



## MM S.P.A.

### FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

- REPORT ON OPERATIONS AS AT 31 DECEMBER 2022 Page 2
  
- FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 Page 86
  - Balance Sheet – Assets Page 86
  - Balance Sheet – Liabilities Page 87
  - Income Statement Page 88
  - Cash Flow Statement Page 90
  - Statement of changes in Equity Page 91
  
- NOTES TO THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 Page 93
  
- ANNEX 1: INDEPENDENT AUDITORS' REPORT OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022 Page 148

## 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

Tax Code and Companies Register no. 01742310152

VAT Number: 01742310152 – REA no.: 477753

### Report on Operations as at 31/12/2022

#### Corporate structure and Business Units

**MM S.p.A. was set up in 1955 as an engineering company** wholly owned by the Municipality of Milan, of which it is a business partner, with the aim of building the city's entire underground railway system.

Since then, **it has accompanied the development of Lombardy's capital** by designing the public transport infrastructures and works, including urban and suburban road network redevelopment and parking and interchange areas. MM's services span the entire design cycle (technical and economic feasibility studies, final and executive projects), contract management, construction management, safety coordination, testing activities and support to the Sole Project Manager (RUP – *Responsabile Unico del Procedimento*), also providing "on-demand" services, which can be activated on demand based on the Municipality's needs.

In subsequent years, **MM has diversified its business activities by expanding its scope of operations**, thanks to the expertise and professional skills developed internally.

**In 2003, the Municipality of Milan entrusted MM with the operation of the Integrated Water Service (IWS)** of Milan and of some neighbouring Municipalities until 2037<sup>1</sup>. Operations include all the stages of the process: from groundwater withdrawal to water purification and quality control before it is distributed to customers, from wastewater collection to treatment at the dedicated plants, up to its release back into the environment. As of the 2020-2023 regulatory period, MM's IWS management operations have been extended to the cleaning of the City's roadside drains, as well as to the management of stormwater drainage infrastructure and of the groundwater wells for irrigation use owned by the Municipality.

**Since 1 December 2014, MM has been managing the Municipality of Milan's Public Housing Property** (ERP – *Edilizia Residenziale Pubblica*), taking responsibility for its administrative, accounting and technical-legal management, as well as maintaining relationships with the users, from communication to relocations and routine maintenance. As of 30 June 2015, the Municipality confirmed the assignment on a 30-year basis; moreover, in 2018 it decided to entrust to MM also the preparatory activities for the allocation of the housing units under its management. This was

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<sup>1</sup> The initial five-year assignment was revised in 2007 on a twenty-year basis and subsequently in 2015 on a thirty-year basis expiring in 2037, in line with the time horizon of the Area Plan.

done without prejudice to the allocation procedure, which remains the responsibility of the Municipality.

In subsequent years, the following companies were merged into MM:

- In **2015**, **M.I.R. Srl**<sup>2</sup>, which owns some public movable and real estate property instrumental to the management of the environmental hygiene service, leased to AMSA S.p.A. (the interim environmental hygiene service provider) for an annual fee;
- In **2017**, the subsidiaries **Metro Engineering Srl** and **Napoli Metro Engineering Srl**, set up in 2009 to deal with, respectively: projects for municipalities other than the Municipality of Milan, and the completion of the underground railway system under the agreement between MM and the concessionaire Metropolitana di Napoli S.p.A.

Since 2019, MM has developed **additional services for the municipal group** as part of its **Field Operations**:

- As from September 2019, MM has undertaken construction management, operational management and safety coordination activities for the **facility management** of the Municipality of Milan's **school buildings**. Furthermore, MM manages the reporting system relating to the facility management of school buildings. Following the Municipality of Milan's approval of the guidelines for entrusting MM with the **routine maintenance of municipal school buildings**, in November 2021 a draft agreement was approved to entrust MM S.p.A. with the integrated management, **according to the global service model**, for a term of 25 years.
- Since November 2019, MM has been supporting the Municipality of Milan in **managing and renovating the city's underpasses** (numbering approximately thirty), servicing the electrical systems and equipment associated with the pumps as well as command and control panels, in addition to cleaning and draining waste ponds. In September 2021, a four-year **service agreement was entered into with the Municipality of Milan for the rainwater lifting stations** of the municipal underpasses<sup>3</sup>.
- For a period of four years starting as of February 2020<sup>4</sup>, MM is responsible for the **management and maintenance of the sports facilities** owned by the Municipality and operated by Milanospport under a service concession arrangement. This service includes routine, periodic, scheduled and emergency maintenance of the Facilities, in addition to the operation of HVAC systems and energy efficiency upgrading of the technological systems.
- In 2021, **the management of Public Housing Property green areas got underway**. As part of this management scheme, MM is responsible for the routine and extraordinary maintenance of the green areas of Public Housing Property, management and monitoring of Emergency Response activities, maintenance and updating of the survey of Public Housing Property green assets.

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

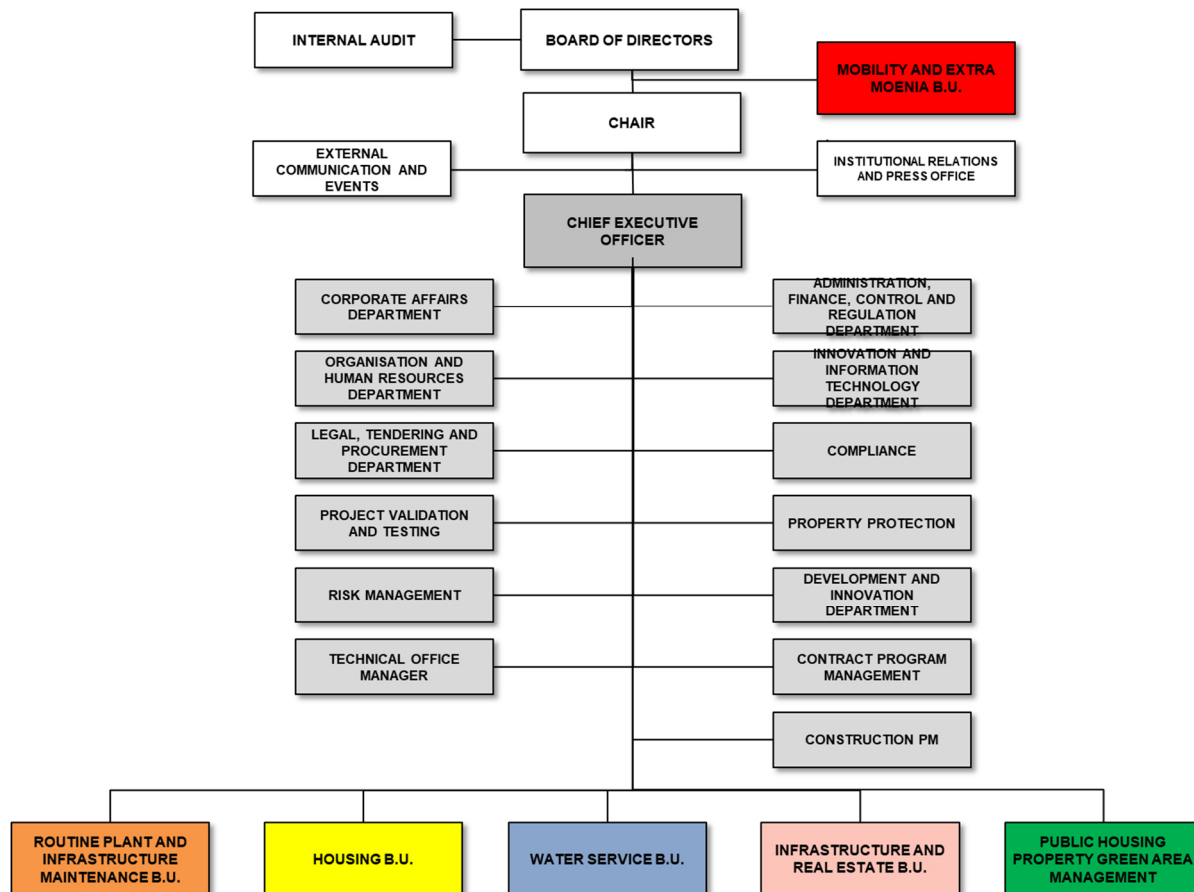
<sup>3</sup> From the second year onwards, the Company will continue to deliver its management service only subject to confirmation by the Municipality of Milan that the commitment relating to the relevant expenditure has been undertaken.

<sup>4</sup> The contract is effective as of 1 February 2020, has a term of 4 (four) years, and shall renew for an additional 4 (four) years unless terminated.

Moreover, in 2022 MM took over the management of the Public Housing Property of the Municipality of Bergamo: this activity will start on 1 January 2023 and will involve the administrative management and maintenance of these real estate assets.

## Organisational structure

Below is MM’s corporate organisation chart as at 31 December 2022.



In 2022, in addition to continuing with the change management efforts necessary for an effective and efficient implementation of the new processes and responsibilities entrusted, the Company underwent some reorganisation in order to meet development and operational needs.

Following the resolutions passed by the Shareholders and the Board of Directors (BoD) in their meetings on 30 September 2022, the **Chief Executive Officer** was also **identified and appointed**.

### Staff Departments/Functions

Effective 1 January 2022, the **Contract Program Management (PMC)** function was established in order to monitor planning and the technical and economic progress of all engineering contracts and the Area Plan.

On the same date, the **Legal, Tendering and Procurement Department (DLAP)** was established to enhance the synergies between the procurement processes—previously assigned to the former Tendering and Procurement Department—and those related to legal activities. Effective 1 May 2022,

the **Legal, Tendering and Procurement Department (DLAP)** underwent another internal reorganisation that redefined the hierarchical structure of certain functions. Specifically, the Supplier List Management and Certification Systems (GAF) function now reports to the Procurement Process Planning and Governance (PGA) function.

Effective 17 November 2022, the Budgeting and Reporting (BGR) function, as part of the **Administration, Finance, Control and Regulation Department (DACR)**, was reorganised internally, discontinuing the functions reporting to it and allocating all resources and ownerships directly to the function. Effective 1 December 2022, the Corporate Social Responsibility function reports directly to the DACR function.

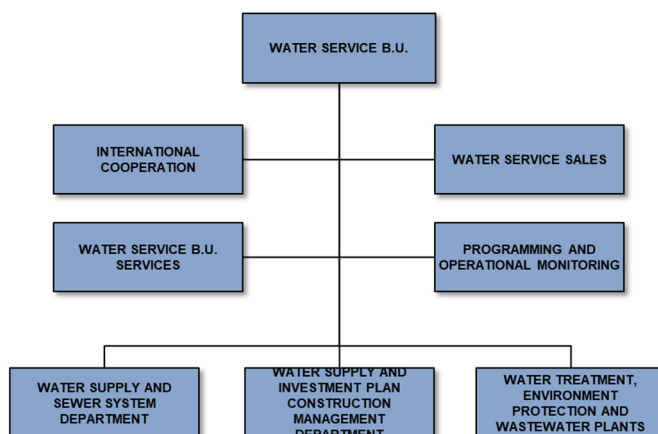
Effective 1 December 2022, the **Information Technology Department (DICT)** underwent a reorganisation. The department was renamed **Innovation and Information Technology Department**. As a result of the above reorganisation, the functions IT Project Management (GEP), IT Operations (ITO), Property and TLC Protection (PPT), Demand and Delivery (DED), and Digital Strategy & Digital Sustainability, which also covers cyber security and digital innovation and transformation issues, now report directly to this department.

Effective 1 December 2022, the **External Communication and Institutional Relations Department (DCMN)** was reorganised, resulting in two separate functions: External Communication and Events (CEE) and Institutional Relations and Press Office (RUS): the former function is responsible for taking care of and overseeing communication concerning constructions sites, organising events, exhibitions, meetings, conferences and guided tours related to the company’s business, as well as managing the Centrale dell’Acqua, while the latter function is aimed at defining and developing institutional, product and service communication strategies focused, in particular, on citizens, institutions and the media.

*Water Service Business Unit*

Effective 1 February 2022, the **Water Service Business Unit (DVSI)** underwent a change in the Water Service Sales (COS) function. The **Collections Management (INC)** function, which reports to this function, was established to oversee the collections process, payment channels and improve the customer experience.

The **Waste and Archives Management (GRA)** function was established on 1 May 2022 to oversee all environmental issues and establish a single competence centre for document management. It reports to the **Water Service BU Services (SDS)** function.

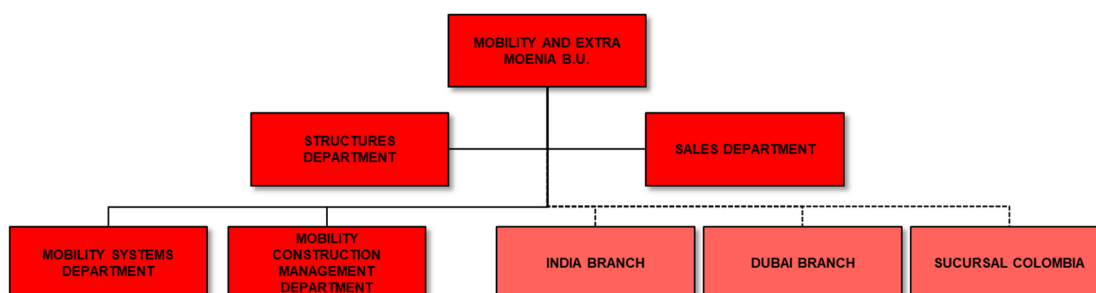


**Mobility and Extra Moenia Business Unit**

Effective 1 January 2022, the Engineering Business Unit (DVIN) was renamed **Mobility and Extra Moenia Business Unit (DVME)**. The Engineering BU Services (SDI) function was discontinued and the Topography (TOP) function now reports to the Structures (STR) function.

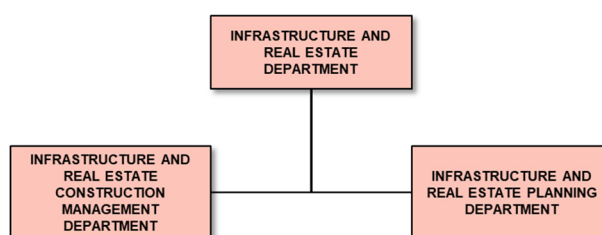
Effective 11 January 2022, the **India Branch (BIN)** reports to the DVME.

Effective 30 September 2022, the **Mobility and Extra Moenia Business Unit (DVME)** reports directly to the BoD.



**Infrastructure and Real Estate Business Unit**

The **Infrastructure and Real Estate Business Unit (DVIP)** was established on 1 January 2022. The Construction Management Department, which was renamed **Infrastructure and Real Estate Construction Management Department**, and the Infrastructure, Construction and Waterworks Department, which was renamed **Infrastructure and Real Estate Design Department (DPPI)** directly report to it. The following accounts, which report to the DPPI, were established in order to set up an interface with customers that follows contracts in terms of deadlines and economic levers: Remediation and Environment (ABE), Home (ACC), Plant (ACI), Schools and Sports Facilities (ASI), Waterworks (AOI), Infrastructure and Other Assets (AIP). Furthermore, the **Designer Group (PPS)** function, which reports to the above department, was established to allocate to the relevant accounts the necessary resources to execute the contracts they are responsible for, ensuring their saturation.



**Housing Business Unit**

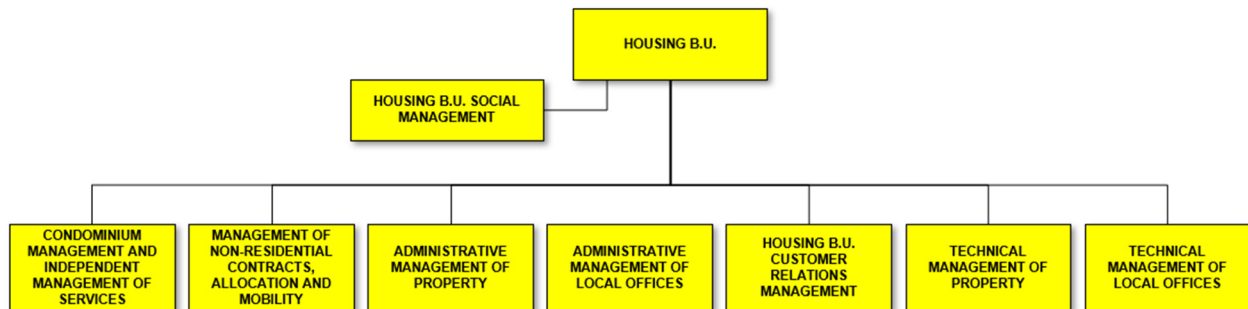
Effective 4 May 2022, the **Housing Business Unit** underwent an organisational change to ensure the effective management of administrative activities and routine maintenance of Public Housing Property, strengthening the close contacts on the area and ensuring organic coordination and control of the activities by defining a single hierarchical level.

The organisation of the Local Offices was changed: a technical manager and an administrative manager were appointed for each office, for a total of two functions (technical management and administrative management) within the Business Unit.

In order to increase control over customer relations, the **Housing BU Customer Relations Management (GRU)** function was established to ensure the effective management of the first contacts with tenants.

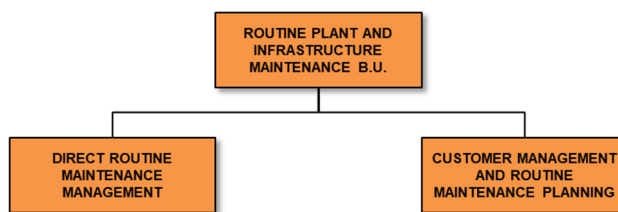
Furthermore, the **Housing BU Social Management (GSD)** function was set up to deal with social engagement and community building activities by promoting and supporting initiatives that foster tenants' aggregation and social relations.

Finally, two second-level coordinators specialised in the Management of Non-residential Contracts and Allocation and Mobility were identified within the relevant function.



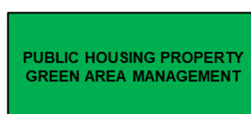
*Routine Plant and Infrastructure Maintenance Business Unit*

Effective 1 June 2022, the **Routine Plant and Infrastructure Maintenance Business Unit** underwent an organisational change in order to effectively supervise processes. Specifically, the Customer Management and Routine Maintenance Planning (GUP) function was entrusted with the management of the CRM service, work planning and relationships with suppliers. The **Direct Routine Maintenance Management** function, which plans and manages maintenance, saw an increase in the number of resources and activities managed.



*Public Housing Property Green Area Management Function*

The **Public Housing Property Green Area Management (VER)** function did not undergo any organisational changes. However, it recorded an increase in the number of reporting resources and actively pursued the process of insourcing green area management operational activities.



## Management and control bodies

### *Board of Directors – in office until 28 June 2022<sup>5</sup>*

Chairman	<b>Simone Dragone</b>
Director	<b>Loredana Bracchitta</b>
Director	<b>Roberta Di Vieto</b>
Director	<b>Giuseppina Lanza</b>
Director	<b>Alessandro Russo</b>

### *Board of Directors – in office as of 28 June 2022<sup>6</sup>*

Chairman	<b>Simone Dragone</b>
Director	<b>Francesco Mascolo<sup>7</sup></b>
Director	<b>Roberta Di Vieto</b>
Director	<b>Giuseppina Lanza</b>
Director	<b>Marco Plazzotta</b>

### *Board of Statutory Auditors*

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

*Independent Auditors* **PricewaterhouseCoopers S.p.A.**

<sup>5</sup>BoD in office until 28.06.2022 with approval of the 2021 financial statements.

<sup>6</sup>BoD in office following appointment by Decree of the Mayor of Milan dated 27 June 2022 and subsequent acknowledgement of the appointment by the Shareholders in their meeting on 28 June 2022.

<sup>7</sup>In their meeting on 30 September 2022, the Shareholders resolved to appoint as Chief Executive Officer the Director Francesco Mascolo, granting to the Board of Directors the power to grant him broad powers of duties and representation as deemed in the best exercise of his management functions. As per Board of Directors' minutes of 30 September 2022, the Director Francesco Mascolo was appointed Chief Executive Officer ("CEO") of MM S.p.A..



## Legal and regulatory aspects

### Regulatory framework

Below are the main **legislative measures implemented in 2022** that impacted MM S.p.A.'s operations:

- **Law No. 197 of 29 December 2022 concerning the “2023 National budget and the 2023-2025 three-year budget”**

This law was published in Italian Official Journal No. 303 of 29 December 2022. Its provisions on procurement and public contracts are described below (Article 1, paragraphs 369-379, 458 and Article 20, paragraph 32).

Paragraphs 369-379 cover the **high prices of construction materials, fuels and energy products** and the earmarking of a special Fund pursuant to Law Decree No. 50/2022.

In order to cope with the unprecedented price increases recorded following the 2023 update of the regional price lists referred to in Article 23, paragraph 16, third sentence, of the Public Procurement Code (Italian Legislative Decree No. 50/2016) and following the procedures for awarding public works commenced between 1 January 2023 and 31 December 2023, the **Fund for the commencement of non-delayable works**, as per Article 26, paragraph 7, of Law Decree No. 50/2022, converted with Law No. 91/2022, was increased by € 500 million for 2023, € 1,000 million for 2024, € 2,000 million for 2025, € 3,000 million for 2026 and € 3,500 million for 2027. The Fund's resources are transferred, within the annual limits of the budget, to the accounts of the revolving fund referred to in Article 5 of Law No. 183/1987, set up pursuant to Law Decree No. 50/2022.

Moreover, the works of local authorities funded under the National Recovery and Resilience Plan (NRRP) and the National Complementary Plan (NCP) will receive a pre-assigned contribution equal to 10% of the total, in addition to the amount earmarked under the above Decree.

Under paragraph 371, the **regional price lists adjusted pursuant to the interim update** envisaged by Article 26, paragraph 2, of Law Decree No. 50/22, **may be used until 31 March 2023**, i.e., the date by which the Regions are required to update their prices. Failure to do so within the subsequent fifteen days will result in the modification of the prices by the local bodies of the Ministry of Infrastructure and Transport (MIT).

The updated regional price lists apply to the awarding procedures and the works which require the publication of calls for tender or of the notice serving as a call for competition, or the sending of letters of invitation for the awarding of works, and to the same awarding procedures which commenced between 1 January 2023 and 30 June 2023 and between 1 July 2023 and 31 December 2023, respectively.

Finally, pursuant to Article 1, paragraph 458, the procedures to access and the criteria for allocating the resources to the parties eligible for the above Fund will be established by a decree of the MIT, to be adopted within thirty days from the date of entry into force of Law No. 197/2022.

The impacts for MM primarily related to the revision of the costs and the economic frameworks of the assigned works.

- **Legislative Decree No. 201 of 23 December 2022 concerning the “Reorganisation of the regulation of local public services of economic importance”**

Legislative Decree No. 201 of 23 December 2022, concerning the “Reorganisation of the regulation of local public services of economic importance” was published in Italian Official Journal No. 304 of 30 December 2022.

The measure, which came into force on 31 December 2022, introduces provisions for the reorganisation of the regulation of local public services (LPSs) of general economic interest, implementing the mandate conferred on the Government by Article 8 of Law No. 118/2022. Specifically, the reform:

- equates the notion of **local public services of economic importance** with the European definition of services of general economic interest (SGEI) at local level (Article 2);
- extends the **scope** of the general provisions contained therein, prevailing over sector regulations, to all SGEI provided locally, with the sole exception of electricity and natural gas distribution (Article 4). To this end, it also introduces provisions for the coordination with existing regulations on local public transport, water service and municipal pharmacies (Articles 32-35);
- includes **incentives**, to be established by a decree of the Ministry of Economy and Finance (MEF), for the **integrated management of LPSs** in metropolitan cities and the regional reorganisation of the catchment areas of network LPSs (Article 5);
- governs the **principle of distinction and separate operation between regulation, policy and control functions and management functions of network (Article 7) and non-network (Article 8) LPSs**, stipulating that: i) network services must be regulated and controlled by the competent regulatory authorities; ii) non-network services must be subject to the standard acts and indicators adopted by the competent units of the Presidency of the Council of Ministers; iii) local authorities can only adopt a regulation or a general act regulating the management of the non-network services they own;
- provides that **local authorities and other competent public institutions cooperate** to improve the quality of LPSs, and grants the Regions the power to approve protocols that promote and disseminate the application of “upstream” indicators and parameters. The Regions and Autonomous Provinces support the industrialisation of LPSs and the reduction of related costs (Article 9) through efficiency-boosting actions and private participation in infrastructure investments;
- envisages **innovative ways** for local authorities **to identify additional LPSs of economic importance**, in addition to those required by law, following a preliminary investigation that shows the unsuitability of the market to meet the needs of the community (Article 10);
- **confirms the awarding mechanisms** already provided for, introducing some integrations (Article 14 et seq.) and stipulating that: i) should the local authorities deem that the pursuit of the public interest must be ensured by awarding the service to a single provider or to a limited number of providers, in the case of third parties, a tender procedure will be necessary; ii) the local authorities may opt for joint enterprises or in-house award or even internal management (or via special companies), however only for services other than network services;

- requires, for in-house awards exceeding the EU thresholds, a justification that expressly describes the reasons for not resorting to the market (Article 17);
- the term of the awards (Article 19) will be set by the local authority “in proportion to the amount and term of the investments” and, in any case, will not exceed the amortisation period. In-house awards covering network LPSs shall not exceed five years, unless the awarding body can justify a longer term to ensure the amortisation of the investments. If the term is shorter than the time required for amortisation purposes or in the case of early termination, the incoming provider will pay the outgoing provider an indemnity equal to the carrying amount of the investments not yet fully amortised, revalued in accordance with ISTAT (Italian National Statistics Institute) indices;
- extends to LPSs of economic importance the use of co-planning, co-programming and, therefore, partnership as the ordinary way of activating collaborative relationships between public authorities and the voluntary sector (Article 18);
- introduces provisions that strengthen transparency measures in the regulation of local services, both when choosing the provider and in the subsequent operation of local public services (Articles 7, 8, 12, 25 and 31) and sets the minimum mandatory content of service agreements and service charters (Articles 24-25);
- introduces a tariff regulation based on the “price cap” method (Article 26);
- introduces periodic checks by local authorities on the operation of LPSs in their respective area (Article 30);
- provides that the granting of special or exclusive rights is permitted only if necessary for the performance of the function entrusted to the provider of the LPS of economic importance, when there are no measures restricting the freedom to conduct business and based on an appropriate economic analysis.

The impact for MM may potentially affect aspects related to the change in the scope of activity with respect to the portfolio of local public services under management.

- **Final version of the Public Procurement Code implementing Article 1 of Law No. 78 of 21 June 2022, concerning “Delegation of power to the Government on public procurement contracts”**

On 16 December 2022, the Government preliminary approved a legislative decree to reform the Public Procurement Code, implementing Article 1 of Law No. 78/2022. The Code will be applied to all new procedures as from 1 April 2023. On 1 July 2023, the previous Code (Legislative Decree No. 50/2016) will be repealed and the new rules will apply to all procedures already in place.

The new Code is based on two principles: the “achievement principle”, i.e., the primary public interest of the Code, which covers the awarding of the contract and its execution as promptly as possible, and the best quality/price ratio in compliance with the principles of legality, transparency and competition, and the “principle of trust” in the legitimate, transparent and correct actions of the public administration, its officials and economic operators.

The main changes introduced are summarised below.

- **Digitalisation** of public procurement contracts and the entire procurement lifecycle. The decree defines a “national digital procurement ecosystem” based on: a national database of public procurement contracts; a virtual file of the economic operator; digital procurement platforms; use of automated procedures over public procurement contract lifecycle; full digitalisation to access documents, granting to citizens the direct possibility to request tender documents, within the current limits, through the general access system.
- **Planning of priority infrastructures**, which envisages:
  - I. including the list of priority works directly in the Economic and Financial Document (DEF), following discussions between the Regions and the Government;
  - II. shortening design-related deadlines;
  - III. establishing a special committee to examine these projects. This committee is to be established by the Higher Council for Public Works;
  - IV. introducing a mechanism to overcome qualified dissent in the service conference by means of approval by an Italian Prime Minister’s Decree;
  - V. conducting a parallel assessment of archaeological interest.
- **Joint contract award**: the contract may cover the executive design and execution of works based on an approved technical and financial feasibility study. Contracts for routine maintenance are excluded;
- **Procedures below the European threshold**: the Decree permanently adopts the thresholds set forth for direct awards and negotiated procedures in the “Semplificazioni COVID-19” decree (“COVID-19 simplification” decree – Law Decree No. 76/2020). Exceptions are provided for, which envisage the application of the above-threshold ordinary procedures to procurement contracts of a certain cross-border interest. The rotation principle is established whereby, for negotiated procedures, no contract can be awarded directly to the outgoing contractor. Deferral periods are excluded from the awarding of contracts below the threshold;
- **General contractor**: The Decree reintroduces this player with which the economic operator “must pursue an administrative result by providing the relevant professional and specialised services in exchange for a consideration determined based on the result achieved and the activity normally required to obtain it”. The activity, also of a public-law nature, by the general contractor (e.g., expropriation) identifies in this mechanism one of the main examples of the collaboration between public authorities and private operators in the performance of activities of general interest;
- **Public-Private Partnership (PPP)**: a regulatory simplification facilitates the participation of institutional investors in tenders for the awarding of PPPs. Guarantees are provided for lenders and the right of first refusal for the promoter is confirmed;
- **Special sectors**: greater flexibility and stronger specific features are envisaged for the so-called “special sectors”, in line with the essential nature of the public services under management (water, energy, transport, etc.). A list of “self-organisation powers” granted to public companies and private holders of special or exclusive rights is introduced;

- Contracting authorities will be able to determine the **size of the subject-matter of the contract** and the lots into which it may be broken down, without the obligation to provide a compounded motivation;
- **Subcontracting**: the so-called “cascade subcontracting” is introduced, adjusted to comply with EU legislation and case law through criteria for discretionary valuation by the contracting authority, to be exercised on a case-by-case basis;
- **Concessions**: the obligation to contract out between 50% and 60% of works, services and supplies to third parties is introduced for operators selected by direct award. This obligation does not apply to special sectors (railways, airports, gas and electricity);
- **Price revision**: obligation to include escalation clauses in the event of a cost variation exceeding 5% (allowing 80% of the increased cost);
- **Performance**: prior to signing the contract, the contractor may request the replacement of the deposit or surety guarantee with performance guarantees.
- **Governance, litigation and jurisdiction**: for administrative liability purposes, a violation or the omission determined by reference to prevailing case law or opinions of the competent authorities does not configure “gross negligence”;
- The Decree reorganises the **competences of ANAC (National Anti-Corruption Authority)**, implementing the criterion set forth in the enabling act, thereby strengthening its supervisory and sanctioning functions.

The Company must comply with the regulations applicable to public procurement contracts. Consequently, the changes will have a particular impact on the definition of the tendering, procurement and contract management basis.

- **Decree No. 193 of 16 September 2022 of the Ministry of Economic Development (MISE) concerning the “Regulation setting forth the standard forms for surety guarantees and insurance policies pursuant to Articles 24, 35, 93, 103 and 104 of Legislative Decree No. 50 of 18 April 2016, as subsequently amended”**

The Ministry of Economic Development Decree No. 193 of 16 September 2022 concerning the “Regulation setting forth the standard forms for surety guarantees and insurance policies pursuant to Articles 24, 35, 93, 103 and 104 of Legislative Decree No. 50 of 18 April 2016, as subsequently amended”, was published in Italian Official Journal No. 291 of 14 December 2022.

The Ministerial Decree clarifies that the surety guarantees and insurance policies must comply with the standard forms set forth in Annex A. In order to simplify the procedures, bidders and contractors must submit the forms included in Annex B to the contracting authority.

Surety guarantees may also be issued jointly by several guarantors. Indeed, they may be given either as separate deeds for each guarantor and for the relevant share, or as part of a single deed listing all guarantors and their shares. The breakdown by shares applies to relationships within the guarantors, without prejudice to the joint and several liability.

If a surety guarantee equal to the total guaranteed amount is enforced, the joint and several liability to the contracting authority does not extend to any assignees of the risk and guarantors of the guarantor, without prejudice to the full liability of the basic guarantor vis-à-vis the contracting authority.

The shares considered jointly and shown in the individual guarantees, or indicated jointly in the single deed, reflect the total guaranteed amount.

The regulation applies to procedures and contracts for which the notices announcing the tender procedure have been published after 29 December 2022 (date of entry into force) and, in the case of contracts that do not require the publication of notices, if invitations have not yet been sent.

## Integrated Water Service

### *National Regulatory Framework*

In 2022, the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) continued its regulation of the sector with the issuing of the following provisions, which are of particular importance to the Integrated Water Service. They are listed below by topic and, thereafter, in chronological order.

#### *The Contractual Quality regulation for the Integrated Water Service*

- By **Resolution 69/2022/R/idr dated 22 February 2022**, the Authority commenced a quantitative assessment covering the 2020-2021 two-year period, as required by the contractual quality incentive mechanism for the integrated water service referred to in Title XIII of Annex A to Resolution 655/2015/R/idr (RQSII), which comprises two phases: identification of the providers eligible for rewards and penalties; allocation of penalties to providers that failed to send the necessary data.
- The reward factors will be assigned only when the following conditions are jointly fulfilled: transmission of the acts of the tariff arrangement by the Local Area Authority (EGA) or of the application provided under the MTI-3 by the provider; production of a validation report by the EGA with a positive outcome with respect to the data and information necessary for the RQSII incentive mechanism. Furthermore, these factors can only be assigned if the providers have paid the UI2 equalisation component to CSEA (the Energy and Environmental Services Fund).
- By **Resolution No. 231/2022/R/com of 31 May 2022**, the Authority closed the proceedings commenced with Resolution No. 571/2021/R/com, common to various sectors and services, ordering the updating of the methods used to check the commercial quality of the data about electricity and natural gas distribution, metering and sale services and the contractual quality of the data concerning the Integrated Water Service.
- By **Resolution 734/2022/R/idr of 27 December 2022**, ARERA disclosed the results of the preliminary activity and the checks performed, describing the related individual outcomes in terms of application of/exclusion from (total or partial) the incentive mechanism under Title XIII of the RQSII, and the eligibility or non-eligibility for the level of excellence.

### *The Technical Quality regulation for the Integrated Water Service*

- By **Resolution 98/2022/R/idr of 8 March 2022**, the Authority approved the methodological note aimed at highlighting the first preliminary findings that resulted from the proceedings commenced with Resolution 46/2020/R/idr.
- By **Resolution 107/2022/R/idr of 15 March 2022**, the Authority commenced a quantitative assessment covering the 2020-2021 two-year period, as required by the technical quality incentive mechanism for the integrated water service referred to in Title 7 of Annex A to Resolution 917/2017/R/IDR (RQTI), which comprises two phases: the identification of the providers eligible for which a complete set of information is available; the allocation of penalties to all providers that failed to send the necessary data and documentation.
- Moreover, all providers whose EGA failed to transmit the acts of tariff arrangement according to the tariff method in force, or that have not paid the UI2 equalisation component to CSEA, or whose data are incomplete, inconsistent or lack documentary evidence, will be excluded from rewards.
- In the case of prolonged uncertainty as to the fulfilment of the obligations required by the regulation (tariff and RQTI), the Authority reserves the right to propose to the grantor the suspension or termination of the award, if this does not compromise the availability of the service to customers.

### *Provisions on the Social Bonus*

- By **Resolution 106/2022/R/com of 15 March 2022**, the Authority approved, as an exception to the provisions of Resolution 63/2021/R/com, as subsequently amended and supplemented that are incompatible, the simplified rules for the awarding and payment of the water social bonus for 2021.
- By **Resolution 651/2022/R/com of 6 December 2022**, ARERA awarded the water social bonus for 2021 and 2022 in accordance with the simplified rules compared to the ordinary provisions set forth in Resolution 63/2021/R/com, particularly with respect to: the eligibility for the bonus; the transmission by the Integrated Information System to the Water Service Providers of the information necessary to pay the bonus; the calculation of the bonus; the methods of payment; the exceptions to the application of the UI3 component; and the obligations to disclose the data concerning the payment of the water social bonus.

### *The Tariff regulation for the Integrated Water Service*

- By **Resolution 139/2022/R/idr of 29 April 2022**, the Authority commenced the re-examination of the criteria for the two-year update (2022-2023) of the tariff arrangements for the integrated water service referred to in Resolution 639/2021/R/IDR, in compliance with the orders of the Lombardy Regional Administrative Court (TAR) (No. 373/2022, 383/2022, 384/2022, 385/2022 and 386/2022) in relation to the non-recurring and documented extent of energy cost increases.
- As part of this re-examination, to be completed by 24 May 2022, the following was provided:
  - considering the urgent measures adopted with Law Decree No. 21/22, to counter the economic effects of the serious crisis unfolding in Ukraine and to contain energy prices on the Italian market;

- identifying the most appropriate methods to help ensure that IWS providers can access the resources necessary to pay in advance the costs incurred to purchase electricity in the current year, while maintaining the economic-financial balance of providers (IWS being an essential service) and simultaneously containing the impact of tariffs on customers.
- On a transitional and provisional basis, without prejudice to any subsequent recoveries with effect from 1 January 2022, the Authority provided that, with respect to the 2022-2023 two-year update, the parties responsible for tariff arrangements would continue to apply the rules introduced by Resolution 639/2021/R/idr to update the cost of electricity, to the electricity cost component (COEE), considering the following as the average sector cost of electricity supply (-2 COEE):
  - € 0.1543/kWh per  $a = \{2022\}$ ;
  - € 0.1618/kWh per  $a = \{2023\}$ .
- On this occasion, ARERA acknowledged the providers' right to value, upon justified request by the Local Area Authority, an additional forward-looking component (*OpEEexp,a*), to be included in the electricity cost component (*COEEa*) referred to in paragraph 20.1 of the MTI-3, which anticipates, at least in part, the effects of the rise in electricity costs, specifying that the *OpEEexp,a* component be equal to a maximum of 25% of the cost already previously allowed in the tariff.
- By **Resolution 229/2022/R/idr of 24 May 2022**, the Authority introduced urgent measures concerning the above proceedings for the re-examination of the criteria for the 2022-2023 two-year update of the IWS providers' tariff arrangements referred to in Resolution 639/2021/R/IDR.
- Specifically, ARERA:
  - confirmed the amounts already proposed in Resolution 139/2022/R/idr for 2022 and 2023 as the average sector cost of electricity supply;
  - confirmed the possibility for the providers to calculate the additional forward-looking component (*OpEEexp,a*), aimed at anticipating, at least in part, the effects of the rise in electricity costs;
  - granted the providers, with reference to year  $a = \{2022\}$ , the possibility of formulating a justified request to CSEA to obtain financial advances in order to cover part of the costs incurred to purchase electricity, upon:
    - the lack of dissolution or liquidation of the beneficiary provider, insolvency proceedings or out-of-court agreements or sworn plans or restructuring agreements pursuant to the bankruptcy law (Royal Decree No. 267/1942);
    - compliance, by the Local Area Authority, with the obligations to adopt and transmit to the Authority the 2022-2023 two-year update of the tariff arrangement pursuant to the MTI-3;
    - having availed—as part of the two-year update—of the option to calculate, for 2022, the additional forward-looking component (*OpEEexp,a*) pursuant to paragraph 20.3 of MTI-3 relating to the cost of electricity (*COEE*);



- committed to request that providers pay in instalments the energy consumed in May and June 2022, in accordance with Law Decree No. 21/22.
- The advance accounts for 35% of the electricity cost referred to in Article 20.1 of the MTI-3, quantified for the purpose of the 2022 tariff update.
  - acknowledged—where the actual electricity cost for 2021 exceeds that under Articles 20 and 27.1 of the MTI-3—the possibility for the EGA to submit a justified request for the payment of additional costs for “non-recurring events”, for year  $a = \{2023\}$ . The request must be accompanied by an action plan to contain energy costs, assessing potential energy savings and the guarantee of sustainability of the tariff.
- By **Resolution 495/2022/R/idr of 13 October 2022**, the Authority opened a second time window in November to apply for financial advances, introduced by Resolution 229/2022/R/idr.
- By **Resolution 589/2022/R/idr of 15 November 2022**, the Authority approved the update of the tariff arrangements for the integrated water service for 2022 and 2023, submitted by the Area Office for the provider MM S.p.A..
- Below is a summary of the main issues having an impact on MM:
  - The values assumed by the Technical Quality macro-indicators were identified, together with the relevant category and the targets set for 2022 and 2023 to be determined for the purposes of calculating reward or penalty factors in 2024, considering the level achieved cumulatively at the end of 2023.
  - The values assumed by the Contractual Quality macro-indicators were identified, based on the data of the simple indicators recorded for 2021, together with the relevant categories and targets set for 2022 and 2023 to be determined for the purposes of calculating reward or penalty factors in 2024, considering the level achieved cumulatively at the end of 2023.
  - ARERA determined MM's positioning in Schedule VI of the matrix of regulatory frameworks pursuant to Article 5 of MTI-3, approving the tariff multiplier values for the 2022-2023 two-year period, as reported in Annex B. The thetas to be applied to the water tariff under MTI-3 for the period under review (base year: 2019) are:
    - 2022: 1.171 (i.e. +8.45% compared to 2021)
    - 2023: 1.253 (i.e. +7.00% compared to 2022)
- These values confirm the fees set for the 2022-2023 two-year period by the Board of Directors of the Area Office on 26 September 2022 and by the Conference of Municipalities that are part of the Optimal Territorial Area Authority (ATO) of the Metropolitan City of Milan on 10 November 2022.
  - A number of issues were highlighted in relation to the approval of the tariff arrangement for the 2022-2023 period under MTI-3 (ARERA Resolution 580/2019/R/idr as subsequently amended and supplemented). These include: the valorisation of the FNI (Fund for New Investments) tariff component for the financing of new investments, the application of financial amortisation, and the recognition of cost items earmarked for specific purposes: OPnew, OpexQT, OPsocial, OPmis.

- For the 2022-2023 equalisation components, the gap between the forecast components for 2020 and 2021 and the charges actually incurred was recovered.
- For 2023, the additional 2021 charges as a result of the Covid-19 epidemiological emergency (costs for exceptional events) were recognised in the “RcAltro” component.
- For both 2022 and 2023, the OPEEexp component, introduced by ARERA Resolution 639/2021/R/idr, was valued at 25% of the electricity cost pursuant to the MTI-3, based on a justified request.

### *Local Regulatory Framework*

- With regard to local regulations, in 2022 the Area Office of the Metropolitan City of Milan operated in accordance with ARERA provisions, including, inter alia:
- approving the **2022 programme of controls of discharges into the public sewerage system**. These controls are carried out by the Area Office and by the IWS Providers under agreement for the MM S.p.A. and Cap Holding S.p.A. tariff area for the purpose of inflicting administrative fines;
- approving the **2022 Performance Plan**, which is a policy, strategic and operational document of the Area Office;
- acknowledging the progress of the implementation of the works benefiting from Lombardy Region funding pursuant to Regional Council Resolution No. XI/3771 of 3 November 2020 and Regional Council Resolution No. XI/4040 of 14 December 2020;
- acknowledging, upon approval, the proposed access to funding under the NRRP Mission 2, Component 1, Measure 1, Investment 1.1, Line C;
- taking note of the performance achieved by the Providers MM and CAP Holding with respect to the data provided as part of the 2021 Contractual Quality monitoring (RQSII – i.e. the regulation of the contractual quality of the integrated water service);
- approving the performance achieved by them in the 2020-2021 two-year period with respect to the Technical Quality targets set forth in ARERA Resolution 917/2017/R/idr (RQT1);
- confirming, also as a result of the new rules on the automatic grating of the water bonus, the amount of the additional facility disbursed locally in the Metropolitan City of Milan (Supplementary Water Bonus), which amounts to € 15 per capita;
- completing the data collection aimed at preparing the 2022-2023 two-year tariff update pursuant to the MTI-3 as subsequently amended and supplemented, including the 2022-2023 Action Programme and the 2024-2027 Strategic Work Plan;
- approving the Service Quality Charter and the Integrated Water Service Regulation of the Municipality of Milan updated in accordance with the provisions of ARERA Resolution 609/2021/R/idr and 610/2021/R/idr of 21 December 2021;
- approving the application of a single tariff for non-drinking use, equal to € 0.21/m<sup>3</sup>, for both MM and Cap Holding tariff areas starting from 2023.
- At its meeting on 11 October 2022, the Conference of Municipalities that are part of the Optimal Territorial Area Authority (ATO) of the Metropolitan City of Milan expressed a mandatory and binding favourable opinion on the above three points.

- The Area Office also committed to:
- taking note of the control/review activity on the data and information sent by MM as part of the collection of data on the contractual quality of the IWS for the first half of 2022;
- taking note of the state of implementation as at 30 June 2022 of MM's Action Programme;
- adopting the proposed 2023 Budget and the 2023-2025 Three-Year Plan and approving and the 2023 Programme Plan;
- submitting to CSEA the application for the ANT financial advance on energy costs pursuant to ARERA Resolution 495/2022/R/idr). On 29 December 2022, MM received an amount of € 7,896,626.00. The relevant repayment plan will comprise two annual instalments, the first of which will be due on 31 December 2023. Interest will be calculated based on the development of the benchmark rates to which the remuneration of CSEA's liquid funds is pegged.

## Significant events occurred during the period

### Significant events relating to the reference context

During the year, also as a result of the crisis generated by the conflict between Russia and Ukraine, MM operated in a context characterised by the sharp rise in the prices of raw materials and supplies, specifically electricity and natural gas prices. This had a significant impact on the company's business areas that, as they relate to regulated sectors (Integrated Water Service) or are in any case linked to in-house awards by its sole shareholder, the Municipality of Milan (Engineering, Housing, Routing Plant Maintenance and Infrastructure), are subject to rules for defining tariffs that prevented full compensation.

Specifically, with respect to electricity, the Company's energy costs increased, leading to an average annual price for electricity of approximately € 350/MWh, compared to roughly € 125/MWh in 2021.

Following the increase in energy costs, the Company took a series of actions aimed at countering this unprecedented price trend, working to further improve the efficiency of its consumption and implementing operational plans aimed at identifying further areas of saving and accessing the measures provided for by the regulations in force and the decrees establishing the tax credits for electricity and gas that followed during the year.

### Significant events relating to the Integrated Water Service

With ARERA resolution 183/2022/R/idr of 26 April 2022, MM was awarded a bonus worth approximately € 8.5 million for achieving the technical quality targets for the 2018-2019 period.

With reference to water introduced into the system, during the year the actual figure was in line with the budget curve (with an average percentage change of -0.2% over the January-December period: 208.5 million m<sup>3</sup> actually introduced into the system compared to a budget of 209 million m<sup>3</sup>), based on consumption profiles resulting from the changed behaviour caused by the pandemic, which led to a different timing of water demand (e.g., partly reducing the peaks of the summer season).

On 11 October 2022, pursuant to Article 48, paragraph 3 of Regional Law No. 26/03 as subsequently amended and supplemented, the Conference of Municipalities that are part of the Optimal Territorial Area Authority (ATO) of the Metropolitan City of Milan expressed a mandatory and binding favourable opinion on the approval of the tariff arrangement for the IWS of the ATO of the Metropolitan City of Milan for the provider MM. In its subsequent Resolution 589/2022/R/idr of 15 November 2022, ARERA approved the update of the tariff arrangement for the integrated water service for 2022 and 2023, submitted by the Area Office for the provider MM S.p.A..

With respect to the funding by the Lombardy Region pursuant to Regional Council Resolution No. XI/4040 dated 14 December 2020, during 2022, no further tranches of the funding provided as capital subsidies for the design and related deployment of infrastructural work pertaining to the IWS were disbursed to MM.

## Significant events relating to the management of Public Housing Property

During the year, the new SAP Casa application was launched, replacing the previous Sepa@Web system. This application manages the specific processes of the Housing Business Unit with respect to facility and property management activities.

On 30 November 2022, with Municipal Council Resolution No. 157, the Municipality of Bergamo approved a collaboration agreement with MM S.p.A. for the development and management of municipal housing services. The agreement was signed in December 2022 and became effective on 1 January 2023.

## Significant events relating to Engineering

During the first few months of 2022, talks continued with the Municipality of Milan about the revision of the remuneration for the “Contracting authority activities and services and technical-administrative management of contracts” carried out as part of the service agreement. The talks ended in July in 2022 (Executive Resolution No. 6102/2022) with the approval of the new rates for decreasing brackets as follows:

- for works up to € 2.5 million, the remuneration is equal to the amount of the works multiplied by a 4.96% rate;
- for works between € 2.5 million and € 10 million, the remuneration is equal to the sum of:
  - € 2,499,999.99 multiplied by a 4.96% rate, and
  - the difference between the amount concerned and € 2.5 million, multiplied by a 2.46% rate
- for works above € 10 million, the remuneration is equal to the sum of:
  - € 2,499,999.99 multiplied by a 4.96% rate, and
  - the difference between € 10 million and € 2.5 million multiplied by a 2.46% rate, and
  - the difference between the amount concerned and € 10,000,000.01, multiplied by a 1.18% rate.

Again as part of the service agreement, the Municipality of Milan carried out an annual market analysis covering engineering and architecture services based on the data of the Regional Observatory of Public Procurement. The analysis highlighted a deviation of more than 5% from the average discount currently applied by MM. Therefore, with Executive Resolution No. 1210 dated 20 February 2023 of the Municipality of Milan General Directorate, the requested discount ranges were adjusted, reducing them by 5.82%, with an expected positive impact on the unit tariffs of the engineering services provided by MM.

## Significant events relating to Plant and Real Estate Management

In anticipation of the end of the waste management and street cleaning agreement with Amsa S.p.A., in late 2020 the Municipality of Milan issued a **European invitation to tender for the award of environmental hygiene services starting from 2021** and for the following 7 years. This tender was subject to subsequent interventions by the Lombardy Regional Administrative Court (TAR) which,

by delaying the procedure, requested both the extension of the Amsa service agreement and, consequently, the extension of the lease between MM and Amsa.

Following the Lombardy TAR's orders dated 2 March 2022, which suspended the tender, and the consequent extension of the service agreement by the Municipality to Amsa, on 28 April 2022, MM and Amsa signed an additional extension of the lease for the period 1 May 2022 - 30 April 2023.

Finally, on 16 March 2023, Amsa informed MM of the need to commence the procedure to further extend the lease to 31 December 2023.

### **Significant events relating to Routine Plant and Infrastructure Maintenance**

As part of the global service agreement for routine maintenance services for the school buildings of the Municipality of Milan, which was signed on 28 December 2021 and has a term of 25 years, by Executive Resolution No. 12565 of 30 December 2022, the Municipality of Milan assigned to MM "routine maintenance services and periodic inspections of the electrical systems of the school buildings of the Municipality of Milan - transitional phase: 1 January 2023 - 31 December 2023".

By Executive Resolution No. 12394 of 29 December 2022, the Municipality of Milan awarded to MM the "Architectural and engineering services related to management (including construction management, on-site and final inspector and administrative management for the executive phase, acting as Sole Project Manager (RUP – *Responsabile Unico del Procedimento*) of contracts in progress for the routine maintenance of roads, signs and bridges". At the same time, by Executive Resolution No. 12492 of 30 December 2022, the Municipality of Milan awarded to MM the service of "Measurement of the maintenance requirements of roads, with surveys and monitoring in order to implement a road register and plan and manage maintenance works", in addition to the activities covered by Executive Resolution No. 12394.

Following the talks with Milano Ristorazione S.p.A., MM entered into facility management agreements covering the premises to be used by Milano Ristorazione as dining areas during the "Start-up Phase" (from 1 September 2022 to 31 December 2022) on 29 July 2022 and the "Transitional Phase" (from 1 January 2023 to 31 August 2023) on 30 December 2022.

### **Expansion of the scope of MM S.p.A.'s activities: management of green areas**

The direct management of the maintenance of the green areas of MM's IWS premises began in March 2022, including the Nosedo and San Rocco wastewater treatment plants from September 2022.

By Executive Resolution No. 12524 of 30 December 2022, the Municipality of Milan awarded to MM the routine maintenance, periodic inspections and extraordinary maintenance on tactical urban interventions ("Piazze Aperte", i.e. Open Squares).

At year end, the dispute related to the appeal filed with the Lombardy Regional Administrative Court (TAR) against the Municipality of Milan and MM S.p.A., to annul the Council of the Municipality of Milan Resolution No. 63 of 20 July 2021, which approved the guidelines for the subsequent awarding to MM of the management of the green areas of the Municipality of Milan, was still pending.

## Summary of operations 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”.

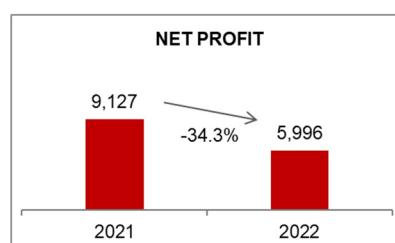
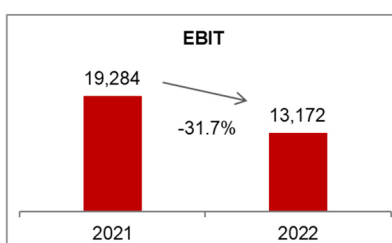
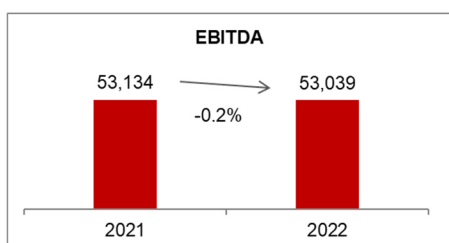
### Economic Results

In 2022, **MM's main indicators** show a decrease in in terms of profitability compared to the previous year; in particular, while EBITDA remained substantially stable at 21%, EBIT fell by 32% and Net Profit by 34% compared to 2021 financial statements.

The income statement is drawn up according to 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 affect the results.

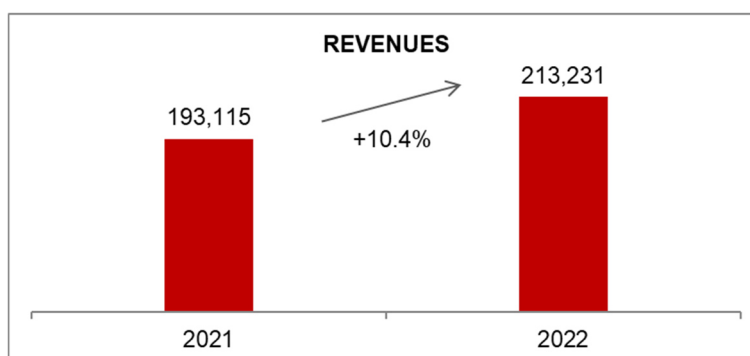
The **comparison between 2022 and 2021** is shown in the table below.

Income Statement (€/000)	2022	Inc. %	2021	Inc. %	Abs. Ch.	Ch. %
Revenues	213,231	100%	193,115	100%	20,115	10%
Revenues arising from work on infrastructure subj	50,917	24%	57,393	30%	(6,476)	-11%
Other operating revenues	34,212	16%	16,427	9%	17,785	108%
Raw materials and consumables	(7,390)	-3%	(6,560)	-3%	(830)	13%
Costs for services	(115,245)	-54%	(76,242)	-39%	(39,003)	51%
Other operating expenses	(3,066)	-1%	(2,848)	-1%	(218)	8%
Personnel costs	(70,519)	-33%	(72,484)	-38%	1,965	-3%
Capitalised costs on infrastructure subject to servi	(48,909)	-23%	(55,500)	-29%	6,590	-12%
Losses from disposals and divestments of fixed a	(193)	0%	(169)	0%	(23)	14%
<b>EBITDA</b>	<b>53,039</b>	<b>25%</b>	<b>53,134</b>	<b>28%</b>	<b>(95)</b>	<b>0%</b>
Amortisation/depreciation and provisions	(39,868)	-19%	(33,850)	-18%	(6,018)	18%
<b>EBIT</b>	<b>13,172</b>	<b>6%</b>	<b>19,284</b>	<b>10%</b>	<b>(6,112)</b>	<b>-32%</b>
Financial operations	(6,449)	-3%	(5,853)	-3%	(595)	10%
<b>Pre-tax profit</b>	<b>6,723</b>	<b>3%</b>	<b>13,431</b>	<b>7%</b>	<b>(6,708)</b>	<b>-50%</b>
Taxes	(727)	0%	(4,304)	-2%	3,576	-83%
<b>Net profit for the year</b>	<b>5,996</b>	<b>3%</b>	<b>9,127</b>	<b>5%</b>	<b>(3,132)</b>	<b>-34%</b>



In 2022, **revenues increased** by 10% compared to the previous year; this result was the result of different trends for each individual Business Unit, as shown in the table below:

Revenues (€/000)	31.12.2022	Inc. %	31.12.2021	Inc. %	Abs. Ch.	Ch. %
Integrated Water Service	157,113	73.7%	137,684	71.3%	19,429	14.1%
Engineering	27,357	12.8%	34,226	17.7%	(6,869)	-20.1%
Housing	15,251	7.2%	14,023	7.3%	1,229	8.8%
Plant and Real Estate Management	2,033	1.0%	2,035	1.1%	(2)	-0.1%
Routine Plant and Infrastructure Maint.	10,271	4.8%	4,979	2.6%	5,292	106.3%
Public Housing Property Green Areas	1,176	0.6%	0	0.0%	1,176	n.m
Staff	30	0.0%	169	0.1%	(139)	-82.5%
<b>Total</b>	<b>213,231</b>	<b>100.0%</b>	<b>193,115</b>	<b>100.0%</b>	<b>20,115</b>	<b>10%</b>





The main increases refer to the IWS (+€ 19,429 thousand). They were driven by the updating of the IWS tariffs for the 2022-2023 two-year period agreed during the year, and the Routine Plant Maintenance and Infrastructure Business Unit (+€ 5,292 thousand), especially as a consequence of the rise in revenues from the maintenance of school buildings.

**Other operating revenues** rose significantly. The € 17,785 thousand increase is mainly due to the bonuses received as part of the Technical Quality mechanism for the Integrated Water Service (approximately € 8.5 million) and the tax credits obtained for electricity and gas consumption (roughly € 7.6 million).

**Costs for raw materials and consumables** increased by € 830 thousand, also as a result of price increases.

**Costs for services** increased by € 39,003 thousand, making for a 51% change compared to 2021. The increase is mainly due to the rise in electricity and gas prices, whose consumption almost entirely affected the costs of the Integrated Water Service Business Unit. Specifically, in 2022, the cost of electricity for the Water Service Business Unit amounted to approximately € 49.5 million compared to roughly € 18.2 million in 2021. A further increase came from the business volumes of the Routine Plant and Infrastructure Maintenance Business Unit.

**Other operating expenses** increased by € 218 thousand compared to 2021 (+8%).

**Labour cost** shows a downward trend compared to 2021.

Labour cost (€/000)	31.12.2022	31.12.2021	Abs. Ch.	Ch. %
Integrated Water Service	28,420	28,831	(411)	-1%
Engineering	18,793	21,748	(2,955)	-14%
Housing	6,899	6,437	462	7%
Routine Plant and Infrastructure Maint.	2,033	1,164	869	75%
Public Housing Property Green Areas	530	93	437	471%
Staff	13,844	14,211	(367)	-3%
<b>Total labour cost gross of capitalised costs</b>	<b>70,519</b>	<b>72,484</b>	<b>(1,965)</b>	<b>-3%</b>

The costs related to the IWS were substantially stable, down 1%, while the Engineering BU showed a decrease of 14% or € 2,955 thousand. Costs related to staff functions also decreased (down by € 367 thousand) compared to 2021.

The personnel costs of the other BUs rose, specifically as a result of the progressive extension of the operations of the Routine Plant and Infrastructure Maintenance Business Unit, up € 869 thousand (75%), and the beginning of the operations related to the Public Housing Property Green Area Management (up € 437 thousand).

As a result of the above, in 2022, **EBITDA** amounted to € 53,039 thousand, compared to € 53,134 thousand in the previous year.

**Amortisation/depreciation and provisions** increased by € 6,018 thousand. The increase is mainly due to the allocations made by the Engineering BU to the provision for risks on trade receivables (€ 4,924 thousand) and to losses on contracts (€ 1,825 thousand).

The balance of **financial operations** worsened by € 595 thousand following the increased financial exposure and the hikes in interest rates.

Therefore, **Net Profit** for the period amounted to **€ 5,996 thousand**.

## Equity and financial results

The analysis and **comparison for the years 2022 and 2021** are shown in the table below:

Invested capital and Sources of financing (€/000)	31.12.2022	Inc. %	31.12.2021	Inc. %	Abs. Ch.	Abs. %
Net non-current assets	466,814	96.0%	436,783	96.5%	30,031	6.9%
Net working capital	31,743	6.5%	27,433	6.1%	4,310	15.7%
Provisions	(12,246)	-2.5%	(11,454)	-2.5%	(792)	6.9%
<b>Net invested capital</b>	<b>486,312</b>	<b>100.0%</b>	<b>452,762</b>	<b>100.0%</b>	<b>33,550</b>	<b>7.4%</b>
Equity	(246,308)	-50.6%	(238,708)	-52.7%	(7,599)	3.2%
Long-term financial payables	(199,849)	-41.1%	(203,441)	-44.9%	3,592	-1.8%
Short-term net financial position	(40,154)	-8.3%	(10,612)	-2.3%	(29,542)	278.4%
<b>Total sources of financing</b>	<b>(486,312)</b>	<b>-100.0%</b>	<b>(452,762)</b>	<b>-100.0%</b>	<b>(33,550)</b>	<b>7.4%</b>

**Net Invested Capital** as at 31 December 2022 amounted to € 486,312 thousand. The increase is almost entirely due to the rise in net non-current assets, related, in particular, to Integrated Water Service investments, and, to a smaller extent, to Net Working Capital.

At the end of 2022, **Equity** amounted to € 246,308 thousand, up by 3.2% compared to the previous year.

The **Net Financial Position** amounted to **€ 240,004 thousand**, of which € 199,849 thousand is of a non-current nature and € 40,154 thousand of a current nature.

**Investments** broken down by business area are as follows:

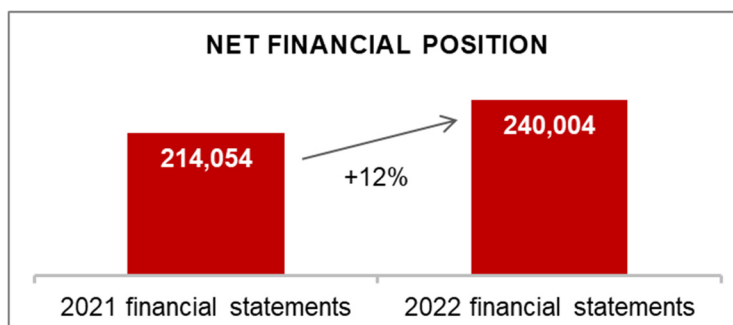
Investments (€/000)	31.12.2022	31.12.2021	Abs. Ch.
Integrated Water Service	55,935	65,550	(9,616)
<i>of which covered by FoNI</i>	<i>(5,346)</i>	<i>(16,246)</i>	<i>10,900</i>
Engineering	1,384	1,201	183
Housing	1,815	1,576	239
Plant and Real Estate Management	(16)	1,326	(1,342)
Routine Plant and Infrastructure Maint.	984	86	899
Public Housing Property Green Areas	25	0	25
Staff	2,293	1,683	609
<b>Total Investments before FoNI</b>	<b>62,420</b>	<b>71,423</b>	<b>(9,003)</b>

## Analysis of the financial structure

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

	31.12.2022	31.12.2021
A Cash and cash equivalents	59,404	55,625
B Cash equivalents		
C Other current financial assets		
<b>D Total cash and cash equivalents (A+B+C)</b>	<b>59,404</b>	<b>55,625</b>
E Current financial payables	98,560	65,229
F Current portion of non-current financial payables	997	1,009
<b>G Current financial indebtedness (E+F)</b>	<b>99,558</b>	<b>66,238</b>
<b>H Net current financial indebtedness (G-D)</b>	<b>40,154</b>	<b>10,612</b>
I Non-current financial payables	198,973	202,233
J Trade payables and other non-current payables	877	1,208
<b>K Non-current financial indebtedness (I+J)</b>	<b>199,849</b>	<b>203,441</b>
<b>L Total financial indebtedness (H+K)</b>	<b>240,004</b>	<b>214,054</b>

The comprehensive value of the **Net Financial Position** as at 31 December 2022 was € 240,004 thousand, up € 25,950 thousand compared to the previous year (+12%). This increase is due to Integrated Water Service investments and to the increased impact of energy costs, in addition to the performance of working capital based on the management of the Engineering supply cycle.



As at 31 December 2022, the medium/long-term debt mainly consisted of the bond issued on the regulated market of the Dublin Stock Exchange (Euronext Dublin) maturing in 2035, of the European Investment Bank (EIB) loan and of the residual 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, require that MM **complies with specific financial covenants**, calculated as ratios between income and equity variables, aimed at monitoring the company's financial and economic sustainability.

These financial covenants are the following:

- Net Financial position/EBITDA  $\leq$  **4.5**
- Net Financial Position/Fixed Assets  $\leq$  **70%**
- EBITDA/Finance Costs  $\geq$  **4.5**

They are broken down as follows:

Covenant (€/000)	2022	2021	Target
Operating Profit (Loss)	13,172	19,284	
Amortisation/depreciation, impairment and provisions	39,868	33,850	
<b>EBITDA</b>	<b>53,039</b>	<b>53,134</b>	
Non-current financial liabilities	199,849	203,441	
Current financial liabilities	99,558	66,238	
Cash and cash equivalents	(59,404)	(55,625)	
<b>NET FINANCIAL POSITION</b>	<b>240,004</b>	<b>214,054</b>	
<b>NET FINANCIAL POSITION/EBITDA</b>	<b>4.53</b>	<b>4.0</b>	<b>&lt;= 4.5</b>
Rights over the infrastructure relating to service concession arrang	349,837	319,598	
Other intangible assets	11,689	12,519	
Property, plant and equipment	68,068	69,304	
Non-current financial assets (Guarantee deposits)	268	267	
<b>TOTAL NON-CURRENT ASSETS</b>	<b>429,862</b>	<b>401,689</b>	
<b>NET FINANCIAL POSITION/NON-CURRENT ASSETS</b>	<b>56%</b>	<b>53%</b>	<b>&lt;= 70%</b>
FINANCE COSTS	6,800	6,001	
<b>EBITDA/FINANCE COSTS</b>	<b>7.8</b>	<b>8.9</b>	<b>&gt;= 4.5</b>

Following the rise in electricity and gas market prices, which—also owing to the military conflict between Russia and Ukraine—caused an unprecedented spike in such costs for MM in 2022, after identifying the risk of possibly failing to meet the Net Financial Position/EBITDA covenant, the Company promptly turned to the European Investment Bank and the Noteholders to obtain the necessary waivers should this circumstance effectively take place on 31 December 2022.

On 6 December 2022, MM's waiver request with respect to the Bond was sent to the Noteholders' Representative, BNP Paribas, in accordance with the deadlines set forth in the relevant agreements. On 7 December 2022, BNP Paribas confirmed the delivery of the waiver request to Monte Titoli for publication purposes, which took place on the same day. On 9 December 2022, the official waiver request was sent to the European Investment Bank.

On 21 December 2022, the European Investment Bank sent MM its consent to waive the NFP/EBITDA covenant threshold for 2022.

On 29 December 2022, BNP Paribas notified MM of the results of the consultation process with Noteholders, who approved the request for waiver of the NFP/EBITDA covenant for 2022 by means of written resolution for an amount equal to 100% of the Bond units.

**Therefore, the actual value of the NFP/EBITDA covenant as at 31 December 2022, equal to 4.53x, complied with the waivers obtained, which were nevertheless fully approved by the end of 2022.**

## Management objectives assigned to the Company by the Municipality of Milan for the years 2022-2024

In 2021, by Municipal Council Resolution No. 350 dated 2 April 2021, the Municipality of Milan updated Resolution No. 2379 dated 28 December 2018, defining, pursuant to Article 19(5) of Legislative Decree No. 175 19 of August 2016, the annual and multi-year targets on the total operating costs of subsidiaries.

In 2022, by Municipal Council Resolution No. 1145 dated 4 August 2022, the Municipality set **new cross-cutting targets for the 2022-2024 period**, updating Resolution No. 350/2021. By Executive Resolution No. 10013 of 14 November 2022, the Municipality set the 2022 and 2023 KPIs (Key Performance Indicators) for the cross-cutting targets assigned to the in-house providers of the Municipality of Milan and confirmed the specific targets concerning the containment of expenses for 2022 already set by Resolution No. 350 for the 2021-2023 period.

### Cross-cutting targets

With reference to the cross-cutting targets for the 2022-2024 three-year period, the Municipality has identified three macro areas:

<b>Target I</b>	<b>Streamlining expenses</b> , in order to encourage the dissemination of best practice models for liquidity management
<b>Purpose</b>	Achieving liquidity management efficiency by improving treasury management and investment of liquidity in funds/securities
<b>KPI 2022</b>	<i>Develop synergies between investees and exchange information on liquidity management</i>
<b>Target II</b>	<b>Air and Climate Plan</b> , in order to promote the application of green criteria in procurement procedures and: <ul style="list-style-type: none"> <li>- encourage policies that promote sustainable consumption and procurement by in-house companies</li> <li>- promote the application of Minimum Environmental Criteria (CAM) in tendering procedures</li> <li>- introduce periodic monitoring on the dissemination of GPP and CAM within the tender procedures of in-house companies</li> <li>- encourage operational synergies by sharing best practices between in-house companies</li> </ul>
<b>Purpose</b>	Promoting market leverage by directing and influencing the power of in-house companies to choose economic operators that pursue sustainable environmental parameters and supply chains
<b>KPI 2022</b>	<i>No. of Green Procurement contracts (with Minimum Environmental Criteria) implemented/ongoing, % Green Procurement contracts (CAM) out of total procurement in economic value, % green procurement contracts (CAM) out of total procurement as a number of contracts, % of CO<sub>2</sub> saved</i>
<b>Target III</b>	<b>Anti-Corruption and Transparency</b> , in order to define and provide companies with guidance on anti-corruption and transparency practices.
<b>Purpose</b>	Developing group policies on anti-corruption and transparency practices by disseminating models and best practices
<b>KPI 2022</b>	<i>Adopt new integrity pacts, Consider the possibility of setting up corporate Internal Audit functions, Encourage access to the Whistleblowing platform, Prevent conflicts of interest and pantouflage, Disclose beneficial owners, Periodically report to the Municipality on anti-corruption and transparency practices, Share best practices within in-house companies, Include anti-corruption and transparency practices targets in the corporate incentive system</i>

As shown below, **Cross-cutting target No. 1 Streamlining expenses** was achieved:

KPI Streamlining expenses – 2022 targets	
<i>Develop synergies between investees</i>	On 4 October 2022, the Budget and Investee Department of the Municipality of Milan organised a first meeting with the CFOs of the municipal investees included in the project. Each company, including MM, discussed its financial characteristics, highlighting their individual needs.
<i>Exchange information on liquidity management</i>	

With respect to **Cross-cutting target No. 2 Air and Climate Plan**, the procedures concerning the contracts for the Municipality of Milan were also considered. The targets on the % value of procurement with Minimum Environmental Criteria (CAM) and the number of green procurement in absolute value, but not as a percentage of number of contracts, were achieved. Indeed, only a small number of purchases and supplies provides for the application of CAM.

Air and Climate Plan KPIs – 2022 targets		Amount achieved
<i>No. of Green Procurement contracts (with Minimum Environmental Criteria) implemented/ongoing</i>	2	3
<i>% Green Procurement contracts (CAM) out of total procurement in economic value</i>	30%	56%
<i>% Green Procurement contracts (CAM) out of total procurement as a number of contracts</i>	10%	7%
<i>%CO<sub>2</sub> saved</i>		-8%

As stated in Chapter 5 of the DNF, MM's emissions in the 2020-2022 period were as follows:

	m.u.	2020	2021	2022
Scope 1 direct emissions	t CO <sub>2e</sub>	6,236	6,724	6,524
Scope 2 indirect emissions – market-based method		-	-	-
Scope 2 indirect emissions – location-based method	t CO <sub>2</sub>	43,849	40,296	36,719

With respect to **Cross-cutting target No. 3 Anti-Corruption and Transparency**, all KPIs set by Executive Resolution No. 10013 of 14 November 2022 were assessed:

Anti-Corruption and Transparency KPIs – 2022 targets	
<i>Adopt the new “Integrity Pact” model</i>	MM adopted such pacts for both open tenders and negotiated procedures.
<i>Consider the possibility of setting up an Internal Audit function</i>	This function already exists in the Company.
<i>Launch awareness-raising and information activities vis-à-vis suppliers/contractors</i>	The integrity pacts, adopted by MM, expressly refer to the Company's whistleblowing platform and provide that suppliers signing the pact inform their employees about the use of this platform.
<i>Identify conflicts of interest and pantouflage prevention measures</i>	MM has adopted an internal conflict of interest regulation. With respect to pantouflage, during the recruitment phase, a declaration of no causes of pantouflage must be made, while suppliers must provide the declaration on “prohibition of pantouflage” included in the European Single Procurement Document (ESPD) attached to the tender rules.
<i>Launch and implement actions to disclose beneficial owners by suppliers/contractors</i>	MM considered implementing specific forms to be signed by the contractor in order to disclose beneficial owners prior to signing the contract. These forms will be adopted in the first quarter of 2023.
<i>Map company activities and procedures in order to identify critical areas</i>	MM prepares form No. 302 concerning the Board of Statutory Auditors' half-yearly report, the areas of improvement identified and implemented by the company, as well as all other forms required by the Municipality. Furthermore, quarterly information flows from the company departments to the Board of Statutory Auditors were implemented.
<i>Organise periodic meetings between the contact persons for anti-corruption and transparency practices</i>	MM participates in meetings coordinated by the Municipality with the contact persons for anti-corruption and transparency practices in order to exchange best practices.
<i>Perform an assessment in order to define a set of targets and indicators on anti-corruption and transparency pursuant to the Corruption Prevention and Transparency Plan</i>	Given the organisational changes carried out within the Company, the assessment, which began in 2022, will be completed in 2023

By Executive Resolution No. 10013 of 14 November 2022, the Municipality of Milan confirmed the specific expense containment targets for 2022 already set out in Resolution No. 350 for the 2021-2023 period:

<b>Target 2022</b>	Improving the ratio of operating costs to production value.
<b>Purpose</b>	Containment of operating costs.
<b>KPI</b>	Over the 2018-2020 three-year period, the expected average percentage ratio of operating costs to value of production <sup>8</sup> stood at 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 forward-looking management scope expansions, i.e. maintenance for 2021, 0.2% for 2022 and 0.4% for 2023, respectively.

For the purposes of calculating the percentage referred to in the above KPI for 2022, the effect of the increase in energy prices and the related tax incentive measures was excluded. Indeed, based on the above Resolution, these must be considered “*income components of an exceptional amount or impact*”.

Therefore, the electricity and gas cost component exceeding the annual average calculated for the 2018-2020 period was excluded from the calculation.

<sup>8</sup>For the purpose of calculating the indicator, the cost and revenue items set out in the aforementioned Order are to be excluded.

MM's energy costs	Carrying amount (in thousands of Euro)
A) Annual average 2018-2020	23,403
B) Annual amount 2021	19,846
C) Annual amount 2022	53,743
Exceptional cost excluded (C – A)	30,340
D) Electricity and gas tax credit for 2022	7,600
Exceptional revenue excluded (D)	7,600

Below is a breakdown 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)	
Amortisation/depreciation, impairment and provisions	39,868
Costs arising from work on infrastructure subject to service concession arrangements	48,909
Higher electricity and gas costs	30,340
Losses from disposals and divestment of fixed assets	193
Stamps and local taxes, deductible and non-deductible taxes and duties	581
Contingent liabilities	828
Salary increases attributable to national collective bargaining	1,718
Revenues excluded from KPI calculation (€/000)	
Revenues arising from work on infrastructure subject to service concession arrangements	50,917
Contingent assets	3,328
Tax credit related to the higher cost of electricity and gas <sup>9</sup>	7,600
IRAP pertaining to previous years	117

The indicator for 2022 thus calculated is **68.8%**<sup>10</sup>.

Operating costs for KPI purposes (€/000)	162,752
Revenues for KPI purposes (€/000)	236,399
KPI 2022 (%)	68.8%

If it were calculated on the basis of an unchanged MM's business scope compared to 2020 (i.e., the last year considered in assessing the reference average), thus excluding the Green Areas Business Unit, the indicator would be **68.6%**.

Operating costs for KPI purposes (€/000)	161,417
Revenues for KPI purposes (€/000)	235,198
KPI 2021 (%)	68.6%

In both scenarios, the minimum percentage of improvement envisaged for 2022 is therefore met.

<sup>9</sup>With respect to electricity and gas price measures, *Italian Law Decree No. 21 of 21 March 2022, amended by Law Decree No. 50 of 17 May 2022 and Law Decrees No. 115 of 9 August 2022, No. 144 of 23 September 2022 and No. 176 of 18 November 2022* introduced an extraordinary contribution, specifically a tax credit to purchase electricity and natural gas.

<sup>10</sup>Costs incurred for compulsory safety measures are included in operating costs.



## Analysis by strategic business segments

Below is an analysis of the operating results achieved in the different business segments.

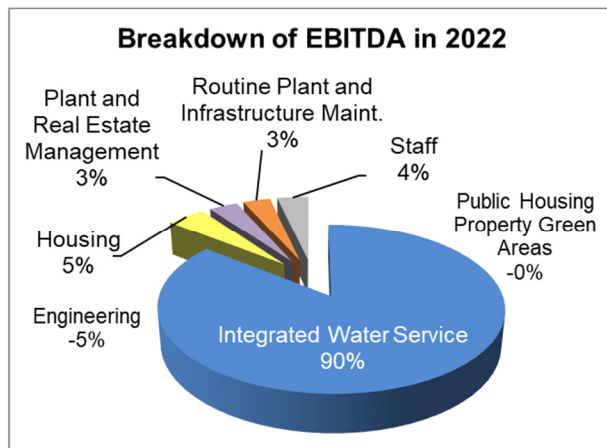
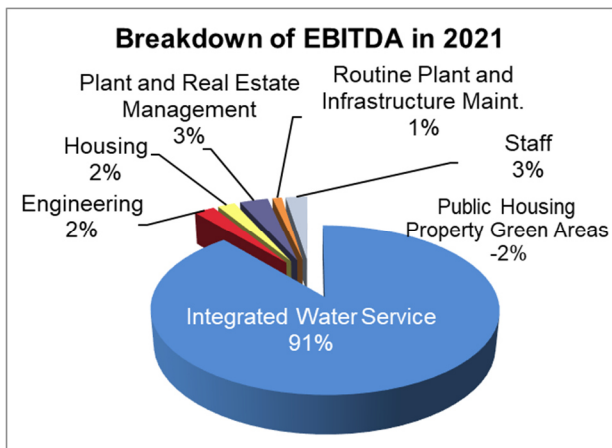
The income statements by segment include **structural costs** and **economic exchanges between the business segments**, valued at market prices.

Income Statement (€/000)	Integrated Water Service	Engineering	Housing	Plant and Real Estate Management	Routine Plant and Infrastructure Maint.	Public Housing Property Green Areas	Staff	Adjustments	IFRS Income statement
Revenues	157,113	27,357	15,251	2,033	10,271	1,176	30		213,231
<i>Cross-sector revenues</i>	<i>105</i>	<i>2,870</i>					<i>3</i>	<i>(2,979)</i>	<i>0</i>
Revenues arising from work on infrastructure subject to service conc	50,917								50,917
Other operating revenues	25,997	2,952	2,025	(0)	686	25	2,527		34,212
Raw materials and consumables	(2,199)	(939)	(1,420)		(445)	(175)	(2,212)		(7,390)
<i>Cross-sector costs</i>	<i>(2,717)</i>	<i>0</i>	<i>(57)</i>	<i>0</i>	<i>(205)</i>			<i>2,979</i>	<i>0</i>
Costs for services	(89,510)	(9,071)	(2,361)	(46)	(5,755)	(409)	(8,093)		(115,245)
<i>Costs for Central Staff functions</i>	<i>(13,390)</i>	<i>(5,627)</i>	<i>(3,967)</i>	<i>(169)</i>	<i>(755)</i>	<i>(191)</i>	<i>0</i>	<i>24,099</i>	<i>0</i>
Other operating expenses	(1,156)	(1,179)	(122)	(11)	(48)	(5)	(545)		(3,066)
Personnel costs	(28,420)	(18,793)	(6,899)		(2,033)	(530)	(13,844)		(70,519)
Capitalised costs on infrastructure subject to service conc	(48,909)								(48,909)
Losses from disposals and divestment of non-current ass	(193)								(193)
<b>EBITDA</b>	<b>47,639</b>	<b>(2,429)</b>	<b>2,452</b>	<b>1,807</b>	<b>1,716</b>	<b>(110)</b>	<b>(22,134)</b>	<b>24,099</b>	<b>53,039</b>
Ammortamenti e Accantonamenti	(26,075)	(8,715)	(1,696)	(1,263)	(166)	(24)	(1,929)		(39,868)
<b>EBIT</b>	<b>21,563</b>	<b>(11,144)</b>	<b>757</b>	<b>544</b>	<b>1,550</b>	<b>(134)</b>	<b>(24,063)</b>	<b>24,099</b>	<b>13,172</b>
Financial operations	(5,484)	(935)	10	0	(12)	(4)	(23)		(6,449)
<b>Pre-tax profit</b>	<b>16,079</b>	<b>(12,079)</b>	<b>766</b>	<b>544</b>	<b>1,538</b>	<b>(138)</b>	<b>(24,086)</b>		<b>6,723</b>
Taxes	(2,369)	2,586	(322)	(216)	(417)	24	(14)		(727)
<b>Net profit for the year</b>	<b>13,710</b>	<b>(9,494)</b>	<b>444</b>	<b>327</b>	<b>1,121</b>	<b>(114)</b>	<b>(24,099)</b>	<b>0</b>	<b>5,996</b>

In 2022, MM S.p.A.'s EBITDA amounted to € 53,039 thousand, down by € 95 thousand (-0.2%) compared to 2021.

EBITDA (€/000)	31.12.2022	31.12.2021	Abs. Ch.	Ch. %
Integrated Water Service	47,639	48,192	(554)	-1%
Engineering	(2,429)	1,282	(3,711)	-290%
Housing	2,452	1,079	1,374	127%
Plant and Real Estate Management	1,807	1,744	63	4%
Routine Plant and Infrastructure Maint	1,716	578	1,137	197%
Public Housing Property Green Areas	(110)	(1,067)	957	-90%
Staff	1,965	1,326	639	48%
<b>Total</b>	<b>53,039</b>	<b>53,134</b>	<b>(95)</b>	<b>-0.2%</b>

The breakdown of MM S.p.A.'s EBITDA in 2021 and 2022 is outlined below:



The largest contribution to the company’s EBITDA came from the Integrated Water Service. The figures for 2022, compared to 2021, show a shift from a positive to a negative contribution from the Engineering BU, with a corresponding improvement in the percentage impact of the remaining BUs.

## *Integrated Water Service*

The Water Service Business Unit operates the City of Milan's integrated water service, i.e., the set of infrastructure and operations for the catchment, treatment and distribution of drinking water, and for the subsequent collection of wastewater through the sewer system and treatment before returning it into the environment.

The Business Unit is comprised of two Line Departments that are responsible for the operation of the water supply and sewer systems and water treatment plants, respectively, in addition to a Department dedicated to construction management. In 2021, the **Water Service Sales function** was established, dedicated to meter readings, customer management, billing and debt collection. The organisation also comprises Staff functions of B.U. Services, Planning and International Cooperation.

More specifically, line departments include:

- The **Water Supply and Sewer System Department**, which operates the water service's systems as well as drinking water pumping and treatment plants;
- The **Water Treatment, Environment Protection and Wastewater Plants** function, which operates wastewater pumping and treatment plants in the Nosedo and San Rocco wastewater treatment plants.

MM thus **oversees Milan's whole integrated water service**, from the supply of drinking water to the final return of treated wastewater and possible reuse for irrigation.

In 2022, the Business Unit pursued initiatives and investments aimed at achieving the **Technical and Contractual Quality Targets** under the regulatory framework defined by ARERA. Following the achievement of the **Technical Quality** targets, **ARERA awarded** to MM **bonuses** of approximately **€ 8.5 million** for the results achieved in the 2018-2019 two-year period.

Similarly to the 2020-2021 pandemic period, 2022 saw a **significant decline in water consumption** (approximately 6 million cubic metres less than in 2019), mainly associated with the impact of the new working schemes on the City of Milan which envisage the regular use of remote work, and the awareness of citizens and businesses on the correct use of water resources aimed at reducing water wastage.

As for investments, the Company continued to carry on with the massive **plan to replace and/or renovate water supply and sewer systems** in order to upgrade infrastructure under a scheduling approach based on the risk ratios of each system.

The use of **No-Dig technologies** allowed boosting the productivity of construction sites, resulting in a net reduction in works and inconveniences on the road.

In order to improve water leaks and the energy efficiency associated with the operation of the water supply system's pumping stations, in 2022 the new pressure management module of the **IT Decision Support System (DSS)**, aimed at optimising the operation and of pumping systems with a new module dedicated to system pressure management, was fully commissioned. To achieve this, the level of **network digitisation** had to be increased during the year. To this end, reliance was made on new IoT sensors for pressure measurement and on distributed fibre optics for qualitative and quantitative monitoring of the sewerage network.

Still on the subject of digitisation, 2022 saw the enhancement of the new IoT BEAM business platform, which is capable of collecting a large digital dataset from the field and feeding said data with dedicated algorithms and artificial intelligence systems in vertical applications.

With regard to **circular economy**, the new unit for receiving gully suckers and waste from sewer cleaning, including the sand washing and recovery area, was completed at the Milano Nosedo wastewater treatment plant.

In a year characterised by the strong impact of rising energy costs, the investments also covered energy self-production and efficiency, entailing, in particular, the construction of the new photovoltaic plant on the roofs of the Milan San Rocco wastewater treatment plant and the relamping with LED technology at the Milan Nosedo wastewater treatment plant.

With respect to environmental sustainability and the reduction of CO<sub>2</sub> emissions, works at the Salemi water plant were completed during the year. The aim is to recover low-enthalpy heat from the well fields that feed the plant in order to operate a heat pump system serving the city's district heating network.

The table below summarises the **Business Unit's results**:

<b>Integrated Water Service (€/000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Abs. Ch.</b>	<b>Ch. %</b>
Revenues	234,132	205,698	28,434	13.8%
Costs	(186,494)	(157,506)	(28,988)	18.4%
<b>EBITDA</b>	<b>47,639</b>	<b>48,192</b>	<b>(554)</b>	<b>-1.1%</b>
<i>% on revenues</i>	20.3%	23.4%		
Amortisation/depreciation and provision	(26,075)	(26,049)	(27)	0.1%
<b>Operating Profit (Loss)</b>	<b>21,563</b>	<b>22,144</b>	<b>(580)</b>	<b>-2.6%</b>
<i>% on revenues</i>	9.2%	10.8%		
<b>Investments</b>	<b>55,935</b>	<b>65,550</b>	<b>(9,616)</b>	<b>-14.7%</b>

In terms of financial performance, in 2022, despite the increases in energy and raw material prices recorded during the year, the Water Service Business Unit reported only a small decline in EBITDA (-€ 554 thousand or -1.1%).

**Revenues** increased by € 28,434 thousand (13.8%).

**Operating costs** increased by € 28,988 thousand (18.4%).

**Operating profit (loss)** decreased by € 580 thousand (-2.6%) compared to 2021.

**Investments** in the Integrated Water Service amounted to € 55,935 thousand. The decrease on the previous year (€ 9,616 thousand or -14.7%) is consistent with the different investment volumes planned for the next two years in the Action Programme defined by the Area Office.

The table below shows the **main technical data of the Business Unit:**

<b>Integrated Water Service technical data</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Reference territorial area</b>	<b>City of Milan</b>	City of Milan	City of Milan	City of Milan
<b>Housing units</b>	<b>Approx. 800,000</b>	Approx. 800,000	Approx. 800,000	Approx. 800,000
<b>Resident inhabitants</b>	<b>1,384,249</b>	1,403,314	1,436,544	1,418,329
<b>Demand</b>	<b>Approx. 2,000,000 Customers</b>	Approx. 2,000,000 Customers	Approx. 2,000,000 Customers	Approx. 2,000,000 Customers
<b>Water released into the network (millions of m<sup>3</sup>/year)</b>	<b>208</b>	210	209	216
<b>Total water billed (millions of m<sup>3</sup>/year)</b>	<b>179</b>	178	178	185
<b>Water leaks*</b>	<b>14.0%</b>	15.5%	14.4%	14.1%
<b>Total length of the water distribution networks (km)</b>	<b>2,150</b>	2,146	2,141	2,140
<b>Length of supply networks (km)</b>	<b>99.5</b>	99.8	99.5	99.5
<b>Total wells (no.)</b>	<b>588</b>	588	588	588
<b>Length of sewer systems (km)</b>	<b>1,634.7</b>	1,585.0	1,584.2	1,582.9
<b>Purification plants (no.)</b>	<b>2</b>	2	2	2
<b>Purification plants potential (population equivalent)</b>	<b>2,286,000</b>	2,286,000	2,286,000	2,286,000
<b>Drinking water analysis</b>				
Number of samples**	<b>3,659</b>	3,701	3,095	17,494
Number of parameters	<b>159,659</b>	211,838	175,083	191,692
Conformity percentage	<b>99.99%</b>	99.99%	99.98%	99.97%
<b>Wastewater analysis</b>				
Number of samples	<b>6,850</b>	6,700	6,400	8,000
Number of analytical determinations	<b>37,800</b>	39,200	38,200	42,800
Conformity percentage (only on discharge)	<b>100%</b>	100%	100%	100%
<b>Per capita daily supply (m<sup>3</sup>/inhab./day)</b>	<b>0.343</b>	0.390	0.395	0.416
<b>Wastewater treatment plants</b>				
Plants with treatment capacity up to 2,000 p.e.				
Plants between 2,000 p.e. and 10,000 p.e.				
Plants between 10,000 p.e. and 10,000,000 p.e.				
Plants over 1,000,000 p.e.	<b>2</b>	2	2	2
<b>Wastewater treatment values</b>				
Volumes treated entering and leaving plant (millions of m <sup>3</sup> )	<b>197</b>	220	226	237
Volumes used for crop watering (millions of m <sup>3</sup> )	<b>74</b>	62	55	94
Percentage removal of BOD <sub>5</sub> pollutants	<b>99%</b>	98%	98%	98%
Percentage removal of SST pollutants	<b>99%</b>	99%	99%	98%
Percentage removal of total Nitrogen pollutants	<b>85%</b>	84%	80%	72%
Percentage removal of total Phosphor pollutants	<b>78%</b>	77%	72%	80%
Volume of sludge for disposal in agriculture (t/000)	<b>57</b>	42	48	43
Volume of sludge to be used as fuel in cement factories (t/000)	<b>8</b>	15	13	16
Theoretical calculation of the dried volume sent to cement factories, transformed into equivalent of dehydrated sludge for agriculture (t/000)	<b>32</b>	35	34	35

(\*) As regards the figure relating to water leaks, it refers to the macro indicator M1b "Percentage water leaks" calculated for the waterworks network of Milan in accordance with the provisions of Article 8 of Annex A to ARERA Resolution 917/2017/R/idr (RQTI).

(\*\*) Starting from the year 2020, the Area Office of the Metropolitan City of Milan decided that, for the purposes of RQTI (technical quality) regulations, the sample of one or more portions of water, taken in a given sampling point, on a given date, shall be considered as the only sample, regardless of the number of containers used in accordance with sampling methods. The volume of daily water quality analyses and the structure of the sampling plans carried out by MM is unchanged.

## Engineering

In 2022, as a result of the reorganisation, the Engineering Business Unit encompassed the operations of the **Mobility and Extra Moenia Business Unit (DVME)**, which also heads the Branches' operations, and the **Infrastructure and Real Estate Business Unit (DVIP)**:

- The Mobility and Extra Moenia Business Unit is, in turn, organised into two business lines:
  - one dedicated to Mobility Systems (DSMO);
  - one dedicated to Mobility Construction Management (DCMM).

The structure of the Engineering Business Unit is completed by the Commercial function, entrusted with national and international business development tasks, and the Structures technical function.

The following foreign branches also report to the DVME Business Unit: **Dubai Branch (EAU)**, set up in January 2017 to develop business initiatives in the Middle East and North Africa (MENA) Region and South Asia as well as to handle contracts in the United Arab Emirates, and **Sucursal Colombia**, based in Bogotá, set up in July 2020. An additional Branch (**India Branch**) was set up in 2021 in Chennai, following the acquisition of major projects in that country related to the underground railway lines in Chennai and Mumbai.

- The Infrastructure and Real Estate Business Unit is also organised into two business lines, focusing on engineering services related to urban infrastructure, construction and real estate:
  - one dedicated to the design of infrastructure and real estate (DPPI);
  - one dedicated to the construction management of these works (DCIP).

The Engineering BU also operates in other international markets and is present, in partnership with other companies, in several countries, including Romania (high speed railway corridor).

The table below summarises the **Business Unit's results**:

Engineering (€/000)	31.12.2022	31.12.2021	Abs. Ch.	Ch. %
Revenues	33,180	38,663	(5,483)	-14.2%
Costs	(35,609)	(37,381)	1,772	-4.7%
<b>EBITDA</b>	<b>(2,429)</b>	<b>1,282</b>	<b>(3,711)</b>	<b>n.m.</b>
% on revenues	-7.3%	3.3%		
Amortisation/depreciation and provisor	(8,715)	(3,979)	(4,736)	119.0%
<b>Operating Profit (Loss)</b>	<b>(11,144)</b>	<b>(2,698)</b>	<b>(8,446)</b>	<b>313.1%</b>
% on revenues	-33.6%	-7.0%		
<b>Investments</b>	<b>1,384</b>	<b>1,201</b>	<b>183</b>	<b>15.2%</b>

In terms of financial performance, in 2022 the Engineering Business Unit saw EBITDA decrease from € 1,282 thousand to a negative value of € 2,329 thousand.

**Revenues** decreased by € 5,483 thousand (-14.2%); **operating costs** were down by € 1,772 thousand (-4.7%).

Amortisation/depreciation and provisions rose as a result of the increase in the allocations to several provisions for risks, mainly for commercial risks on contracts in place with both the Municipality of Milan and outside it (Extra Moenia).

**Investments** of the Engineering Business Unit amounted to € 1,384 thousand (+15.2% compared to the previous year).

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

The most significant actions taken within the Department in 2022 concerned:

- the executive design of works for the **demolition and reconstruction of the Public Housing Property in Via Giaggioli** as part of the project assigned by the Municipality of Milan;
- the design (Final Project, Executive Project) of works for hydraulic protection of the local area in the floodplain sections of the Lambro river and improvement of the landscape and naturalistic aspects;
- the completion of the final design, to be put out to tender, for **MiMa: the new repository of archives in via Gregorovius 15**;
- the final design for the redevelopment and regulatory compliance of the building and system components of the Palazzo del Capitano in piazza Beccaria 19;
- the designs to be put out to tender for the works financed under the NRRP:
  - the technical and financial feasibility study for (i) the general extraordinary maintenance and energy and system upgrading in via Rizzoli 13-45 and 73-87 and (ii) the demolition and reconstruction of Tower C in via Tofano, including the executive design of the demolition works;
  - technical documents for the framework agreement relating to (i) Rubattino – extension of the Lambretta park – reclamation, (ii) redevelopment of the roadways for pedestrians, cyclists and public spaces in the Greco and Niguarda neighbourhood, (iii) redevelopment of the roadways for pedestrians, cyclists and public spaces in the San Siro neighbourhood; (iv) extraordinary maintenance of the Carraro sports hall;
- the executive design for the reclamation works of lot 1B and the risk analysis of lots 2-3-4 for the Bovisa area as part of the project assigned by the Municipality of Milan.

As regards the activities undertaken for the Municipality of Milan, the overall revenues of the Department are mainly related to the Housing and School and Sport facilities sectors.

As regards the **extraordinary maintenance work on the Public Housing Property of the Municipality of Milan** entrusted to MM S.p.A., the work undertaken mainly refers to: renovation of the courtyards in Via Solari 40, extraordinary maintenance and energy efficiency improvement of the building in Via Padre Luigi Monti 18/24, as well as interventions connected to the integrated Social Housing programme S. Erlembaldo - Villa Finzi remix.

As far as **school buildings** and **sport facilities** are concerned, the activities carried out mainly refer to several extraordinary maintenance interventions performed through framework agreements, and to the intervention on the “Mincio” sports facility.

The many activities carried out for the Municipality of Milan in relation to the upgrade of **municipal administration's buildings**, including on issues concerning the upgrading of systems, as well as the interventions on the **waterworks and infrastructure**, are also of significant importance.

The most significant interventions concern:

- extraordinary maintenance and renovation of the Ghisallo overpass,
- completion of the back building for burial chambers (north side) at the Bruzzano cemetery,
- system upgrading of the Civic Museum of Natural History in Corso Venezia 55,
- improvement of the environmental comfort level of buildings to be used as nurseries and kindergartens;
- installation of photovoltaic panels at public housing buildings and sports facilities;
- the new lighting fixtures at Arena Civica "Gianni Brera";
- works for restoring the static and hydraulic functionality of the damaged watercourse culverts (phase 2).

During the year, the final design of the works related to the resolution of Casalmaggiore untreated wastewater discharges – Lot 2, Casalmaggiore sewer pipeline, was also developed for Padania Acque.

As regards **internal work orders** developed during the year **for the Integrated Water Service** under the Action Programme, they included, among others:

- renovation of the sewer pipeline 0.80x1.20 in Viale Ungheria between Via Salomone and Largo Guerrieri;
- renovation of the sewer pipeline and replacement of waterworks pipelines in Via Maffei, Bergamo and Clusone;
- replacement of waterworks pipelines in order to reduce water leaks in Via Padova, between Via Bassano del Grappa and Via Anacreonte;
- renovation of the sewer pipeline in Viale Monza;
- works to upgrade the sewer system, the waterworks pipelines and the stormwater sewer systems in and around Via dei Giaggioli.

### *Mobility Systems Department (DSMO)*

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

As regards the **in-house activities for the Municipality of Milan**, the main orders in 2022 in terms of revenues were the following:

- Milan M1 underground railway line – Extension to Baggio / Valsesia / Olmi

The extension, with three stations and a depot/hangar, will be developed for a total length of approximately 3.5 km—all underground, except for the depot—starting from the current Bisceglie



terminus to the west borders of the Municipality of Milan and indirectly serving the neighbouring municipalities, specifically Cesano Boscone.

The project started with the drafting of the Technical and Financial Feasibility Study (PFTE), which was sent to the Ministry of Infrastructure and Transport (MIT) in December 2018. As a result, a first tranche of State funding was confirmed in 2019 for € 270 million (60% of the economic plan). In 2019, at the Principal's request, the PFTE was updated and presented at the preliminary Conference of Services.

In 2020, the PFTE was further updated and then approved by a Council Resolution. In the second part of 2020, the Final Project started to be developed; it was completed in 2021 and submitted to the decision-making Service Conference, and finally approved by Municipal Council Resolution No. 1063 dated 1 September 2021. Still in 2021, drafting of the Executive Project began.

In 2022, the development of the Executive Project continued, with extensive use of the BIM methodology, whose review ended in December 2022. With respect to financing, with Ministerial Decree No. 607 of 27 December 2019, the Ministry of Infrastructure and Transport earmarked an additional € 210 million for this work, thus covering the entire Economic Plan of the Final Project. Subsequently, as a result of the significant increase in the unit prices of construction materials, the Estimated Metric Calculation of the project was updated, where possible based on the Lombardy Region Price List of July 2022 or on new market research. Consequently, the Municipality of Milan had to raise additional funds (€ 124 million) as per the new Economic Plan approved at year end, for a total of € 522 million. Once these funds have been obtained, a call for tenders for these works will be launched.

- Milan M5 underground railway line – Extension to Monza

This work, consisting of 11 stations and a depot/workshop, will be developed for a total length of approximately 13 km almost all underground. The location of the Parco-Villa Reale station within the Monza Park, a protected natural area of the Lambro Valley Park, requires, pursuant to Article 7 of Legislative Decree No. 152 of 2006, compliance with the Environmental Impact Assessment (VIA) administrative procedure, or rather the VIA/PAUR procedure.

The Technical and Financial Feasibility Study (PFTE) was drafted and updated between 2018 and 2019 and the financing of the economic plan (€ 1,250 million) was also defined with a burden-sharing agreement between the Authorities involved (the Region and the Municipalities of Milan, Monza, Cinisello Balsamo and Sesto San Giovanni).

The development of the Final Project began in 2019, using the BIM approach. The geognostic investigations related to the works continued in 2020. The design activities continued also in 2021, including, inter alia: layout enhancements, as a result of the results of the geognostic campaign; the functional, structural and plant engineering design of the stations and a depot workshop; and the final landscaping and greening of certain station areas and the depot area. Still in 2021, the preliminary consultation phase of the Authorities took place, pursuant to Article 21 of Legislative Decree 152/2006. It consisted of technical meetings held with the Regional Investigation Board for the VIA and with the relevant Authorities.

Furthermore, the following further important developments took place in 2022:

- the drafting of the Final Project was completed;
- the regional authorisation procedure (PAUR) began, based on the Final Project;

- meanwhile, in-depth discussions were held with the relevant Municipalities on final landscaping and construction sites;
  - management of project issues subject to land constraints continued, including, in particular, the Polo Istituzionale di Monza (terminus), the interface with the Monza railway station and the Villa Reale Park in Monza, etc.
- Milan M4 underground railway line

Also in 2022 work continued in a twofold manner:

- secondment of staff to AMAT s.r.l., consisting of 8 specialised employees dedicated to providing Technical Support to the Grantor; the aforementioned staff also include the Head of the function, who directly reports to the Chief Executive Officer of AMAT s.r.l.; the cost for the seconded staff is entirely borne by AMAT s.r.l.;
- an agreement with AMAT for the provision by MM of technical support activities covering specific aspects of the construction of Line M4, including: rolling stock, system equipment, layout, railway superstructure, ventilation systems and fire prevention issues, escalators and elevators, depot equipment, finishings and technical support to the Safety Commission appointed by the MIT.

In 2022, the procedure necessary to open the first functional stretch of Line 4, consisting of the first 6 stations on the Linate-Dateo stretch, which was officially inaugurated on 26 November 2022, took place. The technical preliminary investigation of the Executive Design continued, especially for the line stretches to be opened in the future, as well as the technical-economic preliminary investigations on the Final Project packages attached to the requests for contractual changes made by the Operator.

- Extension of Line 4 of Milan underground railway from Linate to Segrate

In 2022, the Technical and Financial Feasibility Study (PFTE) was developed and delivered in December, in line with the timeframe set by the Connecting Europe Facility (CEF) call for design funding.

The work included geotechnical and environmental investigations and preliminary surveying activities. The project focused on hydrogeological aspects (the Idroscalo basin), the integration of the Porta Est terminus with the future railway station of the same name, and the integration of the Idroscalo San Felice station with the neighbouring properties as well as on landscape and environmental issues.

The economic plan amounts to € 470 million, of which € 420 million already earmarked by the Government.

- Segrate Porta Est railway station
- In 2022, the PFTE was completed and delivered in December, in line with the timeframe set by the CEF call for design funding.
- The functional design was developed based on the track layout defined in 2021, including initial structural checks, focusing, in particular, on the integration of the connections with the mezzanine level of the future M4 station. The architectural aspects were developed in close cooperation with

RFI. The technical cost of the work, estimated partly on the basis of RFI price lists and partly considering PM schedule of rates, amounts to € 158 million.

- Milano Comasina – Limbiate Ospedale LRT

The project envisages the total redevelopment of the existing suburban tramway line as a modern light rail as part of a project for the final design, inspection, safety coordination during the design stage, and support to the Sole Project Manager (RUP).

In July 2021, the Final Design for the entire line (lot 1 + lot 2) was delivered, including the new depot/workshop in Mombello (Limbiate), on the basis of which the decision-making Service Conference was convened, ending in November 2021.

In 2022, the Final Design was updated following the observations of the Service Conference. Subsequently, as a result of the general and significant increase in the unit prices of construction materials over the most recent period, the Estimated Metric Calculation of the project was updated. This entailed a significant increase in the Economic Plan and, therefore, the need for the Municipality of Milan to raise additional funds, amounting to € 26 million. Once these funds have been obtained, a call for tenders for these works will be launched.

- Northern Interdistrict LRT – Niguarda–Cascina Gobba functional stretch

This work is included among the works eligible for funding under the NRRP and it consists of two lots: lot 3 (Quartiere Adriano–Cascina Gobba M2) and lot 4 (Niguarda A&E–viale Testi).

The activities carried out during the year primarily involved: the development of the Final Project for the purposes of the Service Conference; acknowledgement of the results of the Service Conference and updating of the Final Project; document integration of the Final Project for the purpose of the joint contract award; as a result of the increase in the unit prices of construction materials, the updating of the Estimated Metric Calculation of the project, resulting in a significant increase in the Economic Plan; the additional funds are ensured by Italian Law Decree No. 50/2022 (the “Aid Decree”); beginning of verification for validation purposes; issue of the pre-qualification call for tenders for this work in December 2022.

- Northern Inter-Neighbourhood LRT – Bausan–Bovisa stretch

As part of the project development, in 2022 discussions continued with the main players involved in the development of the Bovisa area, also as part of the Service Conference convened by the Lombardy Region in November 2022. In the second half of 2022, based on a specific new assignment by the Municipality, drafting of the Technical and Financial Feasibility Study (PFTE) commenced, which will be used to award public work contracts under the NRRP and the NPC.

- Extension of Tramway Line 24 from Selvanesco to IEO

- In August 2021, Phase 1 of the PFTE was delivered, including several scenarios for the south-bound extension of tramway Line 24 (IEO, Noverasco, Opera and Locate Triulzi). Subsequently, in agreement with the Municipality of Milan, the Phase-2 design started on the chosen solution, which envisages a 1.1 km extension to the IEO with a terminus loop.

The PFTE was completed and delivered in August 2022. The activities that requested more in-depth analyses related to the project’s impact on the IEO employee car park, the reconfiguration of the access road system and the concurrent approval procedure for the hospital expansion project (IEO 4).

- At the same time, the project received state funding from NRRP-NPC funds to cover the entire expenditure. In the second half of 2022, a new design phase was started in order to integrate the PFTE and use it to award public work contracts.
- **Cologno-Vimercate LPT system:** study of the solution selected to date by the Working Group of Local Authorities: a light rail system (LRT). This activity straddles the first and second phases of the PFTE. The main issues and macro-constraints (motorways, underground utilities, protected areas) were analysed in order to define route geometries and road types.
- **Transport system Municipality of Milan, Città della Salute and IAP (Integrated Action Plan) Municipality of Sesto San Giovanni:** in 2022, the study (Phase-1 PFTE) on the upgrading of LPT connections in the former Falck and *Città della Salute* (i.e. Health City) areas was completed.
- **Extension of the rapid mass public transport service on the Assago Milanofiori M2-Rozzano-Zibido-Binasco route:** as part of an agreement with the Municipality, the Metropolitan City of Milan engaged MM to perform a study in 2022, which qualifies as a feasibility study and explored various system alternatives.
- **New rapid mass public transport service on the MIND-Sesto S.G. (Città della Salute) route:** in 2022, as part of an agreement with the Municipality, the Metropolitan City of Milan engaged MM to perform a study which qualifies as a feasibility study and explored various system alternatives.
- **Extension of the rapid mass public transport service from Gessate M2 to Trezzo sull'Adda:** in 2022, as part of an agreement with the Municipality, the Metropolitan City of Milan engaged MM to perform a study which qualifies as a feasibility study and explored various system alternatives.
- **Study of the terminus of the Milan-Desio-Seregno LRT at the Seregno junction:** in 2022, the technical support activities for the Milan Parco Nord-Seregno light rail continued with respect to the Contracting Authority and the Sole Project Manager (RUP). In addition to this, the Metropolitan City of Milan engaged MM to carry out a feasibility study on improving the interchange between the future light rail and other transport systems (regional trains, bus lines, private mobility, etc.) at the Seregno railway junction, which was delivered in September 2022.
- **Renovation of Line 2 viaducts from C.na Gobba to Cologno Monzese:** in the first half of 2022, MM developed the final project and the executive design for the temporary supervision of the Cologno viaduct. In the summer of 2022, the tender was issued and work began, with completion scheduled for 2023. In the second half of 2022, the final design of the viaduct renovation was drawn up and delivered to the Municipality for the necessary approvals. For this work, the Operator of Line 2 is expected to act as the contracting authority.
- **Specialist collaboration due to vibration disturbance caused by the underground railway line:** in 2022, MM continued to provide support to the Municipality in relation to measures, studies and projects aimed at addressing vibration disturbance caused by the passage of underground trains, especially along the historic sections of the M1 and M2 lines. During the year, two projects for work on the railway infrastructure (M1 and M2) were developed based on further specific engagements awarded by the Municipality.

### Activities outside the Municipality of Milan (Extra Moenia)

In 2022, MM also carried out **contracts outside the Municipality of Milan**, in other Italian cities and abroad, including, in particular, the commencement of the design, following participation in a tender together with other companies, for the extension of the tramway network in Padua (“SIR2” stretch). MM’s share of the design activity amounts to approximately € 1.3 million.

### Activities in the Municipality of Naples

The activities are carried out by the “Naples Design and Construction” (*Progettazione e Costruzione Napoli*) Department, based in Naples, with some specialist input from the design functions based in Milan.

The current development of Line 1 of Naples’s underground railway is 18.5 Km with 19 stations, all in operation. Two of these (Municipio and Duomo) became operational with a temporary configuration as archaeological excavations are still ongoing, whose completion is scheduled for 2023.

The project for the extension of Line 1 to the airport of Capodichino envisages a development of approximately 3.3 Km with 4 stations, an underground storage facility for rolling stock and a park and drive facility located at the Capodichino station. Due to the delays already occurred in the handover and acquisition of the areas of intervention, the land reclamation works at Poggioreale station, the agreements with EAV, and the collapses of the adjacent cemetery due to an unforeseen subsidence of the ground during the construction of the tunnel, which affected the Poggioreale station in early 2022, the activation will take place in stages, with a first stretch including the Centro Direzionale and Tribunale stations to be opened by 2023, and the rest to be completed by 2026. The value of financed works as at 31 December 2021 amounts to € 250 million.

With respect to the extension to Capodichino, the executive design of all structural works up to the Capodichino station was completed in 2022. The executive design of the final stretch between the Capodichino station and the EAV Di Vittorio station is currently underway, as well as the completion of the design of the finishing works at the Capodichino station. Following the event that took place near the Poggioreale station in early 2022, a series of designs are being developed to ensure the safety of the site and resume work.

Line 6 of the underground railway of Naples envisages a development of 6.4 Km and 8 stations. To date, the first functional stretch of 2.6 Km with 4 stations is in operation: the stretch between the Mergellina and Municipio stations is currently under construction. Completion of works is expected in 2024. In this respect, in 2022, MM’s technical work with the operator continued.

In 2022, the development of the most recent contracts acquired as part of the project with Concessionaria Metropolitana di Napoli continued: the final design of the renovation of the Circumvesuviana tunnel (approximately € 58 million) was completed and the development of the executive design began; the final design of the “Compensatory” car park in the Capodichino area was completed and sent to the grantor, the Municipality of Naples, for approval.

In 2022, a new assignment was awarded by EAV (Ente Autonomo Volturno) as part of a joint venture with other engineering firms. It includes a framework agreement for the Phlegrean lines (*Linee Flegree*) operated under concession by EAV. The project has a term of 48 months and a contract value of € 18 million (MM’s share: € 7 million). In 2022, this framework agreement provided for the completion of the final designs of two depots in the Piscinola and Giugliano areas; adjustments to

the S.S.E of the Circumflegrea railway and adjustments to the Cancellone-Benevento railway. The design contracts which began as part of the above framework agreement with EAV are worth approximately € 7.8 million (MM's share: about € 3 million).

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

In 2022, the revenues of this Department continued to originate from the numerous **activities as Sole Project Manager during Construction, Construction Management and Safety Coordination during Construction.**

Engineering operations continued with a view to providing support to MM's Business Units and Departments and to the different Technical Areas of the Municipality of Milan, as well as some activities outside the Municipality of Milan aimed at supporting external customers other than the Municipality, mainly concerning **extraordinary maintenance.**

In particular, DCIP staff were deployed on the following works:

- **Integrated Water Service (IWS): Construction Management and Safety Coordination during Construction for the following works:** Static consolidation of Cavo Redefossi; protection of the hydraulic functionality of the sewer system; works on the drinking water plants: Suzzani; Gorla; sewer system in piazza Mistral/Cassinis, via Tre Castelli, renovation of the Nosedo sewer pipeline; upgrading of waterworks, including in via Uruguay, via Forze Armate, via Idro, corso Sempione, via Padova, from piazza Napoli to via Giambellino;
- **Surface arrangements and road layouts in the Municipality of Milan: Construction Management and Safety Coordination during Construction in the following areas:** piazza Dergano, piazza Angilberto, corso Sempione and via Padova; Naviglio Pavese Eurovelo 5 cycle route and corso Sempione cycle lane.
- **Routine maintenance of vacant housing units (Public Housing Property) – Construction Management and Safety Coordination during Construction:** recovery of vacant housing units 6÷8; extraordinary maintenance of lifts and intercoms; Cilea; Saint Bon; Omero; Pascarella; Tofano demolition and reconstruction;
- **Environmental reclamation on behalf of the Municipality of Milan:** Construction Management and Safety Coordination during Construction at Bovisa Gasometri Area; via Chiasserini Area; via Giambellino Area;
- **Municipal school buildings; Construction Management and Safety Coordination during Construction for the following schools:** Catone; Console Marcello; Crespi; Diaz; Narcisi; Martinetti; Rasori; Salici; Trilussa; Venini, Brunacci, Andora holiday house, Colletta, Forze Armate, Russo, Stoppani, Parenzo, D'Annunzio, Gattamelata;
- **State-owned Real Estate property of the Municipality of Milan: Construction Management and Safety Coordination during Construction for the following works:** "Casva" Museum of Visual Arts; Piazzale Accursio; Villani Giuffrè; Ortles Hospitality House;
- Milanospo S.p.A.: Construction Management and Safety Coordination during the design stage for the following facilities: Saini; Cambini Fossati; Palalido; XXV Aprile small track; Murat.
- So.Ge.Mi. – Construction Management and Safety Coordination during Construction for the following works: NP01 and PLO buildings, Removal of piles.

### Operations in Romania

MM's operations in Romania, as contracting agent of a Joint Venture that was awarded the assignment, on behalf of the Romanian Ministry of Transport (Compania Nationala de Cai Ferate "CFR"), of **Consultancy in the area of management of the execution of works and installations pertaining to the objective of upgrading the Brasov-Simeria railway line** (Pan-European Corridor IV), Sighisoara-Coslariu section (Lot 2), continued throughout 2022 and ended on 22 January 2023. The administrative activities for the closing of the consultancy contract are in progress.

### Mobility Construction Management Department (DCMM)

The Department's revenues in 2022 mainly relate to the following activities:

- **Construction Management** for the execution of **Line M4 project in Milan**;
- **Construction Management and Safety Coordination during Construction of structures and infrastructure**: Extension of Line M1 to Monza Bettola; Trolleybus in Verona; Anassagora – Adriano tramway, and related preparatory reclamation works in via Tremelloni; Milan (Parco Nord) – Seregno LRT.

### Milan M4 underground railway line

As regards the main work order concerning Line M4, the activities aimed at fulfilling the tasks assigned to MM in relation to Construction Management, continued. Since inception in 2012, these activities had been carried out under the direct and functional control of the Grantor, i.e. the Municipality of Milan, while, since the new assignment in June 2017, they have been carried out under the control of the Line M4 Concessionaire, in compliance with the indications provided by the National Anti-corruption Authority. In fact, Società Concessionaria SPV Linea M4 S.p.A. was established on 22 December 2014 following the signing of the Concession Agreement between the latter and the Grantor, i.e. the Municipality of Milan, for the Design, Construction and Operation of Line 4 of Milan underground railway.

The progress of works resulted, since the delivery of works in February 2012, in a growth trend of staff involved in Construction Management, to reach in 2018 the maximum number of resources deployed, adequate to guarantee the performance of activities on all the city sites affected by the layout of the line, that is now approximately 15 Km long and consists of 21 stations and 30 line items in addition to the San Cristoforo depot.

Originally, the Concession Agreement set the completion date of the works within the first half of 2022. Due to unexpected and unforeseeable events, this deadline was subsequently postponed for a construction period of 15 months by signing a Supplementary Deed between the operator, M4 S.p.A., and the grantor, the Municipality of Milan, on 5 February 2019.

Furthermore, progressive openings of the line (functional stretches) were scheduled.

- First Functional Stretch: Linate – Forlanini FS
- Second Functional Stretch: Linate – Dateo
- Third Functional Stretch: Linate – San Babila
- Entire line: extension to San Cristoforo.

On 26 November 2022, after obtaining the necessary authorisations from the competent bodies, the first two functional stretches of the line from Linate Airport to Dateo Station began operations, covering a linear development of 6.50 km, equal to 43% of the entire stretch of approximately 15 km.

Following the signing of the Supplementary Deed, the Construction Management contract was updated to 2023, in order to cover the need to commit resources until the completion of the works.

As a result of the Covid emergency, of the improvement of the final landscaping requested by the Grantor and of further events and delays related to the construction of the connecting tunnels with the central stations, the general lead times were further extended. Negotiations are under way between the parties for the economic and time rescheduling of some works for 2024. The deed should be followed by an update of the necessary funds and the extension of the term of the appointment for Construction Management.

#### Extension of Line M1 to Monza Bettola

The works for the extension of Line 1 to Monza continued throughout 2022 via the contractor De Sanctis Costruzioni. During the year, Supplementary Deeds nos. 1, 2 and 3 were formalised for an additional amount of approximately € 19.5 million, bringing the total contractual amount to roughly € 77.8 million.

As at 31 December 2022, the progress of the works was approximately 55% of the relevant amount. On 22 November 2022, the excavation of the tunnels was completed with the breaking of the last diaphragm wall.

On 22 December 2022, the handover of the Cinisello-Monza Station area (station building and paved areas) to the contractor (Gallerie Cinisello-ImmobilierEuropea), which is responsible for the construction of the station buildings.

The contractual timeline that sets the completion date for the works at 20 December 2024 cannot be met since the Private-sector entity expects the beginning of the “public works carried out by private-sector parties” (completion of the Cinisello-Monza Station) in March 2023, i.e, 14 months later than originally planned.

Because of the delays accumulated by the Private-sector entity, on 28 November 2002, MM's contractor (De Sanctis Costruzioni) signed an “Act of Notification and Contractual Termination”. Discussions are ongoing between MM and the Municipality of Milan in order to find suitable solutions and continue the contract.

#### Trolleybus in Verona

MM acts as the Construction Manager and Safety Coordinator during Construction for the contract relating to the “construction of a trolleybus in Verona”. The works commenced in 2016 and, at the end of 2022 were substantially at a standstill with a progress of 10% on the total contractual amount of € 126 million.

In 2023, works should fully resume following a Change Appraisal, which is expected to be approved within the first half of the year and which will provide for a residual contractual duration of 981 consecutive calendar days. At the same time, MM will update with the Principal (AMT3) the assignment specifications relating to its professional services.

#### Anassagora – Adriano tramway



Works are suspended due to the extension of the reclamation activities, which are expected to be completed by the end of May 2023. Consequently, assuming that the tramway works resume in early June 2023, completion is expected in early April 2024.

#### Milan (Parco Nord) – Seregno LRT

MM's preliminary activities started in October 2022 to assist the Principal (the Metropolitan City of Milan) with signing the Supplementary Deed with the contractor CMC. Signing took place on 10 January 2023 and works are expected to be delivered by 15 March 2023.

#### *Sucursal Colombia*

The *Consortio Supervisor* PLMB, of which MM is a member, with a 15% stake, together with Italferr S.p.A. and two local partners, carried out the supervision activities necessary for the construction of Line 1 of the Bogota Metro for the customer EMB S.A., continuing the last part of the Preliminary Phase of the contract, which includes both control of the executive design and the supervision of some preliminary works related to urban mobility and the construction of the depot/workshop.

MM coordinates the team of experts in charge of the rolling stock and electric railway systems, who, in 2022, were also involved in the presentation of the mock-up of the first carriage to the public.

The launch of the Construction Phase, scheduled for January 2023, was postponed to April 2023 due to the late delivery of some project drawings by the operator Metro Línea 1 S.A.S. - ML1.

In 2022, **Sucursal Colombia** reported € 800 thousand in revenues and € 908 in costs; therefore, the net loss for the year amounted to € 108 thousand.

#### *Activities in the United Arab Emirates and in India*

In early 2017, MM set up a Branch in the Special Economic Zone called DWC / Dubai South in the United Arab Emirates, whose operations actually began as from August 2017.

In March 2019, the Board of Directors of MM S.p.A. had resolved to establish **a branch office in India** for the development of the contracts won in this country; the opening of the branch office was authorised by the relevant authority (RBI - Reserve Bank of India) in July 2020. The process for establishing the India Branch was finally completed in 2021.

Between 2017 and 2018, the Dubai Branch carried out mainly commercial and business development activities; already in 2018 it acquired the first three contracts relating to activities for Expo 2020 and to the underground railway development in the City of Mumbai (India).

Again in 2018, also following the acquisition of the assignment related to the Mumbai underground railway, acquisition development activities started in India. As a result of these activities, during 2019 three contracts were acquired relating to:

- CMRL – Assignment relating to the detailed design service for the structures, architecture and civil engineering works for the underground railway section of the metro called Corridor 4 in the City of Chennai – Tamil Nadu state (India) in March 2019;
- CMRL – Assignment relating to the detailed design service for the structures, architecture and civil engineering works for the raised railway section to complete the metro called Corridor 5 in the City of Chennai – Tamil Nadu state (India) in July 2019;

- MMRDA – Assignment relating to the feasibility study for the underground railway Line 14 in the City of Mumbai – Maharashtra state (India) in March 2019.

Following the commercial activities carried out in 2021, a major sector player, Parsons Corporation—a US company based in the UAE and Saudi Arabia—asked MM to provide design support services for the evaluation study and the improvement of the freight depots of SAR (Saudi Arabia Railway). This service was provided and completed in 2022.

In 2022, **the Dubai Branch** reported € 59 thousand in revenues and € 691 in costs; therefore, the net loss for the year amounted to € 631 thousand.

In 2022, **the India Branch** reported € 115 thousand in revenues and € 201 in costs; therefore, the net loss for the year amounted to € 86 thousand.

## Housing

The municipal housing property currently includes **38,844 real-estate units** of which:

- **28,748 housing units** (of which 783 in neighbouring municipalities);
- 8,718 garages and parking spaces;
- 1,378 real-estate units for Non-Residential Uses.

In 2022, management of Public Housing Properties became increasingly important, also by participating in processes and schemes (e.g., development of CRM, web channels, such as the on-line portal for tenants <https://casa.mmspa.eu/>, management system, etc.). Activities continued in order to provide the company with an advanced tool for the technical census of property using innovative technologies and the system for the remote control of facilities using IoT technologies.

In 2022, the Business Unit recorded a total of **256,718 contacts** with customers, of which:

- **155,366 phone contacts** on the toll-free number 800 01 31 91, available 24x7;
- 22,992 appointments at branch offices or by telephone;
- 78,360 contacts through standard or registered mail.

In 2014, the first two **local offices** opened to the public (North East Office in via Civitavecchia, North West Office in via Senigallia), with the task of managing relations with customers and the technical aspects of routine maintenance. During 2015, other local offices were set up in other areas of the city: South East Office in via Spaventa, South West Office in via Forze Armate, in addition to the office in piazzetta Capuana.

In 2016, the office in via Borsieri opened, making for a total of six operative offices in the territory. In 2018, the office in via Faenza and the office in via Strehler, dedicated to Non-Residential customers, also opened. Since the end of 2018, the Housing Business Unit has been organised into 4 local hubs, 3 branch offices and a specialised office.

Alongside the Housing Business Unit, MM's specialised staff of the Property Protection department has the task of monitoring the buildings managed in order to report the need for intervention, the risks of squatting, and the different potential dangers. The **prevention of squatting** is the first task to be performed by the department, and is carried out together with the Police. Results observed

since the start of operations have been significant: **reduction of the net balance of squatting positions from 1,722 to 567** (as at 31 December 2022) with a **net reduction of 65** during 2022.

The following is a summary of the **Business Unit's results**:

<b>Housing (€/000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Abs. Ch.</b>	<b>Ch. %</b>
Revenues	17,277	16,029	1,248	7.8%
Costs	(14,824)	(14,950)	126	-0.8%
<b>EBITDA</b>	<b>2,452</b>	<b>1,079</b>	<b>1,374</b>	<b>127.3%</b>
% on revenues	14.2%	6.7%		
Amortisation/depreciation and provisor	(1,696)	(1,230)	(466)	37.9%
<b>Operating Profit (Loss)</b>	<b>757</b>	<b>(151)</b>	<b>908</b>	<b>n.m.</b>
% on revenues	4.4%	-0.9%		
<b>Investments</b>	<b>1,815</b>	<b>1,576</b>	<b>239</b>	<b>15.2%</b>

**Revenues** increased by € 1,248 thousand (+7.8%), while operating costs decreased by € 126 thousand (-0.8%).

Despite the rise in amortisation and depreciation, these trends led to an increase in the operating performance, which rose from a loss of € 151 thousand to a profit of € 757 thousand.

**Investments** of the Housing Business Unit amounted to € 1,815 thousand, up by € 239 thousand compared to the previous year.

### *Plant and Real Estate Management*

The movable property and real estate of the Plant and Real Estate Management Business Unit (DVGI), instrumental to the management of the waste collection and disposal service, are mandatorily made available to the temporary provider of environmental hygiene services (AMSA S.p.A.) through a lease contract in exchange for payment of an annual fee of € 2,030,137 plus VAT. This contract originally covered the 2017-2021 period.

In anticipation of the end of the waste management and street cleaning agreement with Amsa S.p.A., in late 2020 the Municipality of Milan issued a European invitation to tender for the award of environmental hygiene services for a period of 7 years starting in 2021. However, the tender procedure was suspended following the Lombardy Regional Administrative Court's (TAR) granting of a number of interlocutory applications. In September 2021, the Municipality of Milan cancelled the call for tenders and prepared the issuing of a new call for tenders, to be published in January 2022, with a deadline for the submission of bids set on 5 July 2022.

To ensure the continuity of the environmental hygiene service, pending the completion of the tender, the lease contract between MM and Amsa dated 24 July 2017, already extended on 8 February 2021 to 31 May 2021, was further extended to 30 April 2022, in line with the extension of the environmental hygiene service concession arrangement with the Municipality.

Following the Lombardy TAR's orders dated 2 March 2022, which suspended the tender, and the consequent extension of the service agreement by the Municipality to Amsa, on 28 April 2022, MM and Amsa signed an additional extension of the lease for the period 1 May 2022 - 30 April 2023.

Finally, on 16 March 2023, Amsa informed MM of the need to commence the procedure to further extend the lease to 31 December 2023.

The table below summarises the **Plant and Real Estate Management** Business Unit's results:

<b>Plant and Real Estate Management</b> (€/000)	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Abs. Ch.</b>	<b>Ch. %</b>
Revenues	2,033	2,035	(2)	-0.1%
Costs	(226)	(291)	65	-22.3%
<b>EBITDA</b>	<b>1,807</b>	<b>1,744</b>	<b>63</b>	<b>3.6%</b>
% on revenues	88.9%	85.7%		
Amortisation/depreciation and provisions	(1,263)	(1,270)	7	-0.5%
<b>Operating Profit (Loss)</b>	<b>544</b>	<b>474</b>	<b>69</b>	<b>14.6%</b>
% on revenues	26.7%	23.3%		
<b>Investments</b>	<b>(16)</b>	<b>1,326</b>	<b>(1,342)</b>	<b>n.m.</b>

In terms of financial performance, in 2022 EBITDA increased from € 1,744 thousand to € 1,807 thousand (+3.6%); **revenues remained stable**, while costs decreased by € 65 thousand (-22.3%).

### *Routine Plant and Infrastructure Maintenance (DMOI)*

- **School Buildings: Maintenance of school buildings** continued in 2022 with management gradually shifting from a mainly “buy” type (i.e., using external contractors) to a “make” type (i.e., using MM's resources), consolidating the processes necessary to implement the new operating model.

In 2022, the Routine Plant and Infrastructure Maintenance BU commenced the activities preliminary for the **takeover of the service for the routine maintenance of the electrical systems, exclusively on a “buy” management basis**, aimed at the technical-economic assessment of the transition process that will allow to expand the scope of the maintenance services managed by MM on a “make” basis.

- **Maintenance of the lifting systems serving road underpasses:** activities continued in 2022, as regulated by a specific Agreement executed 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 operated by Milanospport:** activities continued in 2022, as regulated by the **Agreement executed on 24 January 2020** between MM and Milanospport, for the provision of facility management and energy efficiency services, including acting as Third Party Responsible for HVAC systems (as per Article 1 of Italian Presidential Decree 412/1993) and Energy Manager.

- **Roads, signs and bridges:** in 2022, discussions began with the Municipality of Milan for the technical-economic definition of the following activities: takeover of “administrative management” of the executive phase for routine maintenance contracts for roads, signs and bridges, currently in progress; evaluation of road maintenance requirements in order to implement the road register and plan and manage maintenance works.

The following is a summary of the **Business Unit’s results**:

<b>Routine Plant and Infrastructure Maint. (€/000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Abs. Ch.</b>	<b>Ch. %</b>
Revenues	10,957	5,064	5,893	116.4%
Costs	(9,242)	(4,486)	(4,756)	106.0%
<b>EBITDA</b>	<b>1,716</b>	<b>578</b>	<b>1,137</b>	<b>197%</b>
% on revenues	15.7%	11.4%		
Amortisation/depreciation and provisions	(166)	(16)	(149)	906.9%
<b>Operating Profit (Loss)</b>	<b>1,550</b>	<b>562</b>	<b>988</b>	<b>176%</b>
% on revenues	14.1%	11.1%		
<b>Investments</b>	<b>984</b>	<b>86</b>	<b>899</b>	

In terms of financial performance, in 2022 EBITDA rose from € 578 thousand to € 1,716 thousand (+197%); as a result of higher business volumes, revenues increased by € 5,893 thousand (+116%) and costs by € 4,756 thousand (+106%).

### *Public Housing Property Green Area Management*

In 2022, the organisational structure of the function entrusted with the **direct management of maintenance of Public Housing Property green areas**—formerly managed by external contractors identified by means of a public tender procedure—was consolidated, in accordance with the Agreement for the management of the municipal housing property.

**Maintenance of the green areas of MM’s IWS premises** and of the **Nosedo and San Rocco wastewater treatment plants** was carried out during the year.

The following is a summary of the **Business Unit’s results**:

<b>Public Housing Property Green Areas (€/000)</b>	<b>31.12.2022</b>	<b>31.12.2021</b>	<b>Abs. Ch.</b>	<b>Ch. %</b>
Revenues	1,201	0	1,201	<i>n.m.</i>
Costs	(1,311)	(1,067)	(244)	22.9%
<b>EBITDA</b>	<b>(110)</b>	<b>(1,067)</b>	<b>957</b>	<b>-90%</b>
<i>% on revenues</i>	-9.2%			
Amortisation/depreciation and provisions	(24)	0	(244)	<i>n.m.</i>
<b>Operating Profit (Loss)</b>	<b>(134)</b>	<b>(1,067)</b>	<b>932</b>	<b>-87%</b>
<i>% on revenues</i>	-11.2%			
<b>Investments</b>	<b>25</b>	<b>0</b>	<b>25</b>	<b><i>n.m.</i></b>

In 2022, the Business Unit recognised its first revenues amounting to € 1,201 thousand. Operating costs, also related to the start-up phase of the service, increased by € 244 thousand (22.9%).

## Business outlook

As they refer to regulated sectors (Integrated Water Service) or are associated with in-house procurement arrangements with the Municipality of Milan, which is the Company's sole shareholder (Engineering, Housing, Routine Plant and Infrastructure Maintenance), the nature of most of the services performed by MM contributes to confirming expectations of a limited negative economic impact of the difficult national and international economic environment.

With respect to energy markets, electricity and gas prices remain high; however, they fell below the average values for 2022. In the first quarter of 2023, the PUN (the wholesale reference price of electricity purchased on the Italian market), compared to an average value of € 304/MWh in 2022, achieved an average monthly value ranging between € 136/MWh in March and € 175/MWh in January.

If confirmed, the price reduction may also result in lower pressure on the forecast operating margins. This aspect may also be affected by the government's decisions on tax credits related to the increase in energy prices. In this respect, the recent Law Decree No. 34/2023 extended their application to 30 June 2023, but decreased the rates to 20% for gas and 10% for electricity.

The general macroeconomic framework envisaged in the Bank of Italy's Economic Bulletin (January 2023) indicates some weaknesses in the global economic context, with negative cycles linked both to the military conflict between Russia and Ukraine and the currently high inflation rates which, on the other hand, tend to contain energy prices. According to the main central banks, interest rates will continue to grow. The 3-month Euribor rate is assumed at 3.4 % for the whole of 2023.

With respect to the Italian economy, GDP growth for 2023 is forecast at +0.6%, recovering only in the subsequent two years thanks to the acceleration of both exports and domestic demand. Inflation forecast for 2023 stands at +6.5%, slowing from the peaks of more than 11% recorded at the end of 2022. It will subsequently decline and settle at 2.0% from 2025 onwards. Finally, a moderate expansion of investments is expected, which would grow by almost 2% on average over the 2023-2025 three-year period.

## Personnel

As at 31 December 2022, MM's staff numbered **1,387 employees**.

In addition, MM employs 11 workers hired by temporary employment agencies, none on internship contracts and 7 on collaboration contracts.

The breakdown of employees by category is as follows:

Staff broken down by category		2019	2020	2021	2022
Senior managers	no.	38	36	35	33
Middle managers	no.	77	78	79	77
Clerical workers	no.	795	820	822	836
Apprentices	no.	5	5	2	0
Workers	no.	356	354	384	423
<b>Total</b>	<b>no.</b>	<b>1,271</b>	<b>1,293</b>	<b>1,322</b>	<b>1,369</b>
Internship contracts	no.	5	2	1	0
Workers hired by temporary employment agencies	no.	24	21	15	11
Collaboration contracts	no.	7	7	8	7
<b>Total</b>	<b>no.</b>	<b>1,307</b>	<b>1,323</b>	<b>1,346</b>	<b>1,387</b>

In 2022, the percentage of employees on **permanent contracts** was equal to **96.85%**, increasing compared to 94.33% in 2021.

MM believes in offering a stable employment contract and pays close attention to the needs of its employees. This is why it accompanies each and every worker through a professional growth path within the Company.

Staff broken down by contract type	2019		2020		2021		2022	
	No.	%	No.	%	No.	%	No.	%
Permanent contracts	1,158	91%	1,188	92%	1,247	94%	1,326	97%
Fixed-term contracts	113	9%	105	8%	75	6%	43	3%
<b>Total</b>	<b>1,271</b>	<b>100%</b>	<b>1,293</b>	<b>100%</b>	<b>1,322</b>	<b>100%</b>	<b>1,369</b>	<b>100%</b>

MM's recruitment campaign, which began a few years ago, continued in 2022 as well, in line with business developments.

## Relations with trade unions

MM's staff can be classified under 7 different contract types: Collective Agreement (CCNL) for Employees of Owners of Buildings (Housing BU), Collective Agreement (CCNL) for Construction and Related Industry (Engineering BU and Staff), Collective Agreement (CCNL) Federcasa (Housing BU and the Routine Plant and Infrastructure Maintenance BU), Collective Agreement (CCNL) for the Gas and Water sector (Water Service BU and Staff), Collective Agreement (CCNL) for Middle Managers and clerical workers of the agricultural sector and Collective Agreement (CCNL) for workers of the agricultural and floriculture sector (Public Housing Property Green Areas function), Collective Agreement (CCNL) for Industry Managers (for all Managers).

Should significant organisational changes take place, MM has a system in place whereby the trade unions are informed in advance and meetings are held with the employees concerned, respecting



the notice periods that vary depending on the contract type and the entity of the operative change envisaged. Following these actions, the company then proceeds with a Service Order.

For each operating office or Business Unit, MM relies on formal health and safety committees, which represent 100% of the MM workforce.

## Training

MM believes that personal and professional growth of staff is essential to business development. It is therefore necessary that staff members are placed in a situation where they can carry out their activities in the best way possible, and make the most of their abilities.

To this end, MM provides training courses aimed at consolidating and **improving the technical and cross-departmental skills of all employees**. These may be in the form of **compulsory training courses** as required by law and applicable regulations, or **courses for updating and upskilling staff** based on the training needs expressed by managers and heads of department.

Training courses dedicated to employees are aimed at strengthening technical and specialist skills, reducing risks associated with undertaking operational activities, with particular reference for instance to occupational and environmental health and safety, and raising awareness of critical events that may affect the Company's reputation.

The training programme, excluding the topics required by law, is defined according to the strategic objectives, the requirements of the Business Units, as well as internal and external audit findings highlighting the need to explore certain topics about specific processes, in accordance with the relevant procedure.

In 2022, MM provided **a total of 29,612 hours of training** (+12% compared to the previous year); the share of **training with in-house teachers** accounts for 10% of total hours of training (**2,854 hours**).

The **hours of training per employee** delivered in 2022 totalled **21.6** over the total population.

With reference to the **application method**, over the last three years top-down training (i.e., paths established by the Company for consistent groups of employees) increasingly prevailed over bottom-up training (i.e., specific training required by the functions). In 2022, **top-down training hours** totalled **27,448, accounting for 92%** of total training hours, an increase of 17% compared to 2021.

## MM's attention towards employees

MM has always paid close attention to creating a stimulating working environment that is attentive towards the needs of its employees. This is why MM provides numerous **benefits for those who work in the company**.

In addition to standard benefits – like **meal vouchers, special arrangements with transport companies** such as ATM and Trenord, company mobile phones to all employees and PCs according to the position – MM offers all its employees a system of **health monitoring**, including an internal medicine service and the presence of a **doctor, on a rotation basis, at the Company's offices**, as well as preventive medicine service with specific check-ups for women and men. In addition, as of 2020, corporate welfare includes **insurance** for employees in the event of **hospitalisation due to covid-19**.

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

Furthermore, in the cases envisaged by the law, MM allows for **advances on post-employment benefits accrued**, also applicable to dependent family members.

An **annual performance bonus** is paid to employees as a supplement to their salary. Subject to agreement with trade union representatives, employees are given the possibility of converting part of the bonus into welfare services, without prejudice to the legal requirements concerning tax exemption.

In addition to the disbursement of benefits, MM also sets up an in-house **professional development and performance assessment process**, which maps out the roles within the company, making it possible to plan and organise activities in the best possible way. Performance mapping is followed by assessment. As of 2021, a **People Strategy** Plan has been launched with a view to developing and managing the technical, managerial and relational skills that help achieve excellent results, innovation and sustainability, while respecting fundamental human rights and the principles of fairness and transparency set out in the Code of Ethics and the NFS. As part of this plan, **performance management** was also revised and the assessment process was digitised using the **SAP SuccessFactors** platform. For further details, reference should be made to the 2022 Sustainability Report, Chapter 4 “We value MM’s people”.

MM’s **job posting** service is in operation, enabling employees to apply for jobs that have become available in the Company, taking part in the selection process together with external candidates.

## Safety at work

MM makes safety an essential part of its internal policy and thus methodically renews, updates and improves the **instruments aimed at minimising the risk of incident or injury** within its day-to-day work.

One of the tools used by MM to minimise risks is **training**, through which the Company raises its employees’ awareness on the risks relating to the various duties, providing the tools necessary to avoid harmful events and improve general working conditions. Training on **behavioural and legal obligations** for the correct execution of operations is flanked by codes of conduct, aiming to inform staff on how to behave correctly in order to minimise the risk of injury and occupational diseases.

In 2022, 2 cases of work-related injuries were recorded, all with full recovery within 6 months, confirming the **downward trend in the number of work-related events seen over the last ten years**. The injury rate, defined as the rate between the number of work-related injuries and the total number of hours worked (frequency index<sup>11</sup>), is 0.16.

Also in 2022, in line with 2020-2021, no cases of occupational disease were recorded. The monitoring and constant analysis of cases leading to injury enable MM to identify continuous, renewed corrective actions that are then disseminated within the company through the safety procedures.

No occupational diseases on employees or former employees and mobbing causes, for which the company was declared definitely responsible, were reported.

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<sup>11</sup> The frequency index is calculated as: *Number of injuries / number of hours worked x 200,000*.

For each operating office or Business Unit, MM relies on formal health and safety committees, which represent 100% of MM's workforce.

In 2022, the Engineering and Integrated Water Service Business Units obtained the UNI ISO 45001 certification.

## Disclosure of non-financial information

On 29 September 2014, the European Council adopted the Directive on disclosure of non-financial and diversity information, which had already been approved by the European Parliament in its plenary session on 15 April 2014. The directive was transposed into Italian law with Legislative Decree no. 254 of 30 December 2016.

The Non-Financial Statement must provide a fair view of the organisational model, operations, key risks and performance indicators with regard to environmental, social, staff-related, human rights, anti-corruption and anti-bribery aspects that are relevant in view of the company's operations and characteristics.

MM decided to prepare a **document separate from the Report on Operations** named "**2022 Sustainability Report**", which corresponds to the Non-Financial Statement prepared pursuant to Article 3 of Italian Legislative Decree 254/2016. The document is prepared in accordance with the GRI (Global Reporting Initiative) Standards and subsequently updates<sup>12</sup>, according to the "In accordance with GRI Standards" option.

In addition, the 2022 Sustainability Report includes the findings of the analysis conducted by MM with respect to the requirements of Article 8 of Regulation (EU) 2020/852 (European Taxonomy), according to which companies subject to the obligation to publish non-financial information are required, effective 1 January 2023, to disclose the proportion of economic activities that potentially contribute to the achievement of specific environmental goals (the so-called Taxonomy-eligible activities) and of those that are actually aligned with the technical screening criteria (the so-called Taxonomy-aligned activities), providing for each of them details in terms of revenues, capital expenditure (Capex) and operating expenditure (Opex).

Please note that said document, which has been approved by the Board of Directors, is available on the Company's website [www.mmspa.eu](http://www.mmspa.eu) (in the section "Company – Financial information" and in the section "Sustainability – Sustainability Reports").

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<sup>12</sup> In October 2021, the Global Reporting Initiative updated the Universal GRI Standards and published the latest version of the "GRI Standards".

## Corporate Governance Report

### Information on the ownership structure

The share capital amounts to € 36,996,233.00, and it's made up of 36,996,233 shares with a par value of € 1 each, fully subscribed and paid up, held by the Municipality of Milan.

All shares carry the same rights.

### Board of Directors

The company is managed by a Board of Directors (BoD) composed of three or five members, including the Chairman, who are appointed by the Shareholders pursuant to Article 2449 of the Italian Civil Code.

The Board members shall remain in office for a period of three years or less, as established upon appointment, and they can be re-elected. Their office expires on the date of the Shareholders' Meeting called to approve the financial statements for their last year in office.

Pursuant to the corporate purpose, the BoD is responsible for managing the Company, except for those powers which are reserved to the Shareholders' Meeting pursuant to the law or the Articles of Association.

The Board of Directors ensures transposition and implementation of guidelines, instructions and policy documents issued by the Municipality of Milan. Moreover, it ensures the attainment of management and/or operating objectives assigned upon appointment of the Directors.

The Chairman of the Board of Directors legally represents the Company before third parties and in court. He has the power to promote judicial and administrative proceedings, in any degree of jurisdiction and before any court, including with respect to supreme court and revocation proceedings, appointing lawyers and proxies. He may also appoint proxies for specific deeds or categories of deeds.

The Chief Executive Officer and the Managing Director, if appointed, are vested with the power to represent the Company, including in courts of law, within the limits of the powers conferred upon them.

### Chairman

- The Board of Directors, in its meeting held on 29 July 2022, resolved to grant upon the Chairman, in addition to what is provided by the Articles of Association, the powers and authorities listed below:
  - to manage the external and institutional relations of the company, taking the relevant decisions and stipulating the bilateral contracts required for implementation thereof, up to the amount of € 150,000.00 for each individual contract and within the limits of the expense budget approved by the BoD. These powers also include decisions regarding the membership of the company in organisations, associations or entities of a scientific, technical, research nature in fields that are of interest to the company, involving an expense not to exceed € 100,000.00 per individual membership, within the limits of the expense

budgets approved by the BoD and provided that this does not involve acquisition of equity investments in the joined entity;

- to represent the company in shareholders' meetings of MM S.p.A. investees, of associations, entities, and organisations that are not joint stock companies of which the investee is a member, with a power to issue the appropriate powers of attorney.

For the exercise of the powers and authorities indicated above, the Chairman shall avail himself of the human resources operating in the dedicated organisational units, which report directly to him.

In their meeting on 30 September 2022, pursuant to Article 15.7 of the Articles of Association, the Shareholders decided to grant proxies to the Chairman of the BoD, confirming the same proxies and powers granted to the Chairman during the previous term of office.

### **Chief Executive Officer**

In their meeting on 30 September 2022, the Shareholders resolved to appoint a Chief Executive Officer, in the person of the director Francesco Mascolo, granting to the Board of Directors the power to grant him broad powers of duties and representation as deemed in the best exercise of his management functions.

As per the minutes of its meeting held on 30 September 2022 and filed with Notary Public Luca Zona of Milan on 5 October 2022 (Ref. No. 40510 and Collect. No. 18473), having acknowledged that, pursuant to Article 15.7 of the Articles of Association, the BoD is responsible for appointing and conferring proxies and powers on the Chief Executive Officer proposed by the Shareholder, the BoD appointed the director Francesco Mascolo as Chief Executive Officer of MM S.p.A., granting him the following powers:

- a. to manage and coordinate the operations of the organisational units reporting to him, ensuring the implementation of the guidelines, instructions, decisions, and resolutions of the Corporate Bodies, ensuring the adequacy of the organisational structure and putting any required implementations and changes in place;
- b. to submit proposals to the BoD for the definition of corporate objectives and the planning of related activities;
- c. to prepare and submit the financial plans, annual budget and year-end financial report to the BoD, working together with the relevant Departments, ensuring the adequacy of the administrative and accounting structure and putting any required implementations and changes in place;
- d. to ensure that the preliminary documentation under his responsibility is prepared for Corporate Bodies' resolutions;
- e. to sign deeds that do not bind the Company contractually, which are part of the normal correspondence with third parties, and also sign all deeds consequent to the execution of the powers delegated to him by the BoD;

In order to execute and implement the conferred powers, in the same meeting the BoD grant the following powers and proxies to the Chief Executive Officer (CEO):

1. to define and stipulate, with all the appropriate clauses, to manage, amend and terminate—with the power to manage and settle, both in and out of court, any disputes relating thereto, also through approval of friendly agreements—procurement contracts, in any case relating to the corporate purpose, up to the total amount of € 5,000,000.00 for each individual contract, in compliance with the applicable legislation in force and ensuring that all legal requirements are complied with;
2. to carry out, subject to the BoD authorisation, in compliance with applicable legislation and all legal requirements, the entire procedure aimed at awarding procurement contracts to third parties worth over € 5,000,000.00 each, from the preparation of the tender documents to the awarding and signing of the related 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 related disputes;
3. to manage, amend and terminate—with the power to manage and settle, both in and out of court, any disputes related thereto, also approving friendly agreements—procurement contracts worth over € 5,000,000.00 each, in compliance with applicable legislation and all legal requirements;
4. to authorise and revoke subcontracts;
5. to adopt all measures and sign all deeds relating to Test Certificates, Certificates of Conformity Verification and Certificates of Regular Execution relating to procurement contracts, without limits of amount, meeting any subsequent requirement, including settling the amounts deriving therefrom;
6. to adopt all measures and sign all deeds relating to the procedures for the permanent and/or temporary acquisition of areas, movable property and real estate, both above and under ground, including, by way of example and without limitation, the expropriation, temporary and emergency occupation procedures provided for by current legislation, aimed at the construction of public works and the management of public services, also in the name of and on behalf of the entities that entrusted the Company with the relevant services, including all preliminary and preparatory measures and deeds, as well as subsequent and related deeds and measures aimed at completing the acquisition procedure, none excluded or excepted, exercising all related and consequent powers; all without limitation with respect to the value of the assets subject to the aforementioned procedures. In order to finalise the above-mentioned procedures, to sign expropriation orders, deeds relating to voluntary disposal, temporary occupancy, easement and any other type of deed; all of which with no amount limit, insofar as it falls within the approved Technical and Economic Framework of the project;
7. in compliance with the annual expense budget approved by the BoD, to define and stipulate, with all the appropriate clauses, to manage, amend and terminate—with the power to manage and settle, both in and out of court, any disputes relating thereto—bilateral contracts of any type, in any case relating to the corporate purpose, except for the purchase and/or sale of real estate and leases that exceed nine years, up to the amount of € 5,000,000.00 for each individual contract;
8. to manage bilateral contracts of any type, other than procurement contract, entered into as a result of Corporate Bodies' resolutions, authorising amendment and changes thereto up to the total amount of € 5,000,000.00 for each individual contract, ensuring that all legal requirements are complied with;

9. to adopt all measures and sign all deeds relating to the ordinary management and execution of “Service Agreements” and/or “Agreements” in force between the Shareholder, the Municipality of Milan, or other investees of the latter, and the Company for the assignment to the latter of (i) engagements for the provision of professional services, (ii) the management of public services, (iii) the performance of services, including, but not limited to: Addenda to the above-mentioned “Service Agreements” and “Agreements”, tenders, assignment specifications, accounting and payment documents and any other related and consecutive deed;
10. to submit bids, with no amount limit, for taking on assignments related to the performance of activities included in the corporate purpose—both individually and as a member of Temporary Association of Companies, consortia, joint ventures, associations in general and other entities, all without legal personality—also through participation in tenders, including negotiated procedures and public procedures in general, signing all the necessary, appropriate and consequential deeds and documents, including the relevant contract or assignment specifications, issuing all the relevant declarations and guarantees required by current legislation;
11. to establish, modify and terminate, with no amount limit, Temporary Associations of Companies, consortia, joint ventures, associations in general and other entities, all without legal personality, for carrying out activities included in the corporate purpose, also in order to participate in tenders and financed projects, with the power to grant or obtain collective mandates with representation and to settle, both in and out of court, any related dispute, defining, as most appropriate, agreements with associated or grouped companies;
12. to manage, amend and terminate—with the power to manage and settle, both in and out of court, any disputes relating thereto—existing contracts, other than those referred to in point 9 above, related to the performance of activities included in the corporate purpose, in compliance with the applicable legislation in force and ensuring that all legal requirements are complied with;
13. to define and stipulate, with all the appropriate clauses, to amend and terminate—with the power to manage and settle, both in and out of court, any disputes relating thereto—legal, administrative, fiscal and tax consultancy contracts, in any case relating to the corporate purpose, up to the amount of € 500,000.00 for each individual contract, in compliance with the applicable legislation in force and ensuring that all legal requirements are complied with;
14. as part of the management and coordination of the activities of the dependent organisational structures, assigned to the CEO by the BoD, to adopt all measures and sign all deeds for the definition, implementation and continuous updating of the appropriate organisational structure; moreover, to formalise, further to Corporate Bodies’ resolutions, all deeds relating to the organisational structures that are not directly dependent; all this, in compliance with the applicable regulations and taking into account the trend and development of corporate activities;
15. to hire staff, in compliance with the annual expense budget approved by the BoD; to define, stipulate, amend and terminate—with the power to manage and settle, both in and out of court, any disputes relating thereto, for amounts up to € 500,000.00 for each individual transaction—all individual permanent and/or fixed-term and/or other employment contracts in the forms allowed by the applicable laws, setting the conditions therein in compliance with collective labour agreements and with the discipline as allowed by the law; to apply disciplinary measures and terminate employment contracts;



16. to define and stipulate, in compliance with the annual expense budget approved by the BoD, the trade union agreements for staff of any level;
17. to represent the Company before all Labour Authorities, Bodies and Institutions, Pension and Social Security Bodies and trade unions, in compliance with applicable regulations and all legal requirements;
18. to represent the Company, both in and out of court, in disputes concerning non-contractual civil liability, pursuant to and for the purposes of Article 2043 of the Italian Civil Code, arising from the performance of its business activities, with the power to settle such disputes, for amounts up to € 500,000.00 for each individual transaction, and to pursue any appropriate action in the interests of Company;
19. as part of the financial policy approved by BoD, to open current accounts with Credit Institutions, Factoring Companies and Postal Offices, to negotiate and define in the best manner each related condition and contractual clause including the opening of short and/or medium-term financial and endorsement credit lines, also intended for the factoring of receivables due to the Company by third parties, and to take any action relating to such relationships, signing all documents required for execution thereof;
20. jointly with the Head of Administration, Finance, Control and Regulation, Lorenzo Persi, or, in the event of his absence (also short-term) or momentary impediment, with the Head of Legal, Tendering and Procurement, Antonella Cupiccio, to make deposits or withdrawals on the Company's current accounts held at Credit Institutions and Postal Offices, to issue and/or request the issue of bank cheques and banker's drafts, to endorse and collect bank cheques and banker's drafts;
21. to call for payments, collect amounts, mandates, Treasury notes, money orders, cheques, credit instruments of any type and guarantee deposits from the issuing institution, Cassa Depositi e Prestiti, the Treasury of the Republic of Italy, the Regions, Provinces and Municipalities, the Postal Offices and any Public Office or private individuals in general and to release the paying parties from liability, issuing the necessary receipts and proof of payment;
22. to represent the Company in insolvency proceedings, filing requests for admission in insolvency proceedings, accepting composition agreements and issuing third party declarations in enforcement proceedings;
23. to make guarantee deposits in cash, securities or through bank or insurance sureties;
24. to represent the Company towards any Entity and/or Public or State Authority, both central and regional, Local and Autonomous Authorities, Associations, Welfare, Social Security and Insurance Funds and Institutions, Ministries, Prefectures, Chambers of Commerce and all Public Registers, as well as Optimal Territorial Area offices (ATOs), the Italian Regulatory Authority for Energy, Networks and Environment (ARERA), the National Anti-Corruption Authority and the Health Protection Agencies, ensuring that all requirements are complied with, submitting documents and declarations as well as appeals and requests, including for the purpose of obtaining authorisations in general;
25. with regard to the notices of ascertainment of administrative offences notified to the Company and/or its employees for violations committed in the exercise of their functions, to represent the Company, to submit briefs and documents for defence and to authorise payment of pecuniary

administrative sanctions levied by the Health Protection Agencies, Environmental Protection Agencies, other Agencies, Local Authorities and/or Court Authorities;

26. to represent the Company towards any Tax or Customs Office, both State and Local, also abroad, fulfilling all obligations and taking all necessary actions with respect to taxes, duties and contributions, to contest registrations and inspections, to issue declarations relating to direct or indirect taxes, certifications, forms and questionnaires, to file requests, questionings, appeals and claims, briefs and documents with any Tax Office or Commission, to collect refunds and interests from the Tax Authorities, issuing receipts on behalf of the Company;
27. to represent the Company towards the Postal Administration and the railway, sea, air and land transport companies, fulfilling all obligations, with the power to issue any document and request, to sign correspondence, take delivery of letters, envelopes and/or packages from any Postal Office and any other public office, even if they should be registered and/or insured, collect refunds relative to any transport and take delivery of goods addressed to the Company from railway transport companies and any other carrier and/or courier, issuing the relevant disclaimers;
28. to represent the Company in import and export transactions, to sign and take delivery of documents, including bank documents relating thereto, to place validations and signatures on invoices, circulation certificates and requests and declarations required for the aforementioned transactions;
29. all powers conferred upon the Chief Executive Officer for the management of the Company also apply, within the same scope and value limits, to the management of foreign Branches;
30. within the scope of the powers conferred above, to grant Executives and employees of the Company, or in any case individuals with the necessary technical skills, the powers required to perform the functions and duties assigned to them: to revoke, amend, integrate the powers of attorney and the powers granted;
31. pursuant to paragraph two of Article 20 of the Articles of Association, to represent the Company before social security, tax, arbitration and dispute resolution bodies, ANAC (the National Anti-Corruption Authority) as well as before any judicial, administrative and tax authorities (including the Italian Revenue Agency) and the trade unions, within the powers and proxies conferred above, with the power to sign, submit and file deeds, petitions, applications, declarations, complaints, briefs, appeals, claims, settlements and waivers to protect, and in the interest of, the Company, as well as to take legal actions and resist and participate in trials or proceedings brought by the Judicial Authorities or third parties, at any stage and level and in any venue, including with respect to supreme court and revocation proceedings, appointing lawyers and proxies, also with the power to appoint proxies for specific deeds or categories of deeds.

Every quarter, the Chief Executive Officer shall report to the Board of Directors on the activities performed in the exercise of the powers and delegations as conferred above and shall also report on operations in general, on the predictable evolution with respect to the budget and the main transactions carried out, particularly with regard to the following areas:

- procurement contracts,
- staff and trade union agreements,
- acquisition of areas, movable property and real estate for the realisation of public works and the management of public services,

- bilateral contracts,
- participation in tenders and the relevant outcomes,
- temporary associations of companies and entities without legal personality,
- new current accounts and credit lines.

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

2. based on the Company's organisational structure, in order to ensure the efficient fulfilment of legal requirements concerning hygiene and safety at work and the correct fulfilment of those concerning the environment, the management and organisational powers as well as the decision-making and spending powers conferred, considering the experience, skills and professional preparation:

- a. identifies the CEO, Francesco Mascolo, as the Employer pursuant to Article 2 letter b) of Italian Legislative Decree No. 81 of 9 April 2008 and the Environmental Manager, with the power to sub-delegate within the limits set by applicable regulations;
- b. in his role as the Employer, pursuant to Article 2, paragraph 1, letter b) of Italian Legislative Decree No. 81 of 9 April 2008, the Chief Executive Officer is vested with all the powers listed below, to be exercised with no spending caps, jointly and severally, also assisted by consultants and entering into contracts with companies authorised for this purpose: pursuant to Articles 28 and 29 of the above regulatory provision, to assess all risks to the safety and health of workers, and, in full compliance with Articles 15 and 18 of Italian Legislative Decree No. 81 of 9 April 2008, to assess, foresee and adopt all measures and carry out all appropriate fulfilments for the prevention of injuries and fires, as well as for hygiene and safety in the workplace. The Employer is vested, in particular, with all the powers necessary to organise and coordinate the functions concerning corporate safety, fire prevention, injury prevention and hygiene and safety in the workplace, with the possibility of delegating specific powers, by means of specific proxies and, in any case, in full compliance with the provisions of Articles 16 and 17 of Italian Legislative Decree No. 81/2008, to the roles envisaged by the applicable legislation and to grant them powers of representation and autonomous management of the funds that may be necessary for the effective performance of the tasks assigned. For example, the following powers may be delegated:
  - i. to designate the person(s) in charge of the Risk Prevention and Protection Service, in accordance with Articles 31, 32 and 33 of Italian Legislative Decree No. 81/2008; the Company Doctor(s) in accordance with Articles 38 and 39 of Italian Legislative Decree No. 81/2008; the Manager in charge of the performance of supervisory activities pursuant to Article 19;
  - ii. to supervise all the tasks necessary to ensure compliance with injury prevention regulations, in general, and protection against occupational diseases within the company, including those concerning compulsory insurance against injuries at work and occupational diseases under Italian Presidential decree No. 1124 of 30 June 1965, as subsequently amended;
  - iii. to personally see to the fulfilment by the Company of the obligations arising from the regulations on employees' occupational health and safety, including compliance with the

provisions of Italian Legislative Decree No. 81/08 (“Implementation of Article 1 of Law No. 123 of 3 August 2007 on occupational health and safety”) as subsequently amended;

- iv. to provide training and information to staff on the regulations and the correct use of equipment, machinery and tools, and to monitor the efficiency of the equipment and the behaviour of employees, also for the purposes of Italian Legislative Decree No. 81/2008 as subsequently amended, in order to protect workers from the risks arising from exposure to chemical, physical and biological substances;
  - v. as part of the performance of works preliminary to the opening of new company sites, or routine and/or extraordinary maintenance works on existing sites, with express reference to the provisions of the current safety regulations, to represent the Company before the Head of the Prevention and Protection Service; limited to procurement contracts meeting the definition of temporary or mobile work-sites pursuant to 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 Construction Manager as defined in Article 89, paragraph 1, letter c);
- c. the Chief Executive Officer is also appointed “Environmental Manager” and is vested with all the necessary powers of representation and expenditure, to be exercised—also assisted by the parties appointed for this purpose—with single signature, in order to comply with the requirements set forth by European, national and local regulations applicable to environmental protection, including, in particular, Italian Legislative Decree No. 152 of 3 April 2006, as subsequently amended and supplemented, as well as all orders, directives, regulations, requirements, circulars, communications, and any similar act, adopted by any competent authority on the matter, and all sector standards (the “Environmental Regulations”), performing all acts, practices and formalities aimed at ensuring the application and constant compliance with the Environmental Regulations and adopting all the necessary control, prevention and safety measures to avoid accidents that may affect the environment and human health; to set up, organise and coordinate, in line with corporate policies, the various corporate functions identified according to criteria of suitable classification, technical competence and personal ability to best perform the functions and tasks assigned to him as regards environmental protection and the related authorisation system;
- d. the Chief Executive Officer, Francesco Mascolo, is entrusted with all the powers of direction, management, organisation, supervision and control with regard to personal data protection pursuant to Italian Legislative Decree No. 196/2003, Regulation (EU) 2016/679 and Italian Legislative Decree No. 101/2018, including the necessary and instrumental spending powers as well as the duties and requirements set out in the applicable regulations and described in the relevant resolution passed by the BoD at its meeting of 14 May 2018, which is fully referred to herein, as well as in the subsequent resolutions passed in this respect;
- e. specifically, he is entrusted with all management, decision-making, managerial and representative powers, with no spending caps and with single signature, in order to perform the tasks and/or activities provided for by the General Data Protection Regulation (EU) No. 2016/679, Italian Legislative Decree No. 196/2003 as subsequent amended and supplemented, and any law and provision—either national and/or EU—on the protection of personal data applicable from time to time, as well as to manage relations with the parties involved in various ways in personal data processing carried out by the Company and/or the competent control authorities. As part of the same resolution, the BoD also established that all existing proxies, sub-proxies and/or special

proxies on occupational health and safety matters pursuant to Article 16 of Italian Legislative Decree No. 81 of 9 April 2008 and on environmental matters remained valid and effective.

## Managing Director

In its meeting of 7 July 2010, the Company's Ordinary Shareholders' Meeting identified and appointed the Managing Director.

As per the minutes of the Board of Directors' meeting held on 20 May 2021 and filed with Notary Public Luca Zona of Milan on 24 May 2021 (Ref. No. 38782/17744), Stefano Cetti was vested with the following powers, which superseded those granted as per Board minutes filed with Notary Public Luca Zona on 15 December 2020 (Ref. No. 38354/17544) and Board minutes filed with Notary Public Luca Zona on 11 May 2020 (Ref. No. 37817/17264):

- 1) to define and stipulate, with all the appropriate clauses, to manage and terminate procurement contracts, in any case relating to the corporate purpose, up to the total amount of € 2,500,000.00 for each individual contract, ensuring that all legal obligations are fulfilled;
- 2) to undertake, in compliance with the guidelines set out, the entire procedural process aimed at awarding procurement contracts resolved upon by corporate bodies, from the preparation of tender documents, up to the award and stipulation of the relevant contracts, issuing and signing all the necessary and/or appropriate deeds and declarations and in compliance with the legal obligations, informing the BoD about the results of the tender procedures;
- 3) to manage, ensuring that all legal obligations are fulfilled, procurement contracts entered into as a result of procedures called by the corporate bodies, including the power to terminate such contracts;
- 4) to authorise amendments and changes in procurement contracts up to the total amount of € 2,500,000.00 for each individual contract, without prejudice to compliance with the limits established by current legislation;
- 5) as part of the management of procurement contracts, to conclude transactions, also through approval of friendly agreements, up to the amount of € 2,500,000.00 for each individual contract;
- 6) to issue the declaration of admissibility of the technical-administrative test certificates and the certificates of regular execution or verification of conformity relating to procurement contracts, without limits of amount, thereafter ensuring settlement and liquidation thereof;
- 7) to authorise and revoke subcontracts;
- 8) to issue work execution certificates pursuant to the applicable laws for the works and services carried out;
- 9) to adopt all measures and sign all deeds relating to the procedures for the permanent and/or temporary acquisition of areas, movable property and real estate, both above and under ground, including, by way of example and without limitation, the expropriation, temporary and emergency occupation procedures provided for by current legislation, aimed at the construction of public works and the management of public services, also in the name of and on behalf of the entities that entrusted the company with the relevant services, including all preliminary and preparatory measures and deeds, as well as subsequent and related deeds and measures aimed at completing the acquisition procedure, none excluded or excepted, exercising all related and consequent powers; all without limitation with respect to the value of the assets subject to the

aforementioned procedures. In order to finalise the above-mentioned procedures, to sign expropriation orders, deeds relating to voluntary disposal, temporary occupancy, easement and any other type of deed, all of which up to the amount of € 250,000.00 for each individual deed;

- 10) to hire personnel within the context of the guidelines and annual expense budget approved by the BoD; to define, stipulate, amend and terminate, including through a settlement agreement, all individual permanent and/or fixed-term and/or other employment contracts in the forms allowed by the applicable laws, setting the conditions therein in compliance with collective labour agreements and with the discipline as allowed by the law; to apply disciplinary measures and terminate employment contracts;
- 11) to define, stipulate and sign, under the guidelines approved by the BoD, the trade union agreements for staff of any level, in compliance with the annual expense budget approved by the BoD;
- 12) to settle labour disputes, in or out of court, for amounts up to € 250,000.00 for each individual transaction, and to pursue any other appropriate action in the interests of the company;
- 13) to handle relations with all Authorities, Entities and Institutions regarding labour issues, with the Trade Unions, Insurance and Welfare Entities in order to fulfil all obligations required by the applicable labour laws and regulations;
- 14) to define and stipulate, with all the appropriate clauses, to amend and terminate—with the power to settle any dispute relating thereto—bilateral contracts of any type, in any case relating to the corporate purpose, up to € 2,500,000.00 for each individual contract, except for the purchase and/or sale of real estate and leases that exceed nine years. The total amount of these contracts must fall within the limits of the expense budget approved by the BoD;
- 15) to manage bilateral contracts of any type, other than procurement contracts, resolved upon by the Corporate Bodies, authorising amendment and changes thereto up to the total amount of 2,500,000.00 for each individual contract, ensuring that all legal requirements are complied with;
- 16) to define and stipulate, with all the appropriate clauses, to amend and terminate—with the power to settle any dispute relating thereto—legal, administrative, fiscal and tax consultancy contracts, in any case relating to the corporate purpose, up to the amount of € 250,000.00 for each individual contract, within the limits of the expense budget approved by the BoD; the powers relating to the granting of specialist professional assignments continue to be governed as per point 14 above;
- 17) to settle, in or out of court, disputes concerning non-contractual civil liability, pursuant to and for the purposes of Article 2043 of the Italian Civil Code, which may arise from the performance of the Company's business activities, for amounts up to € 250,000.00 for each individual transaction, and to pursue any other appropriate action in the interests of the company;
- 18) to submit bids with no amount limit—both individually and as a member of Temporary Association of Companies, Consortia, Joint Ventures, Associations in general and other entities, all without legal personality—for the purpose of participating in tenders, including negotiated procedures and public procedures in general, for taking on assignments related to the performance of activities included in the corporate purpose, signing all the necessary, appropriate and consequential deeds and documents, including the relevant contract or assignment specifications, issuing the relevant declarations and guarantees required by current legislation, informing the BoD about the participation in and results of the tender procedures;

- 19) to establish, modify and terminate, with all the appropriate clauses, Temporary Association of Companies, Consortia, Joint Ventures, Associations in general and other entities, all without legal personality, for the purpose of participating in financed projects and tenders with no amount limit, for carrying out activities included in the corporate purpose, in compliance with applicable laws, with the power to grant or obtain collective mandates with representation and to settle any related dispute defining, as most appropriate, the agreements with associated or grouped companies;
- 20) all powers conferred upon the Managing Director for the management of the Company also apply, within the same scope and value limits, to the management of foreign Branches;
- 21) as part of the financial policy approved by BoD, to open current accounts with Credit Institutions, Factoring Companies and Postal Offices, to negotiate and define in the best manner each related condition and contractual clause including the opening of short and/or medium-term financial and endorsement credit lines, also intended for the factoring of receivables due to the Company by third parties, and to take any action relating to such relationships, signing all documents required for execution thereof;
- 22) jointly with the Head of Administration, Finance, Control and Regulation, Lorenzo Persi, or, in the event of his absence (also short-term) or momentary impediment, with the Head of Corporate Affairs, Crescenza Demattia, to make deposits or withdrawals on the company's current accounts held at Credit Institutions and postal offices, to issue and/or request the issue of bank cheques and banker's drafts, to endorse and collect bank cheques and banker's drafts;
- 23) to call for payments, collect amounts, mandates, treasury notes, money orders, cheques, credit instruments of any type and guarantee deposits from the issuing institution, Cassa Depositi e Prestiti, the Treasury of the Republic of Italy, the Regions, Provinces and Municipalities, the postal offices and any public office or private subject in general and to release the paying parties from liability, issuing the necessary receipts and proof of payment;
- 24) to file requests for admission in insolvency proceedings, acceptance of arrangements and to issue third-party declarations in enforcement proceedings;
- 25) to make guarantee deposits in cash, securities or through bank or insurance sureties;
- 26) in relation to the ordinary management of the company, to sign disciplinary measures, agreements and any other act which is required and/or useful for securing concessions, assignments, permits and authorisations in general;
- 27) in relation to the ordinary management of the company, to fulfil the obligations towards any Entity and/or public or state authority, both central and regional, Local and Autonomous Authorities, Associations, Welfare, Social Security and Insurance Funds and Institutions, Ministries, Prefectures, Chambers of Commerce and all Public Registers, as well as the Optimal Territorial Area offices (ATOs), the Italian Regulatory Authority for Electricity, Gas and Water, the National Anti-corruption Authority and the Health Protection Agencies, submitting appeals and requests and producing documents and declarations;
- 28) in relation to the ordinary management of the company and with regard to the notices of ascertainment of administrative offences notified to the company and/or its employees for violations committed in the exercise of their functions, to submit briefs and documents for defence and to authorise payment of pecuniary administrative sanctions levied by the Health Protection

Agencies, Environmental Protection Agencies, other agencies, Local Authorities and/or Court Authorities, up to an amount of € 25,000.00 for each individual sanction;

- 29) in relation to the ordinary management of the company, to fulfil all obligations towards any tax or customs office, both state and local, also abroad, taking all necessary actions with respect to taxes, duties and contributions, to contest registrations and inspections, to issue declarations relating to direct or indirect taxes, certifications, forms and questionnaires, to file requests, questionings, appeals and claims, briefs and documents with any office or Tax Commission, to collect refunds and interests from the Tax Authorities, issuing receipts on behalf of the Company;
- 30) to fulfil all obligations towards the Postal Administration and the Railway, Sea, Air and Land Transport companies, with the power to issue any document and request, to sign correspondence, take delivery of letters, envelopes and/or packages from any postal office and any other public office, even if they should be registered and/or insured, collect refunds relative to any transport and take delivery of goods addressed to the company from railway transport companies and any other carrier and/or courier, issuing the relevant disclaimers;
- 31) to sign and take delivery of documents, including bank documents relating to import and export transactions, placing validations and signatures on invoices, circulation certificates and requests and declarations required for the aforementioned transactions;
- 32) within the scope of the powers conferred above, to grant company executives and employees the powers required to perform the functions and duties assigned to them: to revoke, amend, integrate the powers of attorney and the powers granted;
- 33) within the limits of the thresholds and delegated powers, to have the power to place creditors in formal default, take legal action, defend or intervene in civil or administrative proceedings, in precautionary proceedings and tax notices (including opposition proceedings), in enforcement procedures (including opposition to enforcement and enforceable acts), in eviction proceedings due to overdue payments or the end of a lease and in insolvency proceedings (including proceedings to declare bankruptcy and proceedings opposing the declaration of bankruptcy), to apply for injunctions and to adhere to any civil mediation, appointing to this end lawyers and attorneys.

Every quarter, the Managing Director shall report to the Board of Directors on the activities performed in the exercise of the powers and delegations as conferred above and shall also report on operations in general, on the predictable evolution with respect to the budget and the main transactions carried out, particularly with regard to the following areas:

- procurement contracts,
- staff and trade union agreements,
- acquisition of areas, movable property and real estate for the realisation of public works and the management of public services,
- bilateral contracts,
- participation in tenders and the relevant outcomes,
- temporary associations of companies and entities without legal personality,
- new current accounts and credit lines.



At the meeting held on 28 January 2021, the Ordinary Shareholders' Meeting of the Company passed the following resolutions:

- to authorise and acknowledge that the powers vested in the Managing Director—i.e. the office, not the person—are those listed below:
  - a) to manage and coordinate the operations of the organisational units reporting to him, ensuring the implementation of the guidelines, instructions, decisions, and resolutions of the Corporate Bodies, ensuring the adequacy of the organisational structure and putting any required implementations and changes in place;
  - b) to submit proposals to the BoD for the definition of corporate objectives and the planning of related activities;
  - c) to prepare and submit the financial plans, annual budget and year-end financial report to the BoD, working together with the relevant Departments, ensuring the adequacy of the administrative and accounting structure and putting any required implementations and changes in place;
  - d) to ensure that the preliminary documentation under his responsibility is prepared for Corporate Bodies' resolutions;
  - e) to sign deeds that do not bind the Company contractually and that are part of the normal correspondence with third parties, as well as to sign all deeds consequent to the execution of the powers delegated to him by the BoD;
- to acknowledge the above resolutions and the updated structure of the powers, authority, and functions vested by the BoD in the Chairman and the Managing Director—i.e. the management positions and/or offices, not the persons.
- Following the appointment of the Chief Executive Officer and the Shareholder's authorisation to revoke or transfer the functions of the Managing Director in the most appropriate time and manner in the interest of the Company and the Shareholder, by deed of Notary Public Luca Zona dated 14 November 2022 (Rep. No. 40635 and Coll. No. 18547), all powers previously granted to Stefano Cetti and associated with the office of Managing Director were revoked.

### **Board of Statutory Auditors**

The Board of Statutory Auditors consists of the Chairman, two standing Auditors and two alternate Auditors appointed by the Shareholders among the individuals listed in the roll of statutory auditors, pursuant to article 2449 of the Italian Civil Code.

The Statutory Auditors remain in office for three financial years and their office expires on the date of the Shareholders' Meeting called to approve the financial statements for their last year in office, and they can be re-elected; the Shareholders' Meeting defines their remuneration according to the criteria set by law.

The Board of Statutory Auditors is assigned the task of monitoring compliance with the law, the Articles of Association and the principles of correct administration, and, more specifically, of monitoring the suitability of the organisational, administrative and accounting structure used by the company and its practical functioning.

## Shareholders' Meetings

Shareholders' Meetings are ordinary and extraordinary pursuant to the law.

A regularly constituted Shareholders' Meeting represents all Shareholders, and the resolutions passed in compliance with the Law and the Articles of Association are binding upon all Shareholders, even if not present in the meeting or dissenting.

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

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

Each share entitles the holder to one vote.

Every Shareholder who is entitled to attend the Shareholders' Meeting may be represented, by written proxy, by another person that is not a Director, Statutory Auditor or Employee of the Company, without prejudice to the other prohibitions and exclusions pursuant to article 2372 of the Italian Civil Code.

It is incumbent upon the Chair of the Shareholders' Meeting to ascertain the validity of the proxies and the right to attend the Shareholders' Meeting.

The ordinary and/or extraordinary Shareholders' Meeting may be held with attendees being in multiple—adjacent or remote—locations that are linked by audio and/or video systems, provided that the plenary method and the principles of good faith and equal treatment of all Shareholders are observed.

Without prejudice to the matters under the competence of Shareholders pursuant to article 2449 of the Italian Civil Code, the Shareholders' Meeting shall deliberate on the issues attributed to it by the law pursuant to article 2364 of the Italian Civil Code, in case of an ordinary meeting, and to article 2365 of the Italian Civil Code, in case of an extraordinary meeting, as well as to any other applicable legal provisions and the Articles of Association.

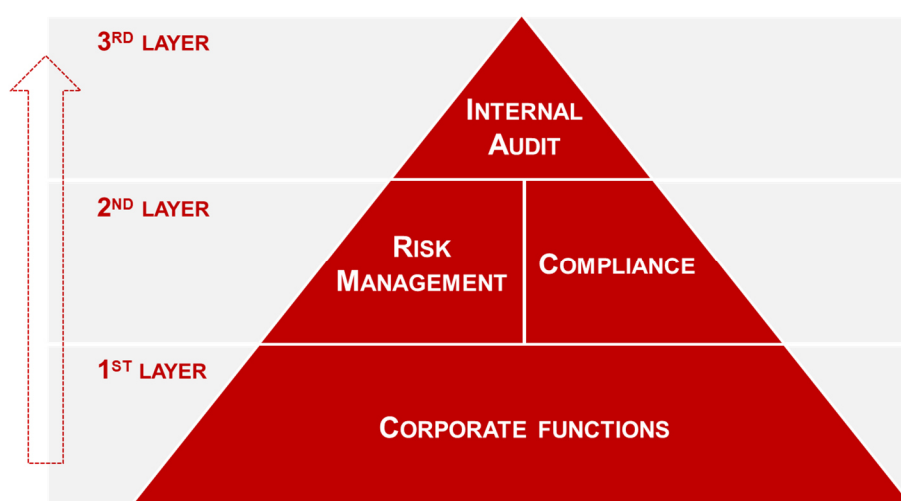
Pursuant to the provisions of Italian Law Decree no. 18 of 17 March 2020, published in the Extraordinary Edition of the Official Journal no. 70 of 17 March 2020, as subsequently converted with amendments by Law no. 27 of 24 April 2020, as amended and supplemented, setting out measures to strengthen the national health service and provide economic support to households, workers and businesses associated with the Covid-19 epidemiological emergency (so-called "Cure Italy" Decree), the Meeting may be conducted using means of telecommunication, ensuring the identification of participants, their participation and the exercise of voting rights, pursuant to and for the purposes of Article 2370, paragraph 4, Article 2479-bis, paragraph 4, and Article 2538, paragraph 6 of the Italian Civil Code, without in any case requiring the Chair, the Secretary, or the Notary Public, if any, to be in the same place. It should also be noted that according to Article 3(1) of Italian Law Decree no. 228 dated 30 December 2021 (so-called "Milleproroghe" Decree for 2022, i.e. a decree extending the life of various government measures) *"The deadline referred to in Article 106(7) of Law Decree no. 18 dated 17 March 2020, written into law complete with amendments by Law No. 27 dated 24 April 2020, relating to the conduct of shareholders' meetings of companies and organisations, is extended to 31 July 2022"*.

## Internal control and risk management system

The Internal Control System consists of rules, procedures and organisational structures aimed at:

- ensuring that corporate strategies are complied with;
- achieving effectiveness and efficiency of corporate processes;
- safeguarding the value of assets;
- ensuring reliability and integrity of accounting and operating information;
- ensuring compliance of operations with all existing legislation.

MM has set up its own **Internal Control System (ICS)** based on the classic method which provides for articulation of controls along **three layers, according to a pyramid structure**.



The **first layer of control** identifies, evaluates, manages and monitors the risks it oversees in relation to which it identifies and implements specific treatment.

The **second layer of control** aims at ensuring the correct implementation of the risk management process, compliance with the operating limits set for the various functions and compliance of company operations with regulations, including self-regulation. The functions in charge of these controls are: Risk Management and Compliance.

The latter, in particular, aims at preventing and managing the risk of non-compliance with regulations and at monitoring the occurrence of conflicts of interest.

The Risk Management function aims at improving the process of enterprise risks identification, the relevant controls and management methods.

The **third layer of control** provides independent and unprejudiced assurance as regards adequacy and actual operation of the first and second layers of control and, in general, on MM's Internal Control and Risk Management System (ICRMS) overall.

The responsibility for this layer of control is entrusted to the Internal Audit function which assesses the completeness, functionality and adequacy of systems and procedures.

The control system also includes:

- The **Supervisory Body**, which is responsible—with regard to the Organisational, Management and Control Model—for constantly monitoring its compliance by all recipients, the actual

effectiveness in preventing the commission of offences, the implementation of the provisions contained therein and, eventually, its updating, in the event that the Model needs to be adapted due to changes in the corporate organisation or the reference regulatory framework.

Currently, the Supervisory Body consists of three members who are external to the Company and meet the requirements of Italian Legislative Decree 231/2001.

The Supervisory Body receives reports about the commission, or attempted commission, of crimes under Italian or international law, or the breach or circumvention of the principles, values and rules of conduct set out in the Code of Ethics and the Organisational, Management and Control Model of which it is integral part. The Supervisory Body maintains absolute confidentiality of the identity of the persons filing a report in good faith, protecting them against any form of retaliation, discrimination, or penalisation during and after the investigation.

- The **Board of Statutory Auditors**, whose duty is to monitor, by means of inspections and audits, compliance with the law, the Articles of Association and principles of good administration.
- The **Ethics Committee**, the body that supports the Company in interpreting and implementing the Code of Ethics, proposes updates to the Code and monitors its dissemination, application and implementation, working together with internal and external business functions. The Ethics Committee is currently comprised of three third-party members of high professional and moral standing.

Compliance with the rules in the Code of Ethics shall be considered an essential part of the contractual obligations of the Recipients. Under the relevant contracts, MM reserves the right to terminate the contractual relationship in the event of conduct or actions violating the principles set out in the Code.

- The **Independent Auditors**, whose duty is to verify that accounting records are regularly kept and operating events are correctly reported in the accounts, as well as to ensure compliance of the financial statements with the standards regulating their preparation and representation, expressing in this regard an opinion both on the financial statements and on the consistency of the Report on Operations with the Financial Statements and compliance of the Report on Operations with the law;
- The **Data Protection Officer (DPO)**, whose main responsibility is to observe, assess and organise the processing of personal data (and, therefore, their protection) within the company, so that they are processed in accordance with European and Italian privacy regulations.
- The **Anti-Corruption Representative**, who, based on the mandate granted by the BoD, supervises the design and adoption of the anti-corruption system, supports the Risk Manager, monitors the Policy's alignment with best practices and applicable laws against corruption, provides anti-corruption training, verifies the effective implementation of the Anti-Corruption Policy based on the audit plan of the Internal Audit Function as approved by the BoD.
- The **Audit, Risk Management and Sustainability Committee**, set up by the BoD in its meeting held on 9 February 2021 and comprising three MM's Board members, whose task is to support the BoD's assessments and decisions relating to the internal control and risk management system, as well as sustainability. The Audit, Risk Management and Sustainability Committee plays an advisory and proactive 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 adopted a **Risk Assessment & Reporting process**, aimed at making the management of enterprise risks an integral and systematic part of management processes and at ensuring effective risk management in line with corporate objectives.

More specifically, an **Enterprise Risk Management (ERM) framework** was developed to perform analysis and monitoring activities based on an integrated approach. Through a cyclical process, the system will generate greater insights over the years, focusing on the risks of individual processes/activities and the various Business Units.

The coordination of this process was entrusted to the **Risk Manager**, whose main tasks include:

- assisting the structuring of risk analysis governance in line with the complexity of the business;
- defining with the CEO risk management objectives and activities relevant to the Company and proposing a possible update of the relevant procedure;
- defining, in collaboration with the affected organisational structures, actions, tools and methods useful for the operational monitoring of Risk Management activities;
- collaborating in defining the audit and compliance plans by reporting on the analysis of the activities carried out;
- informing the CEO in a timely manner if particularly “critical” risk scenarios are identified during interviews;
- preparing the ERM report annually, with a view to informing stakeholders about the development of MM’s risk profile, possible impacts on key objectives and the implementation of response strategies.

The risk analysis was revised based on the previous mapping, updating and—where necessary—revising and supplementing the ERM through interviews with corporate risk owners carried out by means of special checklists.

The report on top risks was made available to the Audit, Risk Management and Sustainability Committee and to the Board of Statutory Auditors for their consideration.

In 2022, MM continued integrating the risk management system with sustainability risks by including a specific ESG risk-based classification in the ERM, which focuses on the identification of economic-financial-operational risks.

### *The main elements comprising MM’s Internal Control System*

#### *The Code of Ethics*

The goal of the Code of Ethics is to define the **ethical principles** and **rules of conduct** that MM acknowledges and adopts as binding values and expression of its corporate ethics culture.

The set of ethical principles, values and rules of conduct outlined in the Code shall inspire the work of all “Recipients”, i.e. those who operate inside or outside the Company’s sphere of action: directors, statutory auditors, control bodies, employees, suppliers and contractors.

MM operates according to the principle that human dignity is inviolable, and it must be respected and protected (Article 1 of the Charter of Fundamental Rights of the European Union). Therefore, MM is committed to providing a positive and stimulating work environment for all its employees, ensuring the recognition and respect of their dignity, rights, and cultural and individual diversity, while trying to create a strong corporate culture.

The Code assumes compliance with applicable laws as well internal rules and procedures: MM is determined to conduct its operations in full compliance with the law in Italy and the countries where it already operates or may operate in the future, including in partnership or association with other entities. Specifically, the Company is committed to aligning its operations with the requirements of Italian Legislative Decree no. 231 of 8 June 2001 as amended and supplemented. This is why the Code is to be considered part of the Organisational, Management and Control Model adopted by MM and serves as the basis for the pre-emptive control system pursuant to said Decree.

The current Code of Ethics was approved for the first time by the BoD on 15 December 2020, and the most recent update was approved on 7 May 2021; the Code is published in the “Mission and Values” section of MM’s website.

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

The Organisation, Management and Control Model of MM (OMCM) is the document that **defines and formalises** the **rules, principles, instruments and control mechanisms** adopted by MM to prevent the commission of the offences envisaged by **Italian Legislative Decree 231/2001**. The document is strategic to the Company’s governance and is based on risk assessment and risk management.

The Model is comprised of two parts:

- the General Part, which identifies the structural characteristics of the organisation, as well as the method for creating and disseminating the model, the system of penalties for violations, the operation of the Supervisory Body and the Ethics Committee, the Model’s disclosure requirements, and the training to be provided to employees;
- the Decision-making Protocols, which, consistently with the General Part of the Model, define conduct guidelines as well as the operational and control procedures observed by all recipients in the discharge of their duties to prevent or mitigate the risk of committing predicate offences.

Compliance with the Model and its effectiveness, along with responsibility for implementing the Model’s provisions and any updates, was delegated to the Supervisory Body, which is appointed by the BoD and consists of three external members who comply with autonomy, independence and professionalism requirements. The Supervisory Body has the opportunity to undertake periodic inspection activities when carrying out its functions (directly or indirectly, under the Body’s direct oversight and responsibility) and has access to information regarding sensitive business operations.

The OMCM is published in the “**Transparency**” **section of MM’s institutional website**. It is also on the company intranet and is brought to the attention of employees through periodic training activities.

All changes and updates to the Model have been approved by the BoD; the most recent update was approved on 29 July 2022.

### Anti-corruption Policy

The BoD saw fit to **voluntarily** adopt an Anti-Corruption Policy to prevent corruption or other practices that could be considered forms of corruption, including attempted corruption.

The Policy is based on the analysis and assessment of the risks of committing corruption offences and is inspired by principles, rules of conduct and procedures aimed at protecting areas vulnerable to corruption. The Policy mentions also the information and training provided to all recipients as well as the concept of regulating business processes based on the definition of: roles and responsibilities, whistleblowing procedures, monitoring of corruption risks, and the disciplinary system for potential breaches.

### Procedures

To guarantee 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**. Indeed, MM is aware of the importance of full observance of the system of internal rules by its corporate bodies, the management and all employees.

In addition to compliance with the procedures, the roles and responsibilities attributed within the company are clearly outlined, through the system of delegations and the exercise of powers.

In relation to the internal control and risk management system as part of the financial reporting process, the company adopted administrative and accounting procedures, operating practices and an administrative organisation based on the principle of segregation of duties in such a way as to guarantee reliability, accuracy and integrity in the process of preparing the financial statements.

### Information flows to top management

In order to monitor the performance of the various corporate structures with the end goal of achieving the strategic objectives, top management receives from first-level structures specific reports on their own activities and on the activities of their executive lines. Furthermore, it receives:

- from the Compliance Function, upon request, the “Compliance Plan”, the “Half-yearly and annual reports on the activities carried out” 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 reports” on privacy;
- from the Internal Audit Function, the Audit Plan, audit reports, periodic reports, the Annual Activity Report and the Internal Control System Assessment Report;
- from the Anti-Corruption Representative, the activity plan, the outcome of checks carried out and the Annual Report on the activities carried out for the purpose of monitoring the Anti-Corruption System adopted by the Company;
- from the Risk Manager, the mapping of enterprise risks and related mitigation activities.

Finally, the Supervisory Body reports to the Board of Directors and the Board of Statutory Auditors on relevant facts of its office or any urgent critical issues of the Model that emerged during its supervisory activities. Every six months it presents a written report that illustrates a summary of the

activities carried out, any discrepancies found in the Model, new offences, the check of reports if received, a statement of expenses incurred and any changes in the reference regulatory framework.

#### Information flows to the Supervisory Body

The Supervisory Body receives reporting from first-level structures in order to **monitor the risk areas under Italian Legislative Decree 231/2001**.

The second-level structure – Compliance Function – sends the “Compliance Plan”, the Half-yearly and annual reports on the activities carried out” and the “Compliance Reports”.

The DPO sends the “Privacy Reports” and the “Half-yearly and annual 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-Corruption Representative submits the outcome of checks carried out and the Annual Report on the activities carried out for the purpose of monitoring the Anti-Corruption System adopted by the Company;

The Risk Management sends the mapping of enterprise risks and related mitigation activities.

#### Assessment of the risk of a business crisis

The assessment of the risk of a business crisis cannot disregard the specificities related to the different regulatory contexts and contractual types on which the activities carried out are based.

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 principle of full cost recovery, the Housing Business Unit operates under a multi-year and exclusive contract; also the new Routine Plant and Infrastructure Maintenance Business Unit operates on an in-house providing basis, similarly to the newly-established Green Areas Business Unit.

MM adopted **planning and budgeting tools** that do not depend on these specificities and that allow it to monitor with a forward-looking approach the performance of the various businesses and the prevention of crisis and insolvency situations.

MM systematically prepares the Business Plan, which shows the sustainability of the debt, the going concern basis, the determination of the financial requirements and the resources available to cover them with any corrective actions.

For monitoring the financial aspects and short-term cash flows, MM uses a Budget with an annual time horizon and a system for reporting the Net Financial Position on a quarterly basis.

It should also be considered that, within the ERM model described above, MM, by adopting a risk assessment and reporting process, aims to make the management of enterprise risks an integral and systematic part of management processes. In fact, MM 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 the actions to mitigate the various enterprise risks; as regards in particular the risk of a business crisis, all the strategic risks are dealt with.

Moreover, from a more operational point of view, economic and financial figures are monitored on a quarterly basis both at company level and at the level of each 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 trend of the Integrated Water Service's net financial position and investments.

In addition to measuring the aforementioned figures for the various corporate Business Units, this system collects information and data of an operational nature which, together with economic and financial data, allow top management to implement corrective and preventive actions aimed at eliminating and/or mitigating phenomena that could result in particularly critical situations. Specifically, each quarter the main operational indicators are analysed for each Business Unit (for example: revenues accrued on individual engineering orders, cubic meters of water released into the distribution network, electricity consumption, the quantity of wastewater treated in treatment plants, etc.).

Furthermore, the bond loan issued by the Company on 23 December 2016 and the EIB loan agreement signed on 18 November 2016 require that MM complies with specific **financial covenants**, calculated as ratios between income and equity variables, aimed at monitoring the Company's financial and economic sustainability. These metrics—taken from MM's financial statements certified by the Independent Auditors—are checked and disclosed to financial counterparties every year. These financial covenants are:

- **Net Financial Position/EBITDA  $\leq$  4.5**: this ratio measures the sustainability of the company's debt based on the gross cash flow from operations. Indeed, if there are no changes in working capital, EBITDA provides an indicative summary measure of the operating cash flows from ordinary operations, that could therefore be used for the financial commitments undertaken;
- **Net Financial Position/Fixed Assets  $\leq$  70%**: it expresses the ratio of asset financing covered by the net financial position;
- **EBITDA/Finance Costs  $\geq$  4.5**: it measures EBITDA capacity to cover finance costs.

A further aspect concerning the assessment of the risk of a business crisis is monitored within MM through relations with **Rating Agencies** that are periodically called upon to make their considerations regarding their rating of MM as from 2016. Specifically, MM is rated by the global rating agency Moody's, which it meets periodically to discuss corporate data and analyse the net financial position.

On 14 July 2022, Moody's updated its credit opinion on MM, confirming its credit profile with a Baa3 rating (with a stable outlook). On 9 August 2022, as a result of the change in the outlook assigned to Italy's sovereign debt from stable to negative, Moody's announced a rating action that assigned MM a Baa3 rating, with a negative outlook.

Standard & Poor's rating, previously equal to BBB (stable outlook), was withdrawn on 12 May 2022 following the non-renewal of the rating service.

With particular reference to the monitoring and verification of the risk of a business crisis for 2022, reference should be made to the specific sections of the report on operations and to the chapter "Summary of operations and economic and financial performance".

## Environment

During the year, the Company was not declared guilty for any damage to the environment; nor were final sanctions or penalties imposed for environmental offences or damages.

## Secondary offices

Pursuant to paragraph 4 of Article 2428 of the Italian Civil Code, it is hereby specified that the company has established 29 secondary offices throughout the territory of the city of Milan, the municipality of Bresso (MI) and the city of Naples.

## Relations with the controlling body and subsidiaries, associated companies and affiliated companies

### Relations with the Municipality of Milan

With reference to the provisions of Article 5(b) of Italian Legislative Decree 50/2016) regarding the percentage of activities carried out in the performance of tasks entrusted by the Municipality of Milan, the following table shows revenues broken down between amounts from the Municipality of Milan and those from third parties.

Breakdown of 2022 revenues	Municipality	Third parties	Total
€/000	194,971	18,260	213,231
%	91.4%	8.6%	100%

It is hereby specified that the above-indicated revenues from the Municipality of Milan, as compared to the figures shown in the table below, also include amounts arising from the management of services entrusted by the Municipality, even if they refer to entities other than the Municipality itself.

As at 31 December 2022, the Company's receivables due from the Municipality of Milan totalled € 2.2 billion, while its payables due to the Municipality of Milan totalled € 2.1 billion; payables and receivables arising from the mandate conferred by the Municipality are offset against each other; therefore, the Statement of Financial Position shows the net between the respective positions. The Company's revenues collected from the Municipality of Milan totalled € 48 million, while the costs incurred as contracting authority for the Municipality of Milan amounted to € 53 million; revenues and costs resulting from the role of contracting authority are offset against each other and consequently recognised in Profit or Loss net of the respective positions.

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

#### STATEMENT OF FINANCIAL POSITION

##### Trade Receivables

Receivables from the parent company for works, net of advances	20,663,984
Receivables for invoices issued	26,152,177
Receivables for invoices to be issued for services and supplies	55,911,620
Receivables for expenses incurred in the name and on behalf of the Municipality, net of disbursed advances	9,571,483
<b>Total trade receivables</b>	<b>112,299,264</b>

##### Trade Payables

Invoices to be received for services and lease/rental fees	11,703,138
Invoices received for services and lease/rental fees	9,012,099
Other trade payables	26,788,219
<b>Total trade payables</b>	<b>47,503,455</b>

##### Other current liabilities

Advances	1,899,864
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#### INCOME STATEMENT

##### Revenues from sales and services

Engineering services	23,750,028
Revenues from the Housing BU - fees relating to property and facility management	13,967,374
Other revenues - supplies and services	10,596,394
<b>Total revenues</b>	<b>48,313,796</b>

##### Costs for services

**3,334,293**

#### Relations with subsidiaries of the Municipality of Milan

The relations with the Subsidiaries of the Municipality of Milan mainly concern:

- engineering and facility services in favour of Milanospoort S.p.A., Arexpo S.p.A., Sogemi S.p.A., AMAT S.r.l. and Milano Ristorazione S.p.A.;
- costs for the removal of interference of the transport lines with the Engineering and/or Integrated Water Service Business Units' work charged by ATM S.p.A. and companies of the A2A Group;
- supply of water services to all the subsidiaries of the Municipality of Milan;
- Provision of waste disposal services by the A2A Group.

#### Allocation of the profit for the year

It is proposed to the Shareholders' Meeting to allocate the profit for the year, totalling € 5,995,566, as follows:

- € 5,551,385 to the extraordinary reserve

- € 444,181, equal to the portion of the net profit for the year attributable to the Housing Business Unit, to the Voluntary Reserve that will be used for specific investments envisaged by the Housing Business Unit strategic plan and for completing the documentation related to the managed real estate assets;

In addition, considering that, at the direction of the Municipality of Milan, the Company has implemented mainly IT-related projects totalling € 188,542 whose cost was borne by the Housing Business Unit, we propose drawing down € 188,542 from the Voluntary Reserve, which consists of the portion of retained profits attributable to the Housing Business Unit.

We thank you for the trust you place in us and invite you to approve the financial statements submitted.

*For the Board of Directors*

*The Chairman*

*SIMONE DRAGONE*

*The Chief Executive Officer*

*FRANCESCO MASCOLO*



**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

Tax Code and Companies Register no. 01742310152

VAT Number: 01742310152 – REA no.: 477753

**Financial statements as at 31/12/2022****STATEMENT OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>Notes</b>	<b>31/12/2022</b>	<b>31/12/2021</b>
<b>ASSETS</b>			
<i>NON-CURRENT ASSETS</i>			
Property, plant and equipment	1.1	68,067,509	69,303,701
Rights over the infrastructure relating to service concession arrangements	1.2	349,837,427	319,598,468
Other intangible assets	1.3	11,689,047	12,519,224
Deferred tax assets	1.4	34,409,238	33,294,799
Other non-current assets	1.5	2,810,803	2,066,632
<b>Total non-current assets</b>		<b>466,814,024</b>	<b>436,782,824</b>
<i>CURRENT ASSETS</i>			
Inventories	1.6	3,301,187	4,358,772
Trade receivables	1.7	247,429,631	238,345,599
Cash and cash equivalents	1.8	59,403,554	55,625,452
Other current assets	1.9	35,503,904	27,474,187
<b>Total current assets</b>		<b>345,638,275</b>	<b>325,804,010</b>
<b>TOTAL ASSETS</b>		<b>812,452,299</b>	<b>762,586,834</b>

## STATEMENT OF FINANCIAL POSITION

LIABILITIES	Notes	31/12/2022	31/12/2021
<b>EQUITY AND LIABILITIES</b>			
<i>EQUITY</i>			
Share capital		36,996,233	36,996,233
Reserves		203,316,110	192,585,115
Net profit (loss)		5,995,566	9,127,122
<b>Total equity</b>	<b>1.10</b>	<b>246,307,909</b>	<b>238,708,470</b>
<i>NON-CURRENT LIABILITIES</i>			
Non-current financial liabilities	1.11	199,876,321	203,441,398
Provisions for risks and charges	1.12	6,892,262	4,683,253
Employee benefits	1.13	5,353,258	6,770,647
Other non-current liabilities	1.14	36,545,928	37,956,261
<b>Total non-current liabilities</b>		<b>248,667,769</b>	<b>252,851,559</b>
<i>CURRENT LIABILITIES</i>			
Current financial liabilities	1.11	99,531,069	66,237,608
Trade payables	1.15	190,837,344	178,041,340
Other current liabilities	1.16	27,108,209	26,747,857
<b>Total current liabilities</b>		<b>317,476,621</b>	<b>271,026,805</b>
<b>TOTAL LIABILITIES</b>		<b>566,144,390</b>	<b>523,878,364</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>812,452,299</b>	<b>762,586,834</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Notes	31/12/2022	31/12/2021
<b>REVENUES</b>		<b>298,360,451</b>	<b>266,935,818</b>
Revenues	2.1	213,230,710	193,115,480
Revenues arising from work on infrastructure subject to service concession arrangements	2.2	50,917,337	57,393,177
Other revenues and income	2.3	34,212,404	16,427,161
<b>OPERATING COSTS</b>		<b>285,188,832</b>	<b>247,651,756</b>
Costs for raw materials, consumables and goods for resale	2.4	7,389,807	6,559,652
Other operating costs	2.5	3,065,891	2,848,100
Costs for services	2.6	115,245,119	76,241,736
Costs arising from work on infrastructure subject to service concession arrangements	2.7	48,909,037	55,499,501
Personnel costs	2.8	70,518,623	72,483,543
Amortisation/depreciation, impairment and other provisions	2.9	39,867,778	33,850,041
Losses from disposals and divestment of fixed assets	2.10	192,577	169,184
<b>OPERATING PROFIT (LOSS)</b>		<b>13,171,619</b>	<b>19,284,062</b>
Finance income	2.11	351,422	147,252
Finance costs	2.11	6,800,108	6,000,644
<b>NET FINANCE INCOME AND COSTS</b>		<b>(6,448,686)</b>	<b>(5,853,392)</b>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>6,722,933</b>	<b>13,430,672</b>
Taxes	2.12	727,367	4,303,550
<b>NET PROFIT (LOSS)</b>		<b>5,995,566</b>	<b>9,127,122</b>
<b>Other items of comprehensive income not to be reclassified to profit or loss</b>			
Actuarial gains/(losses) on employee benefits		422,929	56,202
Tax effect related to actuarial gains/(losses) on employee benefits		(118,393)	(15,680)



**Other items of comprehensive income to be reclassified to profit or loss**

Change in the fair value of cash flow hedges	1,709,654	1,025,343
Tax effect on the change in the fair value of cash flow hedges	(410,317)	(246,082)
<b>Total other items of comprehensive income, net of tax effect (B)</b>	<b>1,603,873</b>	<b>819,783</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR (A)+(B)</b>	<b>7,599,439</b>	<b>9,946,905</b>

## CASH FLOW STATEMENT

<i>(in Euro)</i>	2022	2021
<b>OPERATING ACTIVITIES</b>		
Profit (loss) before tax	6,722,933	13,430,669
<i>Adjustments for</i>		
Depreciation/amortisation of fixed assets	28,901,484	28,127,104
Allocations to bad debt provision	8,561,353	4,935,264
Allocations to provision for risks and charges	2,577,517	956,857
Allocations to provision for write-down of inventories	(36,515)	12,296
Net finance costs	5,853,392	5,853,392
Other non-cash items	2,404,349	15,047,233
<b>Cash flows from operating activities prior to changes in net working capital</b>	<b>54,984,513</b>	<b>68,362,815</b>
<b>Cash flow generated/(absorbed) by changes in net working capital</b>	<b>(7,041,331)</b>	<b>(19,970,022)</b>
- Trade receivables and other assets	(26,267,612)	(1,804,102)
- Inventories	1,094,100	(510,014)
- Trade payables and other liabilities	18,132,181	(17,655,906)
Taxes paid	(7,113,813)	6,121,837
Net finance costs paid	(5,843,587)	(5,401,195)
Use of provisions	435,677	(520,737)
<b>Cash flow generated/(absorbed) by operating activities (A)</b>	<b>35,421,459</b>	<b>48,592,698</b>
<b>INVESTING ACTIVITIES</b>		
Net investments in fixed assets	(62,419,867)	(69,638,486)
<b>Cash flow generated/(absorbed) by investing activities (B)</b>	<b>(62,419,867)</b>	<b>(69,638,486)</b>
<b>FINANCING ACTIVITIES</b>		
Taking-out of medium/long-term loans	27,896,626	-
Repayment of medium/long-term loans	(2,197,651)	(2,154,295)
Changes in equity	-	8
Other changes in financial liabilities	5,077,536	28,556,034
<b>Cash flow generated/(absorbed) by financing activities (C)</b>	<b>30,776,511</b>	<b>26,401,748</b>
<b>Increase/(decrease) in cash and cash equivalents (A)+B +(C)</b>	<b>3,778,103</b>	<b>5,355,960</b>
Cash and cash equivalents at the beginning of the year	55,625,452	50,269,492
Cash and cash equivalents at the end of the year	59,403,553	55,625,452

## 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 31 December 2020 Restated</b>	<b>36,996,233</b>	<b>(2,619,058)</b>	<b>175,895,008</b>	<b>18,489,379</b>	<b>228,761,562</b>
Change in the fair value of cash flow hedges, net of tax effect	-	779,261	-	-	779,261
Allocation of 2020 profit (loss) restated	-	-	18,489,379	(18,489,379)	-
Net profit (loss)	-	-	-	9,127,122	9,127,122
Actuarial gains (losses) on employee benefits, net of tax effect	-	-	40,525	-	40,525
<b>As at 31 December 2021</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>
<b>As at 01 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 the fair value of cash flow hedges, 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>

*The Chairman*  
*Simone Dragone*

*The Chief Executive Officer*  
*Francesco Mascolo*



**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

Tax Code and Companies Register no. 01742310152

VAT Number: 01742310152 – REA no.: 477753

**Notes to the Financial Statements as at 31/12/2022****Company's structure and activities**

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

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

The company manages the Integrated Water Service (hereinafter “IWS”) of the city of Milan, pursuant to the concession granted 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 will expire in 2037.

The company is also active in the engineering services sector and provides property and facility management services for the Municipality of Milan.

**Approval of the Financial Statements**

The draft financial statements for the year ended 31/12/2022 were approved by the Board of Directors on 18 April 2023.

The audit was performed by PricewaterhouseCoopers S.p.A. pursuant to the Shareholders’ Meeting resolution of 20 May 2016, which assigned the auditing mandate to the aforementioned company for the three-year period

from 2016 to 2018, subsequently extended for an additional six years following the finalisation of the bond issue.

### **Statement of compliance with IFRSs**

These financial statements were prepared by applying the International Financial Reporting Standards (hereinafter IFRSs or IASs) issued by the International Accounting Standards Board (IASB) and the relevant interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) as endorsed by the European Union.

These financial statements are compared with those 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**

These financial statements as at 31/12/2022 were prepared in compliance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, pursuant to the text published in the Official Journal of the European Union (OJEU).

### **Format of the financial statements**

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 statement of cash flows, cash flows from operating activities are recognised based on the indirect method: the result for the year is adjusted for the effects of non-monetary transactions, any deferral or allocation of previous or future collections or operating payments, as well as any revenue or cost item connected to cash flows from investing or financing activities.

Moreover, the financial statements as at 31/12/2022 were prepared in compliance with the provisions adopted by Consob in relation to financial statements.

The measurement bases are those used for the preparation of last year's financial statements.

## Measurement bases

### General principles

These financial statements have been prepared on a going concern basis, since it is reasonable to expect that the Company's operations will continue in the foreseeable future and in any case over a period equal but not limited to twelve months after the end of the reporting period.

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

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

### Property, plant and equipment

Property plant and equipment are measured at cost and recognised at their acquisition or production cost including directly attributable costs required in order for these assets to be ready for use. Cost includes the financial expense directly attributable to the acquisition, construction or production of the asset.

Expense incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly recognised in profit or loss at the time they are incurred. Capitalisation of costs for expansion, upgrading or improvement of tangible assets owned or used by third parties, takes place exclusively to the extent that they comply with the requirements for separate classification as assets or parts of an asset based on the "component approach".

Property, plant and equipment are depreciated annually on a straight-line basis based on depreciation rates determined in relation to their remaining useful life. The depreciation rates for the various categories of property plant and equipment are provided in the table below:

Engineering/Housing/Maintenance/Green areas	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%

<b>Integrated Water Service</b>	<b>Depreciation rates</b>
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%

<b>Plant and Property</b>	<b>Depreciation rates</b>
Directly used buildings relating to the company's business activities	3%
Lightweight constructions	10%
Specific plants for waste treatment	10%
Waste containers	15% - 20%
Equipment	20%

Depreciation begins when the asset is available for use at the actual time this condition is fulfilled.

### **Leased assets**

Tangible assets subject to lease contracts are recognised as right-of-use assets, as established by IFRS 16, with a corresponding financial liability.

“Right-of-use” assets refer to assets held under lease contracts, which convey the right to control the use of an identified asset for a period of time; they are recognised as assets of the Company and measured at fair value at the date the contract is entered into or, if lower, at the present value of the minimum lease payments due, including any amount to be paid to exercise the purchase option. The corresponding liability to the lessor is recognised in the financial statements as a financial payable.



The cost of lease payments is broken down into its components of finance cost, recognised in profit or loss over the term of the contract, and repayment of the principal, recognised as a reduction of the financial liability. The relevant assets are depreciated by applying the previously indicated criteria and rates, except if the lease is shorter than the useful life said rates refer to and there is no reasonable certainty that the ownership of the leased asset will be transferred upon expiration of the contract. In this case, the depreciation period is the same as the lease term. The lease term shall be determined as the non-cancellable period of a lease, together with both:

- periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option.

In assessing whether the Company is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, it shall consider all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Company shall revise the lease term if there is a change in the non-cancellable period of a lease. At the commencement date of the lease, the Company shall recognise the right-of-use asset and the relevant lease liability.

At the commencement date of the lease, the right-of-use asset shall be measured at cost. The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) direct additional costs;
- d) the estimated dismantling or restoration costs.

At the commencement date of the lease, the Company shall measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments shall comprise the following amounts:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable by the Company under residual value guarantees;
- d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that is not possible, the Company shall use its incremental borrowing rate, i.e. the incremental rate of interest that the Company would have to pay to obtain a loan of the same amount over the same term as the lease.

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

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

After initial recognition, the lease liability shall be measured by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Please note that the Company uses two exemptions under IFRS 16 with respect to short-term leases (i.e. leases that have a lease term of 12 months or less from the commencement date) and leases of low-value assets (i.e. when the value of the underlying asset when new is approximately less than USD 5,000). In these cases, the Company shall not recognise the right-of-use asset and the relevant lease liability, and lease payments shall be recognised through profit or loss.

If there are specific indicators of the risk that the carrying amount of items of property, plant and equipment may not be recoverable, these shall be tested for impairment, as described below in the specific paragraph.

Items of property, plant and equipment shall be derecognised following their disposal; any gain or loss (calculated as the difference between fair value, less costs to sell, and the carrying amount) shall be recognised through profit or loss in the year of their disposal.

### **Intangible assets**

Intangible assets consist of non-monetary items that are identifiable and without physical substance, which can be controlled and are able to generate future economic benefits. These items are initially recognised at their acquisition and/or production cost, including any directly attributable expense required to prepare the asset for use.

Any interest expense accrued during or for the development of intangible assets is considered to be part of the acquisition cost. In particular, the Company has identified the following main intangible assets:

*Rights over the infrastructure relating to service concession arrangements*

The “Rights over the infrastructure relating to service concession arrangements” refer to the right of the Company to use the Integrated Water Service (the so-called intangible asset method) in consideration of the costs incurred for the design and construction of the asset with the obligation to return it upon expiration of the concession.

The value corresponds to the fair value of the design and construction activities plus capitalised finance costs, pursuant to the requirements of IAS 23, during the construction phase.

The fair value of the construction services of the Integrated Water Service is calculated on the basis of the costs actually incurred plus a 3.59% markup, which represents the best estimate regarding the remuneration of internal costs for construction management and design activities, carried out by the Company, which is equal to the markup that would have been applied by a general third-party constructor to carry out the same operations, as provided for by IFRIC 12. The markup is recalculated on an annual basis and the impact on the value of the investments indicated above refers to 2022.

The fair value is measured based on the fact that the operator must comply with provisions of paragraph 67 of IFRS 15. Therefore, if the fair value of the services received (in this case, the right to use the asset) cannot be determined reliably, the revenue is calculated based on the fair value of the construction services provided.

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 throughout the duration of the concession, as it is assumed that the future economic benefits of the asset will be used by the operator. The amount to be depreciated consists of the difference between the acquisition value of the assets subject to concession arrangement and their residual value that is expected to be realised at the end of their useful life, according to the regulatory provisions currently in force. If any events indicating an impairment of these intangible assets occur, the difference between the carrying amount of and the recoverable amount is recognised in profit and loss.

### *Software and other intangible assets*

Software and other intangible assets are recognised at cost, as described previously, net of accumulated amortisation and any impairment. Amortisation begins when the asset becomes available for use and it is recognised systematically in relation to its estimated remaining useful life. The useful life of software estimated by the Company is 3 years.

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

At the end of each reporting period, property, plant and equipment and intangible assets are tested for impairment. To this end, both internal as well as external sources of information are taken under consideration. With regard to the former (internal sources), the following items are considered: obsolescence or physical damage, any significant change in the use of the asset and the performance of the asset compared to expectations. As for external sources, the following items are considered: performance of market prices, any technological, market or regulatory changes, the trend of interest rates or the cost of the capital used to assess the investments. Goodwill and other intangible assets with an indefinite useful life are not subject to amortisation, but they are tested for impairment whenever specific events indicate that impairment may have taken place.

If such indications exist, the recoverable amount of these assets is estimated, and any impairment with respect to the relevant carrying amount is recognised in profit and loss. The recoverable amount of an asset is the higher of the fair value, net of any relevant selling expenses, and its value in use, i.e. the current value of the estimated future cash flows. In order to determine the value in use, the estimated future cash flows are discounted using a discount rate gross of taxes which reflects current market valuations of the time value of money, in relation to the investment period and the asset specific risks. For an asset that does not generate sufficiently independent cash flows, the recoverable amount is determined in relation to the cash generating unit to which the asset belongs.

Impairment is recognised in profit or loss if the carrying amount of the asset, or of the relevant CGU to which it has been allocated, is higher than its recoverable amount. Impairment of the CGUs initially reduces the carrying amount of any goodwill attributed and, thereafter, of assets, in proportion to their carrying amounts and up to their recoverable amount. If the reasons for the impairment previously made no longer apply, the carrying amount of the asset is written back and recognised in profit and loss up to the net carrying amount that the asset would have had if the impairment had not occurred and the relevant amortisation/depreciation had been carried out.

## Trade receivables and Other assets

Depending on the instrument characteristics and the business model adopted for the management thereof, 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 (OCI); (iii) financial assets measured at fair value through profit or loss.

Trade receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Trade receivables and other financial assets are included in current assets, except for those which are contractually due later than twelve months from the end of the reporting period, which are classified as non-current assets.

Trade receivables are tested for impairment using an impairment model based on expected credit losses (ECL). The estimate of expected credit losses arises from historical experience differentiated by type of debtor, re-measured on the seniority of past due balances, and on any forward looking elements, which may affect recovery expectations.

The amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of the future cash flows expected to be derived from the asset, and it is recognised in profit or loss. If the reasons for these impairments are found not to be applicable in subsequent years, the impairment loss on the assets will be reversed up to the value that would have resulted from application of the amortised cost.

Financial assets consisting of debt instruments whose business model envisages both the possibility of collecting contractual cash flows and the possibility of realising capital gains on disposal (the so-called “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 at FVTOCI is measured at fair value through profit or loss (hereinafter FVTPL).

## Inventories

Inventories are recognised at the lower of cost of purchase, determined using the weighted average cost method, and net realisable value as can be determined from market performance.

Obsolete and slow moving inventories are written down based on their possibility of use or realisation through establishment of a specific provision, which directly decreases the corresponding asset item.

### Financial liabilities, trade payables and other liabilities

Financial liabilities (except for derivative financial instruments), trade payables and other payables are initially recognised at fair value, net of directly attributable costs, and are subsequently measured at amortised cost using the effective interest rate method. In the presence of an estimable change in expected cash flows, the value of liabilities is recalculated to reflect this change based on the present value of the new expected cash flows and the initially determined internal rate of return. Financial liabilities are classified as current liabilities, unless the Company has an unconditional right to defer payment for at least 12 months after the reference date. Financial liabilities are removed from the financial statements when they are extinguished and when the Company has transferred all the risks and charges relating to the instrument.

### Derivative financial instruments

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

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

For long-term financial instruments that qualify for hedge accounting, the following accounting treatments apply:

- *fair value hedge*: if a derivative financial instrument is designated as a hedge against changes in the fair value of a recognised asset or liability attributable to a particular risk that may affect profit or loss, the gain or loss deriving from the subsequent valuations of the fair value of the hedge is recognised in profit or loss; the gain or loss on the hedged item attributable to the hedged risk is recognised as part of the carrying amount of such item and as an offsetting item in profit or loss;
- *cash flow hedge*: if a financial instrument is designated as a hedge against exposure to variations in the future cash flows of a recognised asset or liability or a forecast transaction that is highly probable and could affect profit or loss, the effective portion of the gain or loss on the financial instrument is recognised in other comprehensive income; the accumulated gain or loss is reversed from equity and recognised in profit or loss in the same period in which the hedged transaction affects the income statement; the gain or

loss associated with a hedge or a part of the hedge that has become ineffective is recognised in profit or loss when the ineffectiveness is recognised.

If the hedged transaction is no longer expected to occur, the unrealised gains or losses still recognised in equity are recognised in profit or loss.

If hedge accounting cannot be applied, gains or losses arising from the fair value measurement of the derivative instrument are recognised directly in profit or loss.

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

Transactions in a currency other than the functional currency of the entity that executes the transaction are translated using the exchange rate at the time of the transaction. Foreign exchange gains and losses generated from the conclusion of the transaction or the translation carried out at the end of the year for the assets and liabilities denominated in a currency other than the Euro are recognised in profit or loss.

### **Employee benefits**

Short-term benefits consist of wages, salaries, the relevant social security contributions, compensation in lieu of holidays, and incentives paid in the form of a bonus payable within 12 months after the reporting date. These benefits are recognised as personnel costs in the period in which the work activity was performed.

Benefits subsequent to the termination of the employment relationship are of two types: defined contribution plans and defined benefit plans.

For defined contribution plans, the contributions payable are recognised in profit or loss when they are incurred, based on their nominal value.

For defined benefit plans, including post-employment benefits pursuant to article 2120 of the Italian Civil Code (“**TFR**”), the amount of the benefit payable to the employee can be calculated only after termination of the employment relationship, and is connected to one or more factors such as age, years of service and remuneration. Therefore, the relating expense is recognised in the statement of comprehensive income based on the actuarial calculation that has been carried out. Liabilities recognised in the financial statements for defined benefit plans correspond to the present value of the obligation at the end of the reporting period. The obligations for defined benefit plans are determined each year 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 the rate applicable to high-quality corporate bonds issued in Euro, with account taken of the duration of the relevant pension plan.

As from 1 January 2007, the so-called 2007 Budget Law and relevant implementing decrees introduced significant amendments to TFR, including allowing workers to choose where to allocate accrued TFR amounts. In particular, the new TFR flows can be allocated by the worker to preselected pension schemes or held by the company. If external pension schemes are chosen, the Company is only subject to payment of a defined contribution into the preselected fund, and as from that date, the new amounts will be considered as defined contribution plans which are not subject to actuarial valuation.

Following adoption, as from 1 January 2013, of the amended version of IAS 19 (Employee Benefits), changes in actuarial gains/losses are recognised in other comprehensive income. The new revised version of IAS 19 (Employee Benefits), as governed by EC Regulations 475-2012, was applied.

IAS 19 requires, with respect to defined benefit plans, that changes in actuarial gains / losses are recognised in other comprehensive income. Service cost as well as the interest payable on the time value component of the actuarial calculation shall continue to be recognised in the separate income statement.

### **Provisions for risks and charges**

Provisions for risks and charges are allocated to cover certain or probable losses or charges, whose amount and/or the date in which they arise cannot be determined at the end of the reporting period. Recognition only takes place if there is a current obligation (legal or implicit) for a future outflow of economic resources which result from past events and it is probable that this outflow will be required to fulfil the obligation. This amount represents the best discounted estimate of the expense required to extinguish the obligation.

When the financial effect of time is significant and the payment dates of the obligation can be reliably estimated, the provisions are measured at the present value of the expected outflow applying a rate that reflects market conditions, the change in the cost of money over time, and the specific risk connected to the obligation. The increase in the value of the provision, determined by changes in the cost of money over time, is recognised as an interest expense.



## Grants

Equipment grants are recognised in profit or loss during the period required to match them with the relevant costs; in the statement of financial position, equipment grants are shown by recognising the grant as a decrease in the value of the investment to which they relate.

Water connection contributions are recognised under other non-current liabilities and released to profit or loss over the term of the concession.

The “Fondo Nuovi Investimenti” (FoNi, i.e. Fund for New Investments) is a component of the annual tariff of the integrated water service (“IWS”) that, in turn, is made up of a number of sub-components. Its aim is to promote 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, as defined by the sector regulatory authority (ARERA). This contribution is accounted for according to the following methodology:

- only the component covering the tax burden for the years set out in the regulatory method is directly recognised in the Income Statement; consequently, this accounting treatment is similar to that applied to grants related to income;
- the residual FoNI (including the FoNI component covering amortisation/depreciation) is recognised as a direct reduction in the carrying amount of non-current assets under the Statement of Financial Position, thereby decreasing the carrying amount of the individual assets that start operating each year, similarly to grants related to income.

## Recognition of revenues

Revenues are initially recognised at the fair value of the consideration received net of discounts and rebates.

Revenues from the sale of goods are recognised when the customer obtains control of the goods. Revenues from the provision of services are recognised for an amount that reflects the amount that the Company expects to be entitled to receive upon provision of the services.

Revenues from connection of customers to the Integrated Water Service are recognised based on the duration of the supply relationship corresponding to the duration of the concession.

Revenues accrued during the year for design and construction management activities are recognised in relation to the progress of the work according to the percentage of completion method determined on the basis of the ratio of costs incurred to expected costs.

Revenues accrued during the year relating to construction works for the Integrated Water Service are recognised according to the costs incurred for these activities, plus a 3.59 % markup, which in 2022 represented the remuneration of the internal costs for project management and construction management activities carried out by the Company, which is equal to the markup that would have been applied by a general constructor (as required by IFRIC 12).

Pursuant to the requirements set forth in the IFRSs, consideration collected on behalf of third parties, which does not increase the Company's equity (as occurs in agency relations), is excluded from revenues, which only include the margin earned on the transaction.

### **Costs for the purchase of goods and the provision of services**

The costs for the purchase of goods and the provision of services are recognised in profit or loss on an accrual basis.

### **Taxes**

Current taxes are calculated based on the taxable income for the year, applying the tax rates in effect at the reporting date.

Deferred tax assets and liabilities are calculated against all the differences between the value of an asset or liability for tax purposes and the relevant carrying amount. Deferred tax assets, insofar as the portion which is not offset by deferred tax liabilities is concerned, are recognised to the extent that it is probable that future taxable income will exist against which they can be recovered. Deferred tax assets and liabilities are calculated using the tax rates that are expected to be applicable 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 and deferred taxes are recognised in profit or loss, except for taxes relating to items that are directly debited or credited to equity, in which case the relevant tax effect is recognised directly in equity. Taxes are offset when they are applied by the same tax authority and there exists a legal right to do so.

### **Changes to International Accounting Standards**

Pursuant to IAS 8, the following paragraph "Accounting Standards, Amendments and Interpretations that apply for the first time as from 1 January 2022" contains a brief description of the amendments effective as from 1 January 2022. The paragraph below – "Accounting Standards, Amendments and Interpretations

applicable after the end of the year, which were not adopted in advance” – includes details of accounting standards and interpretations that have already been issued, whether endorsed by the European Union or not, which are nevertheless not applicable to the preparation of the financial statements as at 31 December 2022, and whose possible impacts will therefore be reflected in the financial statements of future years.

### Accounting standards, amendments and interpretations that apply for the first time as from 1 January 2022

With Regulation no. 2021/1080, issued on 28 June 2021, the European Commission endorsed the following amendments, which are effective for annual reporting periods beginning on or after 1 January 2022:

#### **Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16**

The amendments to IAS 16 Property, Plant and Equipment (PP&E) clarify that the proceeds from the sale of items produced while the company is preparing the asset for its intended use must be recognised together with the related cost in profit or loss. The amendment prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. It also clarifies that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An entity shall disclose separately the sale proceeds and related production costs for the sale of items that are not part of an entity’s ordinary activities. The amendments have no impact on the company’s financial position and performance.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments to IFRS 3: i) update the references to the Conceptual Framework for Financial Reporting in the reporting standard; ii) clarify the assumptions for the recognition, at the acquisition date, of provisions, contingent liabilities and levies assumed as part of a business combination; iii) clarify that contingent assets acquired in a business combination cannot be recognised. The amendments have no impact on the company’s financial position and performance.

**Onerous Contracts: Cost of Fulfilling a Contract – Amendments to IAS 37**

The amendment to IAS 37 clarifies how to calculate onerous contracts. Specifically, it clarifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract, i.e., (i) the incremental costs of fulfilling that contract, e.g., direct labour and materials; (ii) the allocation of other costs that relate directly to fulfilling contracts, e.g., the allocation of the depreciation charge for an item of the contract.

Furthermore, before recognising a specific provision for an onerous contract, an entity shall recognise any impairment losses on the assets used to execute the contract. The amendments have no impact on the company's financial position and performance.

**Annual Improvements to IFRS Standards 2018–2020**

This document contains amendments, essentially of a technical and editorial nature, to the IFRS. In particular:

- IFRS 9, Financial Instruments – the amendment clarifies which fees an entity includes when it applies the “10%” test in assessing whether to derecognise a financial liability.
- IFRS, 16 Leases – the amendment to Illustrative Example 13 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of how lease incentives are illustrated in that example.
- IFRS 1, First-time Adoption of International Financial Reporting Standards – the amendment permits an entity that measured its assets and liabilities at the carrying amounts recognised by its parent, to measure cumulative translation differences using the amounts reported by its parent. The amendment also applies to an associate or a joint venture that opt for the same exemption allowed by IFRS 1.
- IAS 41 Agriculture – the amendment removes the requirement for entities to exclude cash flows from taxation when measuring fair value in accordance with IAS 41. This allows to align IAS 41 with the requirement to discount after-tax cash flows.

The amendments made and described in this section have no impact on the company's financial position and performance.

## Accounting standards, amendments and interpretations applicable after the end of the year, which were not adopted in advance

As at 28 February 2022, the following standards, amendments and interpretations were issued but not yet mandatory for the reporting periods ending 31 December 2022.

### **IFRS 17 Insurance Contracts (effective as from 1 January 2023)**

IFRS 17 was issued in May 2017 to replace IFRS 4 Insurance Contracts. It establishes a model to measure current estimates at each reporting date. Contracts are measured using:

the present value of probability-weighted cash flows

an explicit risk adjustment and

a contractual service margin that represents the unearned profit of the contract that the entity recognises as revenue during the coverage period.

The specific amendments help entities to implement the standard and to: (i) cut costs by simplifying the requirements of the standard; (ii) facilitate financial statements disclosure; (iii) facilitate the transition to the new standard by postponing its coming into force. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

The further amendments made in December 2021 added a transition option that allows companies to address, through a “classification overlay”, possible accounting mismatches in the comparative information presented in previous periods on initial application of IFRS 17. The “classification overlay” applies to all financial assets, including those held for activities not connected with contracts within the scope of IFRS 17. Under the amendment, these assets can be classified in the comparative period(s) as if they were classified on initial application of IFRS 9. The classification may be applied analytically to individual instruments. The future application of these amendments is not expected to have any impact on the company’s financial position and performance.

### **Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual reporting periods beginning on or after 1 January 2023)**

The minor amendments to IAS 1 Presentation of Financial Statements define that liabilities are classified as current or non-current, depending on the rights existing at the reporting date. The classification is not affected by the entity’s expectations or events subsequent to the reporting date (e.g., obtaining a waiver or failing to

comply with a covenant). The amendments also define the meaning of liability “settlement” under IAS 1. They may affect the classification of liabilities, particularly for entities that previously considered management’s intentions in determining the classification and for certain liabilities that may be converted into equity. The amendments will apply retrospectively in accordance with the standard provisions of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

**Disclosure of Accounting Policies – Amendments to IAS 1 and to IFRS Practice Statement 2 (effective for annual reporting periods beginning on or after 1 January 2023)**

The IASB amended IAS 1 so that an entity is now required to disclose their “material” accounting policy information instead of its “significant” accounting policies. The amendments explain how an entity can identify “material accounting policy information” and give examples of when accounting policy information is likely to be material. Furthermore, they clarify that immaterial accounting policy information needs not be disclosed. If such information is disclosed, it shall not obscure material accounting policy information. In this respect, the IASB also amended IFRS Practice Statement 2, Making Materiality Judgements, by adding guidance on the application of the materiality concept to the disclosure of accounting policies.

**Definition of Accounting Estimates – Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023)**

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies the definition of accounting estimates, removing the definition of change in accounting estimates. Furthermore, it clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates. This distinction is important since changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively.

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (effective for annual reporting periods beginning on or after 1 January 2023)**

The amendments to IAS 12 Income Taxes require entities to recognise deferred taxes on transactions that give rise to taxable and deductible temporary differences of equal amount upon initial recognition. They will generally apply to lessees’ leases and decommissioning obligations and will require the recognition of

additional deferred tax assets and liabilities. The amendments will be applied to transactions that occur on or after the beginning of the earliest comparative period presented. Furthermore, entities will recognise a deferred tax asset (to the extent that it is probable that it will be used) and a deferred tax liability at the beginning of the earliest comparative period presented for all deductible and taxable temporary differences associated with: right-of-use assets and lease liabilities; and decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of initially applying the amendments is recognised in retained earnings or other component of equity, as appropriate. IAS 12 did not previously address how to treat the tax effects of leases and similar transactions and several approaches were considered acceptable.

## **Risk Management**

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

The objective of the Company is to maintain over time a balanced management of its financial exposure, so as to ensure that the structure of its liabilities is in balance with the composition of its assets and able to provide the necessary operating flexibility through use of liquidity generated by current operating activities and the use of bank loans.

The ability to generate liquidity from ordinary operations, together with its borrowing capacity, allow the Company to adequately fulfil its operating requirements, finance its operating working capital and investments, as well as comply with its financial obligations.

The Company's financial policy and financial risks management are steered and monitored centrally. In particular, the finance department is in charge of evaluating and approving provisional financial requirements, monitoring their performance, and, where necessary, taking the appropriate corrective actions.

The following section provides qualitative and quantitative reference information on the effect of such risks for the Company.

## Market Risk

### Foreign exchange risk

The Company is mostly active on the Italian market and therefore it has a limited exposure to foreign exchange risk, which it incurs only with reference to: i) current bank accounts and trade receivables and payables denominated in RON (Romanian Leu), ii), current bank accounts and trade receivables and payables denominated in AED (United Arab Emirates Dirham), iii), current bank accounts and trade receivables and payables denominated in INR (Indian Rupee) and iv), current bank accounts and trade receivables and payables denominated in COP (Colombian Peso).

### Sensitivity analysis relating to foreign exchange risk

For the purposes of the sensitivity analysis relating to the exchange rate, the statement of financial position items (financial assets and liabilities) denominated in a currency other than the Company's functional currency have been identified.

For the purposes of this analysis, two scenarios have been considered, respectively discounting an appreciation and a depreciation equal to 10% of the exchange rate between the currency of the financial statement item and the functional currency.

(thousands of Euro)

#### Impact on profit and equity, net of tax effect

	COP		RON		INR		AED		Total	
<b>Sensitivity analysis</b>	<b>-10%</b>	<b>10%</b>	<b>-10%</b>	<b>10%</b>	<b>-10%</b>	<b>10%</b>	<b>-10%</b>	<b>10%</b>	<b>-10%</b>	<b>10%</b>
<b>FY 31/12/2022</b>	(10)	8	(1)	1	(5)	4	(4)	3	(19)	16

Note: it should be noted that the plus sign indicates higher profits and increased equity; the minus sign indicates lower profits and decreased equity.

### Interest rate risk

The Company is exposed to a risk connected to fluctuations in interest rates, since it uses several debt instruments depending on the nature of its financial requirements.

In particular, the Company normally takes out short-term loans to meet its working capital needs and medium/long-term loans to cover investments made in relation to ordinary and extraordinary operations.



Financial liabilities exposing the Company to interest rate risk are mostly medium/long-term, index-linked, floating-rate loans. The interest rate to which the Company is mostly exposed is Euribor.

The financial transactions that took place in 2016 (EIB structured loan and bond loan), both at a fixed rate, further mitigate the interest rate risk.

To face these risks, the Company has entered into interest rate swaps (IRSs) with the aim of mitigating, at economically acceptable conditions, the potential incidence of changes in interest rates on profit (loss). The main characteristics of these agreements are as follows:

As at 31 December 2022

Interest rate swaps (IRSs)	Start date	Maturity date	Par value (in Euro)	Fair value (in Euro)
Intesa Sanpaolo IRS	2006	2026	5,257,884	(123,710)
BNP Paribas IRS	2009	2028	6,000,000	(587,418)

#### Sensitivity analysis relating to interest rate risk

With regard to interest rate risk, a sensitivity analysis was carried out to determine the impact on profit and loss and on equity of a hypothetical 100 bps positive and negative change in interest rates compared to the amounts actually recorded in each reporting period.

The analysis was carried out mainly with regard to the following items:

- short and medium/long-term financial liabilities, with derivative instruments connected to them, if any.

With regard to short and medium/long-term financial liabilities, the impact was calculated as at the reference date. Fixed-rate financial debt was not included in this analysis.

The table below shows the results of the analysis:

<i>(in thousands of Euro)</i>	Impact on profit, net of tax effect		Impact on equity, net of tax effect	
	-100 bps	+100 bps	-100 bps	+100 bps
<b>Sensitivity analysis</b>				
Year ended 31 December 2022	(1,550)	1,550	(1,550)	1,550

Note: it should be noted that the plus sign indicates higher profits and increased equity; the minus sign indicates lower profits and decreased equity.

### *Credit Risk*

Credit risk represents the Company's exposure to the risk of potential losses arising from non-fulfilment of obligations by counterparties.

With reference to the Engineering Business Unit, almost all receivables are due from the Municipality of Milan, other public entities or their concessionaires, and this ensures the mitigation of the relevant risk. With respect to the receivables due from the Municipality of Milan, in 2019 the Company carried out an in-depth analysis and review of a series of receivables dating back several years. This process allowed to identify shared criteria for crystallising MM's receivables due from the Municipality; specifically, in accordance with the analysed documents, only the receivables due to MM corresponding to amounts that are consistent for each individual order with the funds appropriated under the relevant approved budgets shall be considered to be existing and eligible. This allowed to accurately assess receivables based on their risk profile.

The above analysis, whose aim is to check the quality of receivables, is carried out annually and covers the amounts due from the main debtors, defining adequate collection actions, where possible. It is also the basis for estimating the expected losses in relation to which accruals are made to bad debt provisions.

On the other hand, as far as the Integrated Water Service is concerned, the Company manages credit risk through policies and procedures in order to monitor collections, issue reminders, grant payment term extensions where necessary, and implement the appropriate recovery actions.

Trade receivables of € 249 million as at 31 December 2022 (€ 238 million as at 1 January 2022) were recognised net of advances for works of € 2,076 million and accounted for net of the impairment calculated by the company's management by estimating expected losses broken down by type of debtor, i.e. private or public. The estimate of expected losses arises from historical experience differentiated by type of debtor, re-measured on the seniority of past due balances, and on any forward-looking elements, which may affect recovery expectations. The measurement of credit positions for which objective conditions of partial or total non-collectability were identified, in addition to expected losses, has led to the creation of a bad debt provision, amounting to € 46,883,386 as at 31 December 2022.

With regard to Water Service customers, given the high level of customer fragmentation and the limited possibility of customer selection, given the "essential" nature of the resource on offer, the bad debt provision was measured by the Company's management by estimating expected losses, determined on the basis of past experience with similar receivables, and by monitoring the performance of current and future economic conditions in the reference market.

Furthermore, it should be noted that the receivables of the Water Service Business Unit are covered by guarantee deposits up to the amount of € 9,602 thousand.

### *Liquidity Risk*

The liquidity risk represents the risk that, due to the inability to raise new funds or sell assets on the market, the Company is unable to meet its payment commitments, generating an impact on the result of operations in the event that the Company is obliged to incur additional costs to meet its commitments or face a situation of insolvency. The Company's objective is to put in place a financial structure that, in line with business objectives and defined limits, guarantees an adequate level of liquidity thanks to the expected tariff increases, by minimising the related opportunity cost, and is balanced in terms of debt maturity and breakdown.

Still with respect to liquidity risk, the appropriate assessments allowing to exclude that cash and cash equivalents and bank deposits could determine potential impairment losses have been carried out, including on the basis of information provided by financial counterparties, also taking into account the possibility of immediate divestment of term deposits.

The table below provides an analysis of cash flows expected in the years to come in relation to financial liabilities as at 31 December 2022:

<i>(in thousands of Euro)</i>	Balance as at 31 December 2022	Expected outflows			Total
		Within 1 year	From 1 to 5 years	Over 5 years	
Financial liabilities	299,407	99,531	73,267	126,609	299,407
Trade payables	190,837	190,837	-	-	191,012
Other liabilities	63,654	27,108	24,596	11,950	63,654

All the indicated flows are undiscounted nominal future cash flows, determined based on residual contractual due dates, for both the principal and interest portions.

Loans were included based on their contractual repayment date. Flows from financial liabilities include those relating to existing IRSs.

The bond loan, issued by the company on 23 December 2016, and the EIB loan agreement, signed on 18 November 2016, require that MM complies with specific financial covenants, calculated as ratios between income and equity variables, aimed at monitoring the company's financial and economic sustainability.

The covenants are analysed in detail in the Report on Operations. In this respect, it is noted that, following the rise in electricity and gas market prices, which—also owing to the military conflict between Russia and Ukraine—caused an unprecedented spike in such costs for MM in 2022, after identifying the risk of possibly failing to meet the Net Financial Position/EBITDA covenant, the Company promptly turned to the European Investment Bank and the Bondholders to obtain the necessary waivers should this circumstance effectively take place on 31 December 2022.

On 6 December 2022, MM's waiver request with respect to the Bond was sent to the Bondholders' Representative, BNP Paribas, in accordance with the deadlines set forth in the relevant agreements. On 7 December 2022, BNP Paribas confirmed the delivery of the waiver request to Monte Titoli for publication purposes, which took place on the same day. On 9 December 2022, the official waiver request was sent to the European Investment Bank.

On 21 December 2022, the European Investment Bank sent MM its consent to waive the NFP/EBITDA covenant threshold for 2022.

On 29 December 2022, BNP Paribas notified MM of the results of the consultation process with Bondholders, who approved the request for waiver of the NFP/EBITDA covenant for 2022 by means of written resolution for an amount equal to 100% of the Bond units.

Therefore, the actual value of the NFP/EBITDA covenant as at 31 December 2022, equal to 4.53x, complied with the waivers obtained, which were nevertheless fully approved by the end of 2022.

## Financial assets and liabilities by category

A breakdown of financial assets and liabilities by category as at 31 December 2022 is provided below:

<i>(in thousands of Euro)</i>	As at 31 December 2022				
	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	-	2,811	-	-	<b>2,811</b>
Trade receivables	-	247,605	-	-	<b>247,605</b>
Cash and cash equivalents	-	59,404	-	-	<b>59,404</b>
Other current assets	-	35,504	-	-	<b>35,504</b>
<b>LIABILITIES:</b>					
Non-current financial liabilities	711	-	-	199,165	<b>199,876</b>
Other non-current liabilities	-	-	-	36,546	<b>36,546</b>
Trade payables	-	-	-	190,837	<b>190,837</b>
Current financial liabilities	-	-	-	99,531	<b>99,531</b>
Other current liabilities	-	-	-	27,108	<b>27,108</b>

For trade receivables and payables and other short-term receivables and payables, the carrying amount is a reasonable approximation of their respective fair values. It should also be taken into account that the carrying amount of the bond loan recognised under financial liabilities that was issued at the end of December 2016 is also a reasonable approximation of its fair value, considering that for this financial instrument there are no available market quotations, given the absence of transactions.

### Fair Value estimate

The fair value of financial instruments quoted in an active market is based on market prices at the end of the reporting period. The fair value of instruments that are not quoted in an active market is determined using measurement techniques based on a series of methods and assumptions connected to market conditions at the end of the reporting period.

The fair value hierarchy of financial instruments is provided below:

**Level 1:** the fair value is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2:** the fair value is determined using observable inputs for the asset or liability in active markets;

**Level 3:** fair value is determined using unobservable inputs for the asset or liability.

The table below summarises the assets and liabilities measured at fair value as at 31 December 2022, based on the inputs used in determining the fair value:

<i>(in thousands of Euro)</i>	As at 31 December 2022		
	Level 1	Level 2	Level 3
Derivative financial instruments (IRSs)	-	(711)	-

### Estimates and assumptions

The preparation of these financial statements requires the directors to apply accounting principles and methods which, in certain circumstances, are based on difficult and subjective assumptions and estimates based on past experience and assumptions that are from time to time considered to be reasonable and realistic depending on circumstances. Application of these estimates and assumptions influences the amounts shown in the financial statements as well as the disclosure provided. The financial statement items for which the aforementioned estimates and assumptions were used may differ from those shown in the statements that reflect the effects of

the event subject to estimate, due to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

A brief description of the areas requiring Directors to make more subjective interpretations than others, and for which a change in the conditions underlying the assumptions used could have a significant impact on financial data, is provided in the following paragraphs.

#### *Depreciation of property, plant and equipment and amortisation of intangible assets*

Property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis over the estimated useful life of each asset. The useful life of property, plant and equipment and intangible assets is determined at the time that they are purchased and based on past experience for similar assets, market conditions and expectations regarding future events that could have an impact, including changes in technology. The actual useful life may differ from the estimated useful life. The Company assesses technological and sector changes each year as well as any changes in contractual terms and conditions and the applicable laws connected to the use of the property, plant and equipment and intangible assets, and the recoverable amount for updating their residual useful life. The result of these analyses may change the depreciation/amortisation period and therefore the relevant depreciation/amortisation rate for the reporting period and future years.

#### *IFRIC 12 markup*

The fair value of the construction services of the Integrated Water Service is calculated on the basis of the costs actually incurred, plus a 3.59% markup which represents the best estimate, recalculated for 2022, of the remuneration of internal costs for construction management and design activities carried out by the Company, as provided for by IFRIC 12. The markup is calculated on the basis of factors and estimates that may change over time and can therefore result in a change to this amount in the financial statements.

#### *Residual value upon conclusion of the Concession*

Upon conclusion of the Concession, MM will receive compensation for an amount equal to the residual value of the works and assets realised during the concession period. This amount, which is determined according to rules defined by the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) is based on factors and estimates that may change over time, resulting in a change to this amount.

### *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. Verification that such indication exists requires subjective judgements based on information available within the Company and on the market, as well as on past experience. Furthermore, when it is believed that impairment may have occurred, this is measured using the appropriate measurement techniques. The correct identification of the elements indicating any potential impairment, as well as the estimates for determination thereof depend on factors that can change over time, producing their effects on the estimates and measurements carried out. Similar considerations in terms of impairment indication and use of estimates in measurement techniques apply to measurements to be carried out with regard to any reversal of impairment made in previous years.

### *Deferred tax assets*

Deferred tax assets are accounted for based on the expectations regarding revenue for future years. The measurement of expected revenues for the purposes of deferred tax assets recognition depends on factors that may change over time and result in significant effects on the measurement of this item.

### *Provisions for risks and charges*

In the provisions for risks and charges, the Company recognises contingent liabilities arising from disputes with personnel, suppliers, third parties and, in general, expenses arising from obligations undertaken. The assumptions underlying the creation of such provisions are based on factors that can change over time and can therefore generate final outcomes that may significantly differ from those considered at the time that these financial statements were prepared.

### *Bad debt provision*

The bad debt provision reflects the estimates relating to expected losses on the receivables portfolio. The allocations for expected losses reflect credit risk estimates based on past experience with similar receivables, analysis of past due amounts (current and previous amounts), and on monitoring the performance of current and future economic conditions, in the reference markets.

### *Measurement of derivative financial instruments*

Measurement of the fair value of unquoted financial assets, such as derivative financial instruments, takes place using commonly used financial measurement techniques which require assumptions and estimates. These assumptions may not occur within the deadlines and in the manners that were expected. Therefore, the estimates for these derivative instruments could differ from the final figures.

### *Measurement of revenues*

As for the Engineering Business Unit, revenues related to work orders for project management and/or construction management are allocated in proportion to the percentage of work undertaken, determined by the ratio between the direct hours already used for contractual activities and total estimated hours, including those to be performed.

As for the IWS Business Unit, revenues include the estimate of revenues accrued for supplies made between the date of the last recording of the actual consumption and the end of the financial year. The recognition of these revenues is determined on the basis of the tariff regulation through the use of algorithms and includes a significant degree of estimation.

### **Operating segment disclosure**

Disclosure of business segments was prepared according to IFRS 8 “Operating Segments”, which requires that the information be presented consistently with the procedures adopted by the management for making operating decisions. Therefore, identification of the operating segments and the disclosures made are defined based on internal reports used by management for allocating resources to the different segments and for the analysis of the relevant performances.

An operating segment is defined by IFRS 8 as the component of an entity: i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity); ii) whose operating results are reviewed regularly by the entity’s chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; iii) for which discrete financial information is available.

Management has identified the following segments:

- **Integrated Water Service (IWS):** includes the integrated water services mainly for the population of the city of Milan;



- **Engineering:** includes the provision of engineering, construction management and contracting authority services for works on the transport and the mobility systems and infrastructures, mainly carried out for the Municipality of Milan;
- **Housing:** includes the property and facility management operations carried out in the name and on behalf of the Municipality of Milan, with regard to some of latter's real estate properties;
- **Real Estate and Networks:** includes the assets and the management of public assets previously carried out by MIR prior to the merger with MM;
- **Routine Plant and Infrastructure Maintenance:** includes facility management and construction management activities carried out on the school buildings of the Municipality of Milan and on the facilities managed by other subsidiaries of the Municipality of Milan;
- **Public Housing Property Green Area Management:** includes maintenance activities on public green areas, limited to the areas pertaining to the public housing property of the Municipality of Milan;
- **Staff:** includes the activities performed by the functions supporting the operating segments whose costs are parametrically allocated to each business unit.

Monitoring of the operating segments takes place on the basis of: i) revenues; ii) EBITDA, iii) EBIT and iv) Net Financial Position.

Management believes that EBITDA provides a good indication of the performance because it is not influenced by tax laws and amortisation/depreciation policies.

For further information at a company level and by business segment kindly refer to the Report on Operations.

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

## Assets

## 1.1 Property, plant and equipment

Property, plant and equipment amounted to € 68,067,509 (€ 69,303,701 in the previous year).

Breakdown, changes in the year and other information are provided below.

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Assets under construction	Leasehold improvements	Other property, plant and equipment	IFRS 16 – Right-of-use assets	Total
<b>Historical cost as at 31.12.2021</b>	74,479,260	25,720,966	4,488,348	9,748,095	3,008,265	9,769,577	5,434,671	<b>132,649,182</b>
<b>Accumulated depreciation as at 31.12.2021</b>	(21,526,537)	(24,530,105)	(4,482,884)	(193,407)	(2,244,333)	(6,864,458)	(3,503,757)	<b>(63,345,482)</b>
Increases for the year	403,376	-	-	1,363,952	-	424,809	702,235	<b>2,894,372</b>
Decreases for the year	-	-	-	-	-	-	-	-
Restatements	-	-	-	-	-	-	-	-
Depreciation for the year	(1,438,481)	(536,769)	(4,837)	-	(97,948)	(954,017)	(1,098,511)	<b>(4,130,564)</b>
<b>Balance as at 31.12.2022</b>	<b>51,917,618</b>	<b>654,092</b>	<b>626</b>	<b>10,918,640</b>	<b>665,983</b>	<b>2,375,911</b>	<b>1,534,638</b>	<b>68,067,509</b>
Historical cost as at 31.12.2022	74,882,636	25,720,966	4,488,348	11,112,047	3,008,265	10,194,386	6,136,907	<b>135,543,554</b>
Accumulated depreciation as at 31.12.2022	(22,965,017)	(25,066,874)	(4,487,722)	(193,407)	(2,342,282)	(7,818,475)	(4,602,269)	<b>(67,476,045)</b>

The increases for the year, totalling € 2,894 thousand, mainly refer to:

- improvements made to owned properties;
- purchase of furniture, office machines;
- transport vehicles;
- increase in the value of “Right-of-use assets” recognised in accordance with the application of IFRS 16.

Assets under construction include, for € 3,924 thousand, the net carrying amount of the investments made by AMSA, with which a lease agreement is in place providing for a commitment by the company to purchase the improvements made by the lessee.

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

The “Rights over the infrastructure relating to service concession arrangements” amounted to € 349,837,427 (€ 319,598,468).

Changes in the item for the period from 1 January 2022 to 31 December 2022 are provided below:

Rights over the infrastructure relating to service concession arrangements	
<b>Balance as at 31 December 2021</b>	<b>319,598,468</b>
Historical cost	461,175,543
Accumulated amortisation	(141,577,075)
Increases	50,917,337
FoNI (Fund for New Investments)	(5,345,792)
Decreases	(192,577)
Amortisation	(15,140,008)
<b>Balance as at 31 December 2022</b>	<b>349,837,427</b>
Historical cost	506,554,510
Accumulated amortisation	(156,717,083)

Pursuant to IFRIC 12, rights over the infrastructure relating to service concession arrangements amounted to € 349,837 thousand as at 31 December 2022. These rights were amortised on a straight-line basis throughout the concession period; the residual amount of € 55.3 million, which represents the value of the assets to be returned to the grantor at the end of the concession, was not amortised.

The item “Rights over the infrastructure relating to service concession arrangements” is recognised net of the “FoNI” (Fund for New Investments) tariff component. This component, which consists of an advance of funds for new interventions, is subject to a restriction on its use. The FoNI accrued from the date of initial recognition to 31 December 2022 and recognised as a reduction of Rights over the infrastructure relating to service concession arrangements amounted to € 109,711,320.

Investments made in 2022 amounted to € 50,917,337 (gross of the increase in the “Fund for New Investments”) and mainly refer to pipelines and work on wastewater treatment plants and on various stations.

### *Impairment test of the infrastructure relating to service concession arrangements*

As at 31 December 2022, the rights over the infrastructure relating to service concession arrangements were tested for impairment. Both internal as well as external sources of information were considered, such as any significant changes in the use of the assets, their performance compared to original expectations, any technological, market or regulatory change, the trend of interest rates or the cost of capital used to assess the

investments. Since the sources of information used did not show any indication of impairment, the impairment test was not performed. Therefore, no impairment losses in relation to the rights over the infrastructure relating to service concession arrangements were recognised in 2022 and the relevant assets were not subject to impairment.

### 1.3 Other intangible assets

“Other intangible assets” amounted to € 11,689,047 (€ 12,519,224 in the previous year).

Changes in “Other intangible assets” for the period from 1 January 2022 to 31 December 2022 are provided below:

	Balance as at 31 December 2021	Increases in 2022	Restatement in 2022	Amortisation in 2022	Balance as at 31 December 2022
Software	12,462,888	8,608,158	-	(9,438,335)	11,632,712
Other intangible assets	56,336	-	-	-	56,336
<b>Total</b>	<b>12,519,224</b>	<b>8,608,158</b>	<b>-</b>	<b>(9,438,335)</b>	<b>11,689,047</b>

Investments made in 2022 mainly concerned the upgrading and development of the new software for the integrated management of business processes. Specifically, the increase in the year is mainly due to the completion of IT system integration activities, as well as to the enhancement and development of the management software already in use.

### 1.4 Deferred tax assets

Deferred tax assets amounted to € 34,409,238 (€ 33,294,799 in the previous year).

They have been calculated on the temporary differences between the amounts shown in the financial statements and the corresponding amounts recognised for tax purposes, on the basis of the rates that are expected to be applied when these differences will be eliminated.

The item is broken down as follows:

Deferred tax assets	2021		2022	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Provisions for risks and charges	5,369,884	1,469,873	9,802,160	2,677,583
Bad debt provision	11,571,574	2,777,178	13,921,384	3,341,132
IRS fair value measurement	2,420,784	580,988	711,130	170,671
FoNI (Fund for New Investments) contributions	96,029,929	27,080,440	97,316,590	27,443,278
Late payment interest provision	497,192	119,326	497,192	119,326
Employee benefits	727,681	128,363	-	0
Write-downs of inventories	389,906	109,953	-	0
Deferrals for connections of customers	12,027,913	2,881,062	11,276,168	2,688,991
Other items	687,793	209,586	436,935	104,864
<b>Total for the Company</b>	<b>129,722,657</b>	<b>35,356,769</b>	<b>133,961,559</b>	<b>36,545,846</b>
Deferred tax liabilities	2021		2022	
	Amount of temporary differences	Tax effect	Amount of temporary differences	Tax effect
Late payment interest	775,305	186,073	682,460	175,970
Tangible fixed assets	6,723,647	1,875,898	6,723,647	1,875,898
Employee benefits			761,798	84,742
<b>Total for the Company</b>	<b>7,404,015</b>	<b>2,061,971</b>	<b>8,167,905</b>	<b>2,136,609</b>
<b>Total deferred tax assets/liabilities</b>	<b>122,318,642</b>	<b>33,294,799</b>	<b>125,793,654</b>	<b>34,409,237</b>

As required by IAS 12, deferred tax assets are shown net of deferred tax liabilities, since deferred assets and liabilities refer to income taxes applied by the same tax authority.

### 1.5 Other non-current assets

Other non-current assets amounted to € 2,810,803 (€ 2,066,632 in the previous year) and are broken down as follows.

	Reporting period	Previous period
Accrued income and prepaid expenses	2,542,337	1,799,287
Guarantee deposits	268,466	267,345
<b>Total</b>	<b>2,810,803</b>	<b>2,066,632</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 € 3,301,187 (€ 4,358,772 in the previous year).

This item only refers to spare parts and maintenance materials for the Integrated Water Service. The amount of inventories is recognised net of the provision for write-down of inventories, the amount of which is equal to € 1,176,234.

The change compared to the previous year is mainly attributable to the decrease in inventories for € 1,021,070; these mostly consist of metering instruments in stock at the end of the previous year that were installed on the waterworks during the first months of the following year. Inventories are broken down as follows:

	As at 1 January 2022	As at 31 December 2022
Raw materials, consumables and goods for resale	5,498,491	4,477,421
Provision for write-down of inventories	(1,139,719)	(1,176,234)
<b>Total</b>	<b>4,358,772</b>	<b>3,301,187</b>

## 1.7 Trade receivables

Trade receivables, net of the related bad debt provision, amounted to € 247,429,631 (€ 238,345,599 in the previous year).

The item is broken down as follows.

	Reporting period	Previous period
Due from third parties	181,613,754	183,424,181
Due from parent companies	112,299,263	94,226,084
<b>Total trade receivables – gross</b>	<b>293,913,016</b>	<b>277,650,264</b>
Bad debt provision	(46,483,386)	(39,304,666)
<b>Total trade receivables</b>	<b>247,429,631</b>	<b>238,345,599</b>

### *Receivables due from third parties*

This item includes receivables of the Engineering and Staff Business Unit for € 35,794,089 relating to services provided to third parties, receivables arising from the management of the Integrated Water Service for € 143,433,567, receivables of the Plant Maintenance Business Unit for € 1,455,728 and receivables of the Housing and Plant and Real Estate Management Business Units for the remaining € 930,470.

***Receivables due from parent companies***

Receivables due from parent companies are attributable to the Engineering and Staff Business Unit for already invoiced services and services which are yet to be invoiced totalling € 86,983,822, to the Integrated Water System to the tune of € 8,743,014, to the Housing Business Unit to the tune of € 16,091,442, to the Plant Maintenance Business Unit to the tune of € 128,840 and to the Public Housing Property Green Area Management Business Unit to the tune of € 352,146.

The amount of receivables is shown net of the advances of € 2,076 million received from the Municipality of Milan.

***Bad debt provision***

The par value of receivables was adjusted to the expected realisable value by means of a specific bad debt provision; the relevant changes during the financial year were as follows:

Description	Total
Balance as at 31 December 2021	<b>39,304,666</b>
Use during the year	(1,441,106)
Allocation for the year	8,619,826
<b>Balance as at 31 December 2022</b>	<b>46,483,386</b>

The above-mentioned provision refers for € 28,495,387 to the impairment of receivables from customers of the Integrated Water Service and for € 17,987,999 to the impairment of receivables of the Engineering Business Unit mainly due from its Parent Company.

During the year, a total of € 8,619,826 was allocated to this provision. Of this amount, € 3,694,996 relates to the Water Service Business Unit, specifically to water consumption items, and is estimated on the basis of expected losses.

The residual € 4,924,830 relates to the Engineering Business Unit and was calculated by estimating probable losses on invoices to be issued for work in progress. Indeed, contracts in progress were analysed and an accurate review of the outstanding receivables from the main customers was conducted in order to check their effective recoverability. The amount accrued reflects the outcome of this analysis.

## 1.8 Cash and cash equivalents

Cash and cash equivalents amounted to € 59,403,554 (€ 55,625,452 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Cash	6,667	6,998
Bank deposits	59,396,887	55,618,454
<b>Total</b>	<b>59,403,554</b>	<b>55,625,452</b>

## 1.9 Other current assets

Other assets amounted to € 35,503,904 (€ 27,474,187 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Receivables due from tax authorities	9,432,018	1,699,422
Prepayments	24,495,368	24,074,281
Receivables due from social security agencies	494,192	494,192
Other current receivables	1,482,326	1,606,292
Bad debt provision	(400,000)	(400,000)
<b>Total</b>	<b>35,503,904</b>	<b>27,474,187</b>

Receivables due from tax authorities mainly refer to tax receivables arising from the application of the “Superbonus” accrued as a result of works carried out on public housing property of the Municipality of Milan managed by MM (€ 1,563,628), residual credit from the Energy Bonus granted to companies for the purchase of electricity and gas (€ 2,235,593), and receivables for tax down payments to be offset (€ 5,463,791).

On the other hand, the item “Prepayments”, amounting to € 24,495,368, refers to contract advances paid to contractors in accordance with the provisions of the Procurement Code.



## Equity and liabilities

### 1.10 Equity

The share capital is comprised of 36,996,233 ordinary shares with a par value of € 1 each, fully subscribed and paid up, held by the Municipality of Milan.

#### *Equity – origin, use and availability for distribution*

Below we provide the information required by Article 2427, no. 7-bis, pursuant to which equity items must be shown separately and broken down by availability, origin and use in previous years for coverage of losses.

	Amount	Origin/type	Possibility of use	Available portion	Summary of uses made in the previous year
Capital	36,996,233	subscription / capital reserve	coverage of losses		
Legal reserve	7,399,247	earnings reserve	coverage of losses		
Other reserves					
Merger surplus reserve	47,193,065	Merger surplus reserve	share capital increase, coverage of losses, distribution	47,193,065	
Extraordinary reserve	154,091,258	earnings reserve	share capital increase, coverage of losses, distribution	154,091,258	
Housing Business Unit reserve	2,594,293	earnings reserve	share capital increase, coverage of losses, distribution	2,594,293	
IFRS transition reserve	4,400,822	IFRS transition reserve	share capital increase, coverage of losses, distribution	4,400,822	
Cash flow hedge reserve	(540,458)			(540,458)	
Fund for New Investments reserve	(11,822,117)			(11,822,117)	
<b>Total other reserves</b>	<b>195,916,863</b>			<b>195,916,863</b>	
<b>Total equity (excluding Profit (loss) for the year)</b>	<b>240,312,343</b>				

### 1.11 Current and non-current financial liabilities

Financial liabilities amounted to € 269,679,006 (€ 244,865,593 in the previous year).

Breakdown and distinction between current and non-current portions are provided and described below.

Current and non-current financial liabilities	As at 31 December 2022		As at 31 December 2021	
	Current portion	Non-current portion	Current portion	Non-current portion
Bank loans	5,259,300	95,479,911	2,197,651	81,040,490
Bond loan		98,850,879		98,743,206
Other loans	91,448,313	3,957,879	62,500,000	20,028,697
Bank account overdrafts	872,513	-	-	-
Fair value of IRSs	-	711,128	-	2,420,784
Payables relating to finance costs	953,444	-	531,395	-
Financial liabilities for rights of use	997,498	876,524	1,008,562	1,208,221
<b>Total</b>	<b>99,531,069</b>	<b>199,876,321</b>	<b>66,237,608</b>	<b>203,441,398</b>

Expenses incurred by the Company in relation to bank loans and the bond loan were initially recognised as a reduction in financial liabilities and subsequently transferred to profit or loss using the amortised cost method pursuant to IFRS 9.

The item “Other loans” refers to the use of “Hot Money” lines and loans with a duration of 18 months.

“Financial liabilities for rights of use” payable 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 bank loans and the bond loan is summarised in the table below:

	Par value	Start date	Maturity date	Interest rate	As at 31 December 2022			
					Total	Due within 1 year	Due within 2 to 5 years	Due later than 5 years
<b>Bank loans:</b>								
Floating Rate Loan -BNL	20,000,000	2008	2028	Euribor 6m + 0.25%	6,000,000	1,000,000	4,000,000	1,000,000
Floating Rate Loan – Banca Intesa	20,000,000	2006	2026	Euribor 6m + 0.12%	5,257,884	1,242,654	4,015,230	-
Floating Rate Loan – CREDEM	20,000,000	2022	2025	Euribor 3m + 0.7%	20,000,000	-	20,000,000	-
Amortised cost					(328,360)	-	(328,360)	-
Fixed Rate Loan – BEI	70,000,000	2018	2034	1.757%	70,000,000	3,043,478	24,347,826	42,608,696
Amortised cost					(190,313)	(26,831)	(93,837)	(69,645)
<b>Bond Loan:</b>								
Senior Secured Amortising Fixed Rate Notes	100,000,000	2016	2035	3.15%	100,000,000	-	17,000,000	83,000,000
Amortised cost					(1,149,121)		(587,567)	(561,554)
<b>Total</b>					<b>199,590,090</b>	<b>5,259,301</b>	<b>68,353,292</b>	<b>125,977,497</b>

## 1.12 Provisions for risks and charges

Provisions for risks and charges amounted to € 6,892,262 (€ 4,683,253 in the previous year).

Breakdown and changes in the year are provided and described below.

	Balance as at 1 January 2021	Increase	Uses/releases	Balance as at 31 December 2022
Provision for risks	1,838,166	2,644,686	(435,677)	4,047,175
Provision for future charges	2,845,087	-	-	2,845,087
<b>Total</b>	<b>4,683,253</b>	<b>2,644,686</b>	<b>(435,677)</b>	<b>6,892,262</b>

The “Provision for risks”, totalling € 4,047,175, is set aside to cover estimated future losses on the Engineering Business Unit’s orders in progress with negative margins (€ 1,415,760) and to cover disputes with companies and personnel, for which the risk of losing the case was deemed probable (€ 2,597,770). For the remainder, the provision is set aside to cover insurance deductibles to be paid to insurance companies for claims to be settled.

During the year, € 820,000 was set aside for the probable risk of losing a pending civil dispute with a company that works with MM. Of this amount, € 342,595 refers to insurance deductibles calculated on outstanding claims, € 1,284,922 to the recognition of future losses on contracts in progress, and the remainder to disputes with employees.

On the other hand, the “Provision for future charges” of € 2,845,087 refers to charges that will not be recognised by the principal, i.e. the Municipality of Milan, and that are expected to be incurred to complete certain orders of the Engineering Business Unit. These charges, which are determined based on the redefinition of the economic plan of certain orders, were recognised in previous years following the finalisation of an “Assessment Report”, signed in 2020 with the Municipality of Milan, aimed at assessing and crystallising a number of receivables dating back several years.

## 1.13 Employee benefits

This item includes post-employment benefits and other employee benefits amounting to € 5,353,258 (€ 6,770,647 in the previous year).

	Reporting period	Previous period
Post-employment benefits (TFR)	4,146,808	5,021,480
Other benefits	1,206,449	1,749,167
<b>Total</b>	<b>5,353,258</b>	<b>6,770,647</b>

### *Post-employment benefits (TFR)*

Breakdown and changes in the year are provided and described below.

<b>Employee benefits</b>	
Balance as at 31 December 2021	5,021,480
Finance costs	24,839
Actuarial losses	(761,515)
Amounts paid	(137,996)
<b>Balance as at 31 December 2022</b>	<b>4,146,808</b>

The provision for post-employment benefits includes the effects of discounting as required by IAS 19. The breakdown of economic and demographic assumptions used for discounting purposes is provided below:

Discount rate	3.73% Engineering, Water Service, Housing and Staff B.U. 3.77% Plant Maintenance and Green Areas B.U.
Inflation rate	5.9% for 2023, 2.3% for 2024, 2.0% as from 2025
Expected mortality rate	Italian General Accounting Office table RG48
Expected invalidity rate	INPS1998M/ INPS1998F tables
Expected resignations/advances (annually)	3.10% / 3.00%

### *Other employee benefits*

This item totals € 1,206,449 and refers to the amount set aside so far for capitalisation policies that will be paid out to executives at the end of their employment relationship, as provided for in the supplementary contract.

### **1.14 Other non-current liabilities**

Other non-current liabilities amounted to € 36,545,928 (€ 37,956,261 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Guarantee deposits	18,349,773	20,204,691
Deferred income	18,196,155	17,751,570
<b>Total</b>	<b>36,545,928</b>	<b>37,956,261</b>

Guarantee deposits relate to the amounts paid by the tenants of the Housing Business Unit and IWS customers in accordance with the rules and regulations in force.

Deferred income mainly refers to contributions for connections and for network strengthening operations that will be released annually on a straight-line basis up to the expiry of the Water Service concession agreement.

### **1.15 Trade payables**

Trade payables amounted to € 190,837,344 (€ 178,041,340 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Due to third parties	143,333,890	130,204,243
Due to parent companies	47,503,454	47,837,097
<b>Total</b>	<b>190,837,344</b>	<b>178,041,340</b>

This item includes payables referring to the Company's ordinary trade activities, in relation to the provision of goods, fixed assets and services. As at 31 December 2022, no payables with a residual maturity of more than five years were recognised.

*Payables due to third parties*

The balance as at 31 December 2022 includes payables related to the Engineering and Staff Business Unit for € 56,783,513, to the Integrated Water Service for € 64,612,828, to the Housing Business Unit for € 15,519,009, to the Plant and Real Estate Management Business Unit for € 3,924,243, to the Public Housing Property Green Area Management Business Unit for € 182,474 and to the Routine Plant Maintenance Business Unit for € 2,311,823.

This balance also includes contractual deductions on work in progress, which will be paid only after the final work is tested.

*Payables due to parent companies*

Payables due to parent companies are fully attributable to the Municipality of Milan.

The balance as at 31 December 2022 includes payables related to the Engineering and Staff Business Unit for € 74,394, to the Integrated Water Service for € 47,325,373 and to the Housing Business Unit for € 103,688.

The payables of the Integrated Water Service include, in addition to the consideration for services, the portion pertaining to the Municipality of Milan of the bills issued by the Company after 30 June 2003 and the wastewater treatment portion to be paid to it as Commissioner appointed for the construction of wastewater treatment plants.

**1.16 Other current liabilities**

Other current liabilities amounted to € 27,108,209 (€ 26,747,857 in the previous year).

The item is broken down as follows:

<b>Other current liabilities</b>	<b>Reporting period</b>	<b>Previous period</b>
Payables due to employees	8,706,205	9,815,635
Payables due to IWS customers	223,138	223,138
Advances	3,703,761	3,024,987
Payables due to social security agencies	4,804,564	4,876,942
VAT and other tax payables	3,091,844	1,672,932
Payables due to Cassa per i servizi energetici e ambientali (Energy and Environmental Services Fund)	4,307,526	2,281,997
Other liabilities	2,271,170	4,852,226
<b>Total</b>	<b>27,108,209</b>	<b>26,747,857</b>

The item “Payables due to employees” mainly includes payables for holidays that had not been taken, deferred remuneration, contractual bonuses and leaving incentives yet to be paid.

The item “Payables due to IWS customers” refers to the portion of the Optimal Territorial Area Authority tariff billed in 2012/2013 to be refunded to IWS customers.

The item “Advances” includes advances received from third-party customers for € 1,803,897 and from the Parent Company for € 1,899,864.

The item “Payables due to Cassa per i servizi energetici e ambientali (Energy and Environmental Services Fund)”, amounting to € 4,307,526, refers to the amounts collected from IWS customers through the tariff and periodically returned to the Cassa with the aim of implementing forms of equalisation and financing projects for the benefit of consumers.

## NOTES TO THE INCOME STATEMENT

### 2.1 Revenues

Revenues from sales and services amounted to € 213,230,710 (€ 193,115,480 in the previous year).

The item is broken down by Business Unit as follows:

	Reporting period	Previous period
Integrated Water Service	157,113,060	137,684,208
Engineering and Staff	27,386,816	34,395,150
Housing	15,251,356	14,022,771
Plant and Real Estate	2,032,674	2,034,817
Routine Plant and Infrastructure Maintenance	10,270,914	4,978,534
Green Areas	1,175,890	-
<b>Total</b>	<b>213,230,710</b>	<b>193,115,480</b>

The increase in “Revenues” is mainly due to the updating of the Water Service tariffs following their approval by the regulatory body ARERA in 2022. Revenues of the Water Service totalled € 157,113,060 and include a component related to year-end consumption, which was accrued during the year and estimated based on billing calculation algorithms (€ 20,813 thousand).

Revenues are shown net of the cost of work contracted on behalf of third parties, which are passed on to the principals based on concession agreements and service contracts, for an amount equal to € 53,489 thousand for the year ended 31 December 2022.

Below is the breakdown by geographic area.

<i>Amounts in thousands of Euro</i>	Reporting period	Previous period
Italy	212,172	192,323
Europe	20	25
Rest of the world	1,039	767
<b>Total</b>	<b>213,231</b>	<b>193,115</b>



## 2.2 Revenues arising from work on infrastructure subject to service concession arrangements

Revenues arising from work on infrastructure subject to service concession arrangements amounted to € 50,917,337 for the year ended 31 December 2022. In compliance with IFRIC 12, these revenues correspond to the work performed on the assets of the Integrated Water Service held on the basis of a concession agreement plus a 3.59% markup, which represents the best estimate regarding the remuneration of internal costs for construction management and design activities carried out by the Company, which is equal to the markup that a general third party constructor would charge to carry out the same operations. The markup is recalculated on an annual basis and the value indicated above refers to 2022.

## 2.3 Other revenues and income

Other revenues and income amounted to € 34,212,404 (€ 16,427,161 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Sundry services carried out by the IWS	1,653,966	1,425,206
Chargebacks and expense refunds	190,070	1,063,644
Increases for internal work	10,711,954	12,059,422
Release of the provision for risks	516,995	0
Charge of costs for seconded staff	618,063	539,474
Contingent assets	3,327,958	491,888
Other revenues and income	17,171,192	825,316
Capital contributions	22,206	22,211
<b>Total</b>	<b>34,212,404</b>	<b>16,427,161</b>

The change in the item “increases for internal work” is mainly related to the increase in investments of the Water Service.

The increase in “Other revenues and income” refers to the tax credit for electricity and gas costs in accordance with the provisions of the “Aid decree” and its subsequent amendments (€ 7,599,709) and the tax relief for non-energy and non-gas-intensive companies, which was introduced in 2022, based on which the tax credit was calculated.

This item also includes € 8,593,090 paid by ARERA following the achievement of the technical quality standards for the Water Service.

## 2.4 Costs for raw materials, consumables and goods for resale

Raw materials and consumables amounted to € 7,389,807 (€ 6,559,652 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Consumables and other	6,332,222	7,057,371
Changes in raw materials, ancillaries and consumables	1,057,585	(497,720)
<b>Total</b>	<b>7,389,807</b>	<b>6,559,652</b>

## 2.5 Other operating costs

Other operating costs amounted to € 3,065,891 (€ 2,848,100 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Membership fees	449,587	459,982
Taxes and other deductible charges	177,879	421,575
Municipal Property Tax (IMU)	360,460	366,820
Donations	19,000	53,000
Other operating costs	2,058,965	1,546,723
<b>Total</b>	<b>3,065,891</b>	<b>2,848,100</b>

## 2.6 Costs for services

Costs for services amounted to € 115,245,119 (€ 76,241,736 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Utilities (water, electricity)	50,634,666	18,815,010
Gas	3,951,383	1,572,482
Outsourced work	376,330	233,219
Maintenance	12,624,117	13,938,390
Technical and legal consulting	7,377,831	7,211,806
Remuneration of directors	172,033	141,240
Remuneration of statutory auditors	42,038	37,338

Marketing and advertising	58,712	122,467
Telephone and postal expense	572,101	474,375
Insurance	3,051,917	2,863,038
Business trips and transfers	192,666	161,666
Other costs for services	12,851,190	8,850,247
Costs for activated carbon regeneration	1,314,475	844,126
Canteen and luncheon vouchers	2,092,084	1,960,399
Services supplied by the Municipality of Milan	3,272,853	2,477,984
Wastewater treatment plant management fee	6,615,904	6,800,523
Waste disposal	8,279,695	8,074,537
Use of third-party assets	1,765,124	1,662,889
<b>Total</b>	<b>115,245,119</b>	<b>76,241,736</b>

The increase in “Costs for services” is mainly due to the rise in energy and gas tariffs during the year, caused by the significant changes in the international context and the resulting impact on the Italian energy market.

“Other costs for services” mainly refer to costs incurred for sundry consultancies, bank fees and commissions, contributions to cover the operating expenses of the regulatory bodies (ATO and ARERA), IT services and maintenance services. The increase in the year is mainly due to the maintenance services of the Routine Plant and Infrastructure Maintenance Business Unit assigned as part of the management of maintenance activities of municipal school buildings.

The item “Use of third-party assets” is broken down as follows:

	Reporting period	Previous period
Rents and leases	1,044,180	725,891
IP rights and patents	709,062	925,437
Other costs for use of third-party assets	11,881	11,561
<b>Total</b>	<b>1,765,124</b>	<b>1,662,889</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 € 48,909,037 for the year ended 31 December 2022. This item consists of the cost for work on assets held under concession arrangements.

## 2.8 Personnel costs

Personnel costs amounted to € 70,518,623 (€ 72,483,543 in the previous year).

The breakdown of labour costs is set out and commented on below.

	Reporting period	Previous period
Salaries and wages	51,380,838	52,192,889
Social security costs	15,352,819	15,858,499
Post-employment benefits	3,456,315	3,505,357
Other costs	328,651	926,798
<b>Total</b>	<b>70,518,623</b>	<b>72,483,543</b>

The breakdown of personnel by category is as follows:

Number of employees		
	Average number for the year	As at year end
Senior managers	34	33
Middle managers	78	77
Clerical workers	829	836
Apprentices	1	-
Workers	403	423
<b>Total</b>	<b>1,345</b>	<b>1,369</b>

Other personnel costs include the leaving indemnities based on individual agreements with employees.

## 2.9 Amortisation/depreciation, impairment and other provisions

The item amounted to € 39,867,778 (€ 33,850,041 in the previous year).

Breakdown is shown and described below.

	2022	2021
Depreciation of property, plant and equipment and amortisation of intangible assets	28,708,907	27,957,920
Impairment and other provisions	11,158,871	5,892,121
<b>Total</b>	<b>39,867,778</b>	<b>33,850,041</b>

The item “Depreciation of property, plant and equipment and amortisation of intangible assets” is broken down as follows:

	Reporting period
Property, plant and equipment	4,130,564
Rights over the infrastructure relating to service concession arrangements	15,140,008
Other intangible assets	9,438,335
<b>Total</b>	<b>28,708,907</b>

The item “Impairment and other provisions”, amounting to € 11,158,871, refers for € 970,000 to allocations to provisions for risks and charges. The allocation, as more fully described in section “1.12 Provisions for risks and charges”, was made against the probable risk of losing pending civil disputes with companies and with personnel. This item includes € 1,284,922 in provisions for future losses on orders and Euro 342,595 in provisions for insurance deductibles.

The remaining portion, amounting to € 8,561,353, refers to allocations to the bad debt provision, as further detailed in paragraph “1.7 Trade receivables”.

## 2.10 Impairment loss on the disposal of fixed assets

The impairment loss on assets held under concession arrangements, on property, plant and equipment and on intangible assets amounted to € 192,577 (€ 169,184 in the previous year).

The item is broken down as follows:

	Reporting period	Previous period
Impairment losses (Reversal of impairment losses)		
- Other Property, plant and equipment	0	0
Total property, plant and equipment	0	0
- Rights over the infrastructure relating to service concession arrangements	192,577	169,184
Total Rights over the infrastructure relating to service concession arrangements	192,577	169,184
Impairment losses (Reversal of impairment losses)		
<b>Grand total</b>	<b>192,577</b>	<b>169,184</b>

## 2.11 Finance income and costs

Finance costs net of finance income amounted to € 6,448,686 (€ 5,853,392 in the previous year).

Breakdown is shown and described below.

Finance income and costs	Reporting period	Previous period
Interests on trade receivables and late payment penalties	-	288
Interest income on bank current accounts	31,998	346
Foreign exchange gains	319,424	146,618
<b>Total finance income</b>	<b>351,422</b>	<b>147,252</b>
Interest expense on bank loans and borrowings	5,515,742	5,532,027
Bank interest expense	416,291	145,763
Interest cost – employee benefits	24,839	(3,823)
Foreign exchange losses	716,491	183,382
Other finance costs	126,746	143,295
<b>Total finance costs</b>	<b>6,800,108</b>	<b>6,000,644</b>
<b>Net finance income/(costs)</b>	<b>6,448,686</b>	<b>5,853,392</b>

The value of finance costs mainly refers to the Water Service Business Unit and is due to the interests payable on the bond loan and on the other loans taken out for the implementation of the investment plan.

The item “Other finance costs” mainly refers to interest recognised for lease contracts in accordance with IFRS 16 and interest recognised to the factoring company for receivables of the Water Service Business Unit assigned during the year.

## 2.12 Income taxes

Income taxes amounted to € 727,367 (€ 4,303,550 in the previous year).

Breakdown, changes in the year and other information are provided below.

Below is also the breakdown of the item “Taxes” for the year ended 31 December 2022:

	Reporting period	Previous period
Current taxes (IRES – corporate tax)	1,674,013	6,238,767
Current taxes (IRAP – regional business tax)	737,248	1,753,567
Prepaid / deferred taxes	(1,683,894)	(3,688,784)
<b>Total</b>	<b>727,367</b>	<b>4,303,550</b>

The table below shows the reconciliation of the theoretical tax rate to the actual impact on results:

	Year ended 31 December 2022	
		%
Profit (loss) before tax	6,722,932	
Theoretical IRES (corporate tax)	1,613,504	24.00%
Tax effect of permanent differences	(1,492,525)	
IRAP (Regional business tax)	737,248	
<b>Taxes</b>	<b>727,367</b>	
<b>Actual tax rate</b>		<b>10.82%</b>

The tax effect of permanent differences shown above is mainly attributable to income generated by tax credits for electricity and gas costs. These tax credits were recognised as income for the year, are tax exempt and, therefore, were not considered in the calculation 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 2022, sureties issued by third parties totalled € 15,488 thousand, broken down as follows:

- a guarantee of € 2,760 thousand issued in favour of the Optimal Territorial Area Authority (ATO), as required by the Integrated Water Service concession agreement;
- a guarantee of € 100 thousand issued in favour of the Municipality of Milan for the ordinary upgrading of the water network;
- guarantees of € 12,628 thousand to institutions and principals for the performance of contracts.

In addition, under the Deed filed on 22 December 2016, the Company granted Bondholders and the EIB a general lien as guarantee that the amounts owed to them will be paid.

## Disputes

The value of disputes related to contractors' claims deriving from the performance of procurement contracts and pending as at 31 December 2022 approximately amounts to € 7,1 million at historical prices.

It should be noted that, in the event of losing the cases, the related costs can be passed on to the granting bodies, since they relate to and result from the works carried out, or can be recovered through the Water Service tariff.

## Related party transactions

The Municipality of Milan holds 100% of the Company's share capital. Therefore, the Company is entirely controlled by the Municipality of Milan.

The Company has opted for the exemption allowed by paragraph 25 of IAS 24 and therefore it is not required to comply with the disclosure obligation provided for by paragraph 18 of IAS 24 regarding related party transactions and existing balances involving the Municipality of Milan and its subsidiaries (including any commitments to them).

Below we provide a description of the Company's relations with the Municipality of Milan and its subsidiaries.

In 2022, the relations with the Municipality of Milan mainly involved:

- engineering technical support services provided to the Municipality of Milan;
- property management (administrative management, accounting management, mobility management, communications management, customer relationship management) and facility management (services, supplies, maintenance and technical management) of properties owned by the Municipality.

As at 31 December 2022, the Company's receivables due from the Municipality of Milan totalled € 2.2 billion, while its payables due to the Municipality of Milan totalled € 2.1 billion; payables and receivables arising from the mandate conferred by the Municipality are offset against each other; therefore, the Statement of Financial Position shows the net between the respective positions. The Company's revenues collected from the Municipality of Milan totalled € 48 million, while the costs incurred as contracting authority for the Municipality of Milan amounted to € 53 million; revenues and costs resulting from the role of contracting authority are offset against each other and consequently recognised in Profit or Loss net of the respective positions. The costs for services recharged by the parent company to MM amounted to € 3.3 million. It should be noted that, for engineering services, the Company has offset receivables and payables from/to the



Municipality of Milan in the financial statements as well as revenues and related costs, since it acts as an intermediary between the Municipality of Milan and third-party contractors.

Pursuant to the provisions of IFRS 15, since the Company acts as an agent between the Municipality of Milan and the suppliers of engineering services, revenues and receivables arising from the construction of assets are offset against the relevant costs and payables.

The relations with the subsidiaries of the Municipality of Milan mainly concern:

- engineering services in favour of SEA S.p.A., Milanospoort S.p.A., Arexpo S.p.A., Sogemi S.p.A., AMAT and M4 S.p.A.;
- costs for the removal of interference of the transport lines with the Engineering and/or Integrated Water Service Business Units' work charged by ATM S.p.A. and companies of the A2A Group;
- supply of water services to all the subsidiaries of the Municipality of Milan;
- purchase of waste disposal services from the company A2A;
- revenues arising from a lease agreement entered into with AMSA S.p.A., in relation to the assets provided to the temporary operator responsible for waste management services for the city of Milan.

### **Significant events after 31 December 2022**

With respect to the appeal R.G. 1778/2021 filed with the Lombardy Regional Administrative Court (TAR), supplemented by additional reasoning, brought by a number of operators in the green area management sector against the Municipality of Milan and MM S.p.A. for the annulment of the deeds related to the assignment of the management service for the public green areas of the Municipality of Milan to MM S.p.A., with ruling no. 700/2023 of 25 January 2023 the Lombardy TAR upheld the appeal, annulling Municipal Council Resolution no. 63 of 20 July 2021, Municipal Council Resolution no. 989 of 8 July 2022 and Executive Resolution no. 6480 of 5 August 2022 of the Head of the Green Area, which was taken in agreement with the Green and Environment Department of the Municipality of Milan.

## Remuneration of corporate bodies and independent auditors

### Remuneration of corporate bodies

The table below provides information on directors and statutory auditors, pursuant to Article 2427, point 16 of the Italian Civil Code:

	Reporting period	Previous period
Directors	172,033	141,240
Board of statutory auditors	42,038	37,338

### Remuneration of independent auditors

The remuneration payable to independent auditors totalled € 95,363 for the year ended 31 December 2022.

This amount relates to the following activities:

	Amount
Audit of the financial statements and related activities	65,343
Audit of separate annual reports	4,350
Audit of the "Non-financial Statement" and other activities	23,152
<b>Total as at 31 December 2022</b>	<b>95,363</b>

## Allocation of the profit for the year

It is proposed to the Shareholders' Meeting to allocate the profit for the year, totalling € 5,995,566, as follows:

€ 5,551,385 to the extraordinary reserve

€ 444,181, equal to the portion of the net profit for the year attributable to the Housing Business Unit, to the Voluntary Reserve that will be used for specific investments envisaged by the Housing Business Unit strategic plan and for completing the documentation related to the managed real estate assets;

In addition, considering that, at the direction of the Municipality of Milan, the Company has implemented mainly IT-related projects totalling € 188,542 whose cost was borne by the Housing Business Unit, we propose drawing down € 188,542 from the Voluntary Reserve, which consists of the portion of retained profits attributable to the Housing Business Unit.

*The Chairman*  
*Simone Dragone*

*The Chief Executive Officer*  
*Francesco Mascolo*

**ANNEX 1: INDEPENDENT AUDITORS' REPORT OF THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2022**



## **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 shareholder of MM SpA

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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 2022, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2022, 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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#### **PricewaterhouseCoopers SpA**

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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 2022 includes receivables referred to the Integrated Water Service equal to Euro 143,343 thousand, with the relevant bad debt provision amounting to Euro 28,495 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.

We paid special attention to our audit procedures in this area; in detail:

- We understood and evaluated the credit management process and the treasury 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 the rates applied to the various types of receivables in order to determine the bad debt provision;
- 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.

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***Key Audit Matters***

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***Auditing procedures performed in response to key audit matters***

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**Estimation of year-end revenues for the water segment**

*Note 2.1 to the financial statements “Revenues”*

The item ‘Revenues’ of the financial statements for the year ended 31 December 2022 includes revenues referred to the Integrated Water Service equal to Euro 157,133 thousand. Revenues from the Integrated Water Service include a component referred to the year that is estimated through systems that use complex algorithms, in particular to calculate estimated consumption.

Given the particular complexity of the algorithm underlying consumption estimates, the amounts to be recognised as receivables and revenues of the year may be determined inaccurately.

We focused our audit procedures on the risk related to the complexity of the system used to calculate and bill revenues of the water segment; in detail:

- We understood and evaluated the billing process of the water segment and verified relevant controls, on a test basis, with particular reference, but not limited to, the management of customer master files, meter readings, consumption estimates, the accuracy of the rates applied and the valuation of water bills issued to the final customers;
- We performed substantive tests, on a sample basis, of revenues recognised for the year 2022;
- We performed a critical analysis of the ‘water balance - sources and uses’ prepared by management (the document that specifies incoming and outgoing flows – including losses – of the water resource) and verified its consistency with the figures in the financial statements;
- We performed substantive tests, on a sample basis, of the adequacy of the estimates used to calculate the amounts of bills to be issued at the year end;
- For a sample of bills, we verified the calculation of estimated consumption billed, verifying its compliance with applicable tariff regulations.

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***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 2022, 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 2022 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 2022 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, 11 May 2023

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 2022 financial statements.*



**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**

**MM SPA**

**BILANCIO D'ESERCIZIO AL 31 DICEMBRE 2022**

## **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

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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 2022, 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 anche la sintesi dei più significativi 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 2022, 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 ed 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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#### **PricewaterhouseCoopers SpA**

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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 2022 sono iscritti crediti riferiti al Servizio Idrico Integrato pari a Euro 143.434 migliaia, il cui relativo fondo svalutazione crediti è pari a Euro 28.495 migliaia.

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.

La Società stima il valore inesigibile dei crediti commerciali sulla base delle prescrizioni dettate dal principio contabile internazionale IFRS 9 "Financial Instruments".

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 (*forward looking elements*), che possano inficiare le aspettative di recupero.

Particolare attenzione è stata prestata alle procedure di revisione in tale area, che hanno compreso:

- 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;
- l'analisi critica delle valutazioni effettuate dalla Società tramite colloqui con il credit manager;
- l'analisi critica della stima del tasso di perdita atteso, differenziato in base alla natura del debitore e all'anzianità dello scaduto;
- la verifica del tasso applicato sulle differenti tipologie di crediti oggetto di valutazione per la stima del fondo svalutazione crediti;
- la verifica su base campionaria dell'imputazione dei crediti alle differenti fasce di scaduto;
- l'analisi delle garanzie eventualmente in essere;
- 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.

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**Stima dei ricavi di fine anno del settore idrico**

*Nota Esplicativa n.2.1 del bilancio d'esercizio "Ricavi"*

La voce "Ricavi" del bilancio chiuso al 31

Abbiamo indirizzato le nostre procedure di

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### ***Aspetti chiave***

dicembre 2022 comprende un valore di ricavi riferiti al Servizio Idrico Integrato pari a Euro 157.133 migliaia. I ricavi riferiti al Servizio Idrico Integrato incorporano una componente maturata nell'esercizio stimata attraverso sistemi che utilizzano algoritmi complessi, in particolare per il calcolo stimato dei consumi, pari a Euro 20.813 migliaia.

Data la complessità dell'algoritmo sottostante la stima dei consumi, si potrebbe generare un'errata determinazione degli importi da registrare tra i crediti ed i ricavi dell'esercizio.

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### ***Procedure di revisione in risposta agli aspetti chiave***

revisione sul rischio legato alla complessità del sistema di determinazione e fatturazione dei ricavi del settore Servizio Idrico Integrato svolgendo le seguenti verifiche:

- la comprensione e valutazione del processo di fatturazione dei ricavi del settore idrico e la verifica, su base campionaria, dei controlli rilevanti, con particolare riguardo, ma non esclusivo, alla gestione delle anagrafiche clienti, alle letture dei contatori, alla stima dei consumi, alla correttezza delle tariffe applicate e alla valorizzazione delle bollette emesse ai consumatori finali;
- procedure di validità su base campionaria sui ricavi contabilizzati nell'esercizio 2022;
- l'analisi critica del "bilancio idrico a fonti-impieghi" predisposto dal management (ovvero il documento che descrive le quantità dei flussi in entrata e in uscita – comprese le perdite – della risorsa idrica) verificandone la coerenza con i dati di bilancio;
- l'esecuzione di procedure di validità su base campionaria sulla congruità delle stime che determinano l'importo delle bollette da emettere di fine esercizio;
- per un campione di bollette verifica della determinazione dei consumi presunti presenti in bolletta, accertando la conformità degli stessi rispetto alla regolazione tariffaria.

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### ***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 ad 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 ed 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 ad 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 una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad 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 ad 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 2022, 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 2022 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 2022 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, 11 maggio 2023

PricewaterhouseCoopers SpA

A handwritten signature in blue ink, appearing to read 'A. Crespi', is written over the typed name and title.

Andrea Crespi  
(Revisore legale)