</b>	<b>6,800,108</b>
<b>Net financial income/(expenses)</b>	<b>(9,293,475)</b>	<b>(6,448,686)</b>

The value of financial expenses mainly relates to the Water Division and is attributable to interest on the bond loan and other loans taken out for the implementation of the investment plan.

The item 'Other financial costs' mainly refers to interest recognised for lease contracts in accordance with IFRS 16 and interest recognised to the factoring company for Water Service receivables assigned during the year.

## 2.12 Income taxes

Income tax amounted to € 7,727,141 (€ 727,367 in the previous year).

The composition, changes during the year and other information are set out and commented on below.

Below is a breakdown of the item 'Taxes' for the year ending 31 December 2023:

	Current Period	Previous Period
Current IRES (corporate income tax)	7,773,975	1,674,013
Current IRAP (regional business tax)	2,046,201	737,248
Prepaid / deferred taxes	(2,093,035)	(1,683,894)
<b>Total</b>	<b>7,727,141</b>	<b>727,367</b>

The following table shows the reconciliation of the theoretical tax rate with the actual impact on the result:

	Year ending 31 December 2023	
		%
Profit (loss) before tax	27,829,077	
Theoretical income taxes IRES (corporate tax)	6,678,978	24.00%
Tax effect of permanent differences	(998,039)	
IRAP (regional business tax)	2,046,201	
<b>Taxes</b>	<b>7,727,141</b>	
<b>Actual tax rate</b>		<b>27.77%</b>

The tax effect of permanent differences shown in the table is mainly attributable to income generated by tax benefits accrued in relation to electricity and gas costs. These benefits, recorded as income for the year, are not subject to taxation and therefore do not appear in the determination of taxable income.



## Other information

### Off-balance sheet agreements

The Company has no extant off-balance sheet agreements.

### Sureties and guarantees in favour of third parties

As at 31 December 2023, guarantees issued by third parties amounted to a total of € 19,971,000 and referred to:

- the guarantee in favour of ATO in accordance with the provisions of the agreement for the assignment of the Integrated Water Service for € 3,150 thousand;
- the guarantee issued to the Municipality of Milan for the regular execution of works for the modernisation of the water network for € 100 thousand;
- to guarantees to entities and customers for the performance of contracts in the amount of € 16,721,000

It should also be noted that, in accordance with the Deed registered on 22/12/2016, the Company establishes a general lien in favour of the subscribers of the Bond Loan and in favour of the BEI to guarantee the fulfilment of the latter's claims.

### Disputes

The value of disputes relating to contractor claims arising from the performance of tender contracts and pending as at 31.12.2023 amounted to a total of approximately € 3.6 million at historical prices.

It should be noted that in the event of a loss, the relevant costs will be recoverable from the grantor entities insofar as they are connected with and consequent to the works carried out or recoverable through the Water Service tariff.

### Related party transactions

The Municipality of Milan holds 100% of the company's share capital, therefore, it is fully controlled by the Municipality of Milan.

The Company has availed itself of the exemption provided by paragraph 25 of IAS 24, and is therefore exempt from the disclosure requirements of paragraph 18 of IAS 24 concerning related party transactions and outstanding balances, including commitments, with the City of Milan and its subsidiaries.

The following is a description of the Company's relations with the Municipality of Milan and its subsidiaries.

Transactions with the Municipality of Milan during the financial year 2023 mainly relate to:

- engineering services in relation to technical assistance to the Municipality of Milan;

- property management services (administrative management, accounting management, mobility management, communication and user relations management) and facility management services (services, supplies and technical maintenance management) of municipally owned housing stock.

As of 31 December 2023, the Company's receivables from the Municipality of Milan totalled € 2.6 billion, while its payables to the same amounted to € 2.5 billion; the debit and credit items arising from the mandate relationship on behalf of the Municipality are offset against each other; the Statement of Financial Position therefore shows the net balance of the reciprocal positions. The Company's revenues from the Municipality of Milan amounted to € 60 million, while the value of costs incurred as contracting authority on behalf of the Municipality of Milan amounted to € 48 million; revenues and costs deriving from the role of contracting authority are offset against each other and consequently represented in the Income Statement net of reciprocal positions. The value of service costs recharged by the parent company to MM amounted to € 2.9 million. It should be noted that the Company, for engineering services, has offset receivables and payables to the Municipality of Milan as well as revenues and related costs in the financial statements, as the Company represents a mere intermediary between the Municipality of Milan and third-party contractors.

In accordance with the provisions of IFRS 15, in fact, since for engineering services the Company acts as an agent between the Municipality of Milan and the suppliers, the revenues and receivables related to the construction of the assets are offset against the related costs and payables.

Transactions with companies controlled by the Municipality of Milan mainly concern

- engineering services in favour of SEA S.p.A., Milanospo S.p.A., Arexpo S.p.A., Sogemi SpA, AMAT and M4 S.p.A;
- costs for removing interferences of transport lines with works in the engineering and/or Integrated Water Service sectors charged by ATM S.p.A. and companies of the A2A Group;
- administration of water services to all companies in which the Municipality of Milan has an interest;
- purchase of waste disposal services from A2A;
- income from a lease contract entered into with AMSA S.p.A., with reference to assets made available to the current concessionaire of the urban hygiene service of the city of Milan.

### **Significant events after 31 December 2023**

In January 2024, the Council of State issued two rulings upholding the claims of the Municipality of Milan in relation to the assignment of the municipal public green management service to MM SpA.

In particular, with reference to the first sentence, on 5 January 2024 the Council of State confirmed what had been established by the Lombardy Regional Administrative Court, rejecting the appeal of the appellant Imera,

which contested the assignment to MM for the duration of 25 years.

Also on 26 January 2024, rejecting the petitions filed by AVR, the Council of State ruled that the assignment of the management of the green assets ordered by the Municipality of Milan in favour of MM was fully legitimate.

The outcome of the above-mentioned judgments confirms the full legitimacy of the assignment of the public green management service to MM.

## Remuneration of corporate bodies and independent auditors

### Remuneration of corporate bodies

The following table provides information on directors and statutory auditors, pursuant to Art. 2427 paragraph 16 of the Italian Civil Code:

	Current period	Previous period
Directors	253,422	172,033
Board of Statutory Auditors	53,650	42,038

### Remuneration of independent auditors

For the financial year ending 31 December 2023, the fees payable to the independent auditing company amounted to a total of € 89,418. This amount is attributable to the activities summarised in the table below.

	Amount
Statutory audit of financial statements and related activities	61,599
Audit of separate annual accounts	4,669
'Non-Financial Statement' control and other activities	23,150
<b>Total as at 31 December 2023</b>	<b>89,418</b>

## Allocation of the profit of the year

It is proposed that the Shareholders' Meeting allocate the profit for the year of € 20,101,937 as follows:

- € 18,262,615 to the extraordinary reserve
- € 1,839,322, equal to the portion of the net result for the year attributable to the Housing Business Unit for activities pertaining to the Municipality of Milan, to the Optional Reserve to be used to make specific investments set out in the Housing Business Unit's strategic plan and for activities to complete the documentation pertaining to the real estate assets managed.

Considering also that, at the behest of the Municipality of Milan, projects pertaining to these specific investments were implemented during the year for the amount of € 143,423 and € 1,988 was used for activities to complete the documents pertaining to the Public Residential Housing assets, which remained at the expense of the Housing Business Unit, it is proposed that the Optional Reserve established with the portion of profits from previous years, attributable to the Housing Business Unit itself, be released for the amount of € 145,411.

*The Chief Executive Officer*  
*Francesco Mascolo*

**ANNEX 1: INDEPENDENT AUDITORS' REPORT OF THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2023**



## ***Reissuance of our Independent auditor's report***

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010 and article 10 of Regulation (EU) No. 537/2014*

To the Board of Directors of MM SpA

### Foreword

In accordance with the terms of our engagement we reviewed the financial statement of MM SpA for the year ended 31 December 2023. On that financial statement we issued a report dated 8 April 2024 in which we set out an unqualified opinion.

On 23 April 2024 we were informed by management of their intention to modify the aforementioned financial statement so as to rectify an incorrect quantification of capital expenditure in the period, which had generated the following effects: on the statement of financial position, an overstatement of rights over the infrastructure relating to service concession arrangements for Euro 6,819 thousand, an overstatement of trade payables for Euro 6,887 thousand, an understatement of current tax liabilities for Euro 19 thousand, and consequently an understatement of shareholders' equity for Euro 49 thousand; on the statement of comprehensive income, an overstatement of revenues arising from work on infrastructure subject to service concession arrangements for Euro 6,887 thousand, an overstatement of cost arising from work on infrastructure subject to service concession arrangements for Euro 6,887 thousand, an overstatement of amortisation/depreciation, impairment and other provisions for Euro 68 thousand, an understatement of taxes for Euro 19 thousand, and consequently an understatement of net profit for the year for Euro 49 thousand.

On 29 April 2024, the Board of Directors of MM SpA approved a new financial statement as of 31 December 2023, amending the previous statement to reflect the adjustments described above. For this reason, we withdrew our auditor's report dated 8 April 2024.

The new financial statement was submitted for our examination as the statutory auditors for the purpose of our issuing our auditor's report.

### Conclusion

Based on the foregoing, below we reissue our independent auditor's report for the year ended 31 December 2023.

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### ***PricewaterhouseCoopers SpA***

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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## ***Report on the Audit of the Financial Statements***

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### ***Opinion***

We have audited the financial statements of MM SpA (the “Company”), which comprise the statement of financial position as of 31 December 2023, the statement of comprehensive income, statement of changes in equity, cash flows statement for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of the result of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05.

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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#### ***Key Audit Matters***

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#### ***Auditing procedures performed in response to key audit matters***

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##### **Measurement of the bad debt provision for the water segment**

*Note 1.7 to the financial statements “Trade receivables”*

The item ‘Trade receivables’ of the financial statements as of 31 December 2023 includes receivables referred to the Integrated Water Service equal to Euro 138,578 thousand, with the relevant bad debt provision amounting to Euro

We paid special attention to our audit procedures in this area; in detail:

- We understood and evaluated the credit management process and the treasury
-

### ***Key Audit Matters***

28,525 thousand.

We focused on this line item in consideration of the materiality of the balance and the high degree of judgement and subjectivity intrinsic to the valuation of that bad debt provision, mostly related to the extreme fragmentation of receivables and to the peculiarity of the segment, which is characterised by its nature of 'essential service'.

The Company estimates the non-recoverable amount of trade receivables in accordance with the new international financial reporting standard IFRS 9 – Financial Instruments.

The measurement of the bad debt provision was performed by management through an estimate of the expected credit loss based on different criteria depending on the debtor being a private-sector or public-sector entity. The expected credit loss estimate is based on past experience, adjusted to reflect the age of overdue balances, and on forward looking elements that may affect the estimated recovery.

### ***Auditing procedures performed in response to key audit matters***

- cycle (collections) and verified, on a test basis, the operating effectiveness of relevant controls;
- We performed a critical analysis of management's assessments, through discussion with the credit manager;
- We performed a critical analysis of the estimated loss rate, based on the nature of the debtor and the age of the overdue balance;
- We verified, on a test basis, the classification of receivables in the various overdue categories;
- We analysed guarantees in place, if any;
- Finally, we verified the consistency of the method used by the Company with the requirements of IFRS 9, and the mathematical accuracy of the calculation of expected credit losses.

### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements***

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/05 and, in the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the Company's ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company's financial reporting process.





### ***Auditor's Responsibilities 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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised our professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provided those charged with governance with a statement that we complied with the regulations and standards on ethics and independence applicable under Italian law and communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We described these matters in our auditor's report.

#### ***Additional Disclosures required by Article 10 of Regulation (EU) No 537/2014***

At the general meetings held on 20 May 2016, and subsequently on 28 July 2016, the shareholders of MM SpA engaged us to perform the statutory audit of the Company's financial statements for the years ending 31 December 2016 to 31 December 2024.

We declare that we did not provide any prohibited non-audit services referred to in article 5, paragraph 1, of Regulation (EU) No. 537/2014 and that we remained independent of the Company in conducting the statutory audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the board of statutory auditors, in its capacity as audit committee, prepared pursuant to article 11 of the aforementioned Regulation.

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#### ***Report on Compliance with other Laws and Regulations***

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##### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10***

The directors of MM SpA are responsible for preparing a report on operations of MM SpA as of 31 December 2023, including its consistency with the relevant financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of MM SpA as of 31 December 2023 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations mentioned above is consistent with the financial statements of MM SpA as of 31 December 2023 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.



***Statement in accordance with article 4 of Consob's Regulation implementing  
Legislative Decree No. 254 of 30 December 2016***

The directors of MM SpA are responsible for the preparation of the non-financial statement pursuant to Legislative Decree No. 254 of 30 December 2016.

We have verified that the directors approved the non-financial statement.

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016, the non-financial statement is the subject of a separate statement of compliance issued by ourselves.

Milan, 6 May 2024

PricewaterhouseCoopers SpA

*Signed by*

Andrea Crespi  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers. We have not performed any controls on the translation of the 2023 financial statements.*

## ***Rimissione della relazione della società di revisione indipendente***

*ai sensi dell'articolo 14 del DLgs 27 gennaio 2010, n° 39 e dell'articolo 10 del Regolamento (UE) n° 537/2014*

All'Azionista di  
MM SpA

### Premessa

In esecuzione dell'incarico conferitoci, avevamo svolto la revisione contabile del bilancio d'esercizio di MM SpA al 31 dicembre 2023. Su detto bilancio avevamo rilasciato in data 8 aprile 2024 una relazione nella quale avevamo esposto un giudizio senza rilievi.

In data 23 aprile 2024 siamo stati informati dalla direzione aziendale dell'intenzione di modificare il citato bilancio d'esercizio al fine di rettificare un'errata quantificazione degli investimenti di periodo che aveva comportato i seguenti effetti: da un punto di vista patrimoniale, una sovrastima dei diritti su beni in concessione di Euro 6.819 migliaia, una sovrastima dei debiti commerciali di Euro 6.887 migliaia, una sottostima delle passività per imposte correnti di Euro 19 migliaia e conseguentemente una sottostima del patrimonio netto di Euro 49 migliaia; dal punto di vista economico, una sovrastima dei ricavi per lavori su beni in concessione di Euro 6.887 migliaia, una sovrastima dei costi per lavori su beni in concessione di Euro 6.887 migliaia, una sovrastima degli ammortamenti di Euro 68 migliaia, una sottostima delle imposte correnti di Euro 19 migliaia e conseguentemente una sottostima del risultato di periodo pari a Euro 49 migliaia.

Il Consiglio di Amministrazione di MM SpA ha provveduto, in data 29 aprile 2024, ad approvare un nuovo progetto di bilancio di esercizio al 31 dicembre 2023, modificato rispetto al precedente per il recepimento delle rettifiche sopra descritte. Per tale motivo, abbiamo provveduto a ritirare la nostra relazione di revisione datata 8 aprile 2024.

Il nuovo progetto di bilancio è stato sottoposto al nostro esame quali revisori legali dei conti ai fini della emissione della nostra relazione di revisione.

### Conclusioni

Tutto ciò premesso ri mettiamo nel seguito la nostra relazione sul bilancio d'esercizio della società al 31 dicembre 2023.

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### ***PricewaterhouseCoopers SpA***

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## **Relazione sulla revisione contabile del bilancio d'esercizio**

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### **Giudizio**

Abbiamo svolto la revisione contabile del bilancio d'esercizio della società MM SpA (la "Società"), costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2023, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note al bilancio che includono le informazioni rilevanti sui principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2023, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05.

### **Elementi alla base del giudizio**

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio.

### **Aspetti chiave della revisione contabile**

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio d'esercizio nel suo complesso; pertanto, su tali aspetti non esprimiamo un giudizio separato.

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#### **Aspetti chiave**

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#### **Procedure di revisione in risposta agli aspetti chiave**

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##### **Valutazione della congruità del fondo svalutazione crediti del settore idrico**

*Nota Esplicativa n.1.7 del bilancio d'esercizio  
"Crediti Commerciali"*

Nella voce "Crediti commerciali" del bilancio al 31 dicembre 2023 sono iscritti crediti riferiti al Servizio Idrico Integrato pari a Euro 138.578 migliaia, il cui relativo fondo svalutazione crediti

Particolare attenzione è stata prestata alle procedure di revisione in tale area, che hanno compreso:

<b>Aspetti chiave</b>	<b>Procedure di revisione in risposta agli aspetti chiave</b>
<p>è pari a Euro 28.521 migliaia.</p> <p>Ci siamo focalizzati sul fondo svalutazione crediti in considerazione della significatività dello stesso e dell'elevato grado di giudizio professionale e complessità insito nella sua valutazione in buona parte correlato all'estrema frammentazione dei crediti e alla tipicità del settore, che si contraddistingue per la "natura essenziale" del servizio offerto.</p> <p>La Società stima il valore inesigibile dei crediti commerciali sulla base delle prescrizioni dettate dal principio contabile internazionale IFRS 9 "Financial Instruments".</p> <p>La valutazione del fondo svalutazione crediti è stata condotta dal management della società mediante la stima dell'aspettativa della perdita attesa (expected loss) differenziata in base alla natura privata o pubblica del debitore. La stima dell'aspettativa di perdita attesa scaturisce dall'esperienza storica, riparametrata sull'anzianità dei saldi, e, se applicabile, su elementi prospettici (<i>forward looking elements</i>), che possano inficiare le aspettative di recupero.</p>	<ul style="list-style-type: none"> <li>• la comprensione e valutazione del processo di gestione del credito e del ciclo tesoreria (incassi) e la verifica, su base campionaria, dell'efficacia operativa dei controlli rilevanti;</li> <li>• l'analisi critica delle valutazioni effettuate dalla Società tramite colloqui con il credit manager;</li> <li>• l'analisi critica della stima del tasso di perdita atteso, differenziato in base alla natura del debitore e all'anzianità dello scaduto;</li> <li>• la verifica su base campionaria dell'imputazione dei crediti alle differenti fasce di scaduto;</li> <li>• l'analisi delle garanzie eventualmente in essere;</li> <li>• infine, abbiamo verificato la coerenza della metodologia utilizzata dalla Società con le prescrizioni dettate dal principio contabile internazionale IFRS 9 e l'accuratezza del calcolo matematico di determinazione delle perdite attese.</li> </ul>

### **Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio**

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea nonché ai provvedimenti emanati in attuazione dell'articolo 9 del DLgs n° 38/05 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare a operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

### ***Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio***

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche prese dagli utilizzatori sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti e appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti o eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori, inclusa la relativa informativa;
- siamo giunti a una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di un'incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare a operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati a un livello appropriato come richiesto dagli ISA Italia, tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le azioni intraprese per eliminare i relativi rischi o le misure di salvaguardia applicate.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

### ***Altre informazioni comunicate ai sensi dell'articolo 10 del Regolamento (UE) 537/2014***

L'assemblea degli azionisti di MM SpA del 20 maggio 2016, integrata dalla successiva assemblea degli azionisti in data 28 luglio 2016 ci ha conferito l'incarico di revisione legale del bilancio d'esercizio della Società per gli esercizi dal 31 dicembre 2016 al 31 dicembre 2024.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'articolo 5, paragrafo 1, del Regolamento (UE) 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'articolo 11 del citato Regolamento.

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### ***Relazione su altre disposizioni di legge e regolamentari***

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#### ***Giudizio ai sensi dell'articolo 14, comma 2, lettera e), del DLgs 39/10***

Gli amministratori di MM SpA sono responsabili per la predisposizione della relazione sulla gestione di MM SpA al 31 dicembre 2023, incluse la sua coerenza con il relativo bilancio d'esercizio e la sua conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n° 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione, con il bilancio d'esercizio di MM SpA al 31 dicembre 2023 e sulla conformità della stessa alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione sopra richiamata è coerente con il bilancio d'esercizio di MM SpA al 31 dicembre 2023 ed è redatta in conformità alle norme di legge.





Con riferimento alla dichiarazione di cui all'articolo 14, comma 2, lettera e), del DLgs 39/10, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

***Dichiarazione ai sensi dell'articolo 4 del Regolamento Consob di attuazione del DLgs 30 dicembre 2016, n. 254***

Gli amministratori di MM SpA sono responsabili per la predisposizione della dichiarazione non finanziaria ai sensi del DLgs 30 dicembre 2016, n.254.  
Abbiamo verificato l'avvenuta approvazione da parte degli amministratori della dichiarazione non finanziaria.

Ai sensi dell'articolo 3, comma 10, del DLgs 30 dicembre 2016, n. 254, tale dichiarazione è oggetto di separata attestazione di conformità da parte nostra.

Milano, 6 maggio 2024

PricewaterhouseCoopers SpA

A handwritten signature in blue ink, appearing to read 'Andrea Crespi', written over the printed name and title.

Andrea Crespi  
(Revisore legale)