

2022 CONSOLIDATED FINANCIAL STATEMENT FISCAL YEAR FINANCIAL STATEMENT

XIX CONSOLIDATED FINANCIAL STATEMENT
XXIII FINANCIAL STATEMENT

Approved by Ordinary Shareholders' Meeting on June 29th, 2023



2022

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STATEMENT**

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SOCIETÀ METROPOLITANA ACQUE TORINO S.p.A.
Legal offices in Turin, Corso XI Febbraio, 14
Share capital € 345,533,761.65 fully paid up
Turin Business Registry no. 07937540016
Tax code and VAT code 07937540016

INTRODUCTION

Administration and control bodies and Company positions

■ BOARD OF DIRECTORS

The Board of Directors, appointed by the Ordinary Shareholders' Meeting in compliance with articles 2364-2449 of the Italian Civil Code and 18 of the Articles of Association, is composed by:

- ROMANO Paolo Chairman
- QUAZZO Armando from 04 August 2022 Managing Director
- LANCIONE Serena until 30 June 2022 Director
- TUMIATTI Cristina Director
- SESSA Fabio Director

■ BOARD OF AUDITORS – INTERNAL CONTROL AND ACCOUNTING AUDITS

The Board of Auditors, appointed by the Ordinary Shareholders' Meeting in compliance with articles 2364-2449 of the Italian Civil Code and 18 of the Articles of Association, is composed by:

- DI RUSSO Davide Chairman
- GIORDANO Paola Lucia Effective Auditor
- MONTANARI Simone Effective Auditor

■ AUDITING FIRM

Deloitte & Touche S.p.A.

■ SUPERVISORY BODY

The Board, which is appointed by the Board of Directors, is composed of:

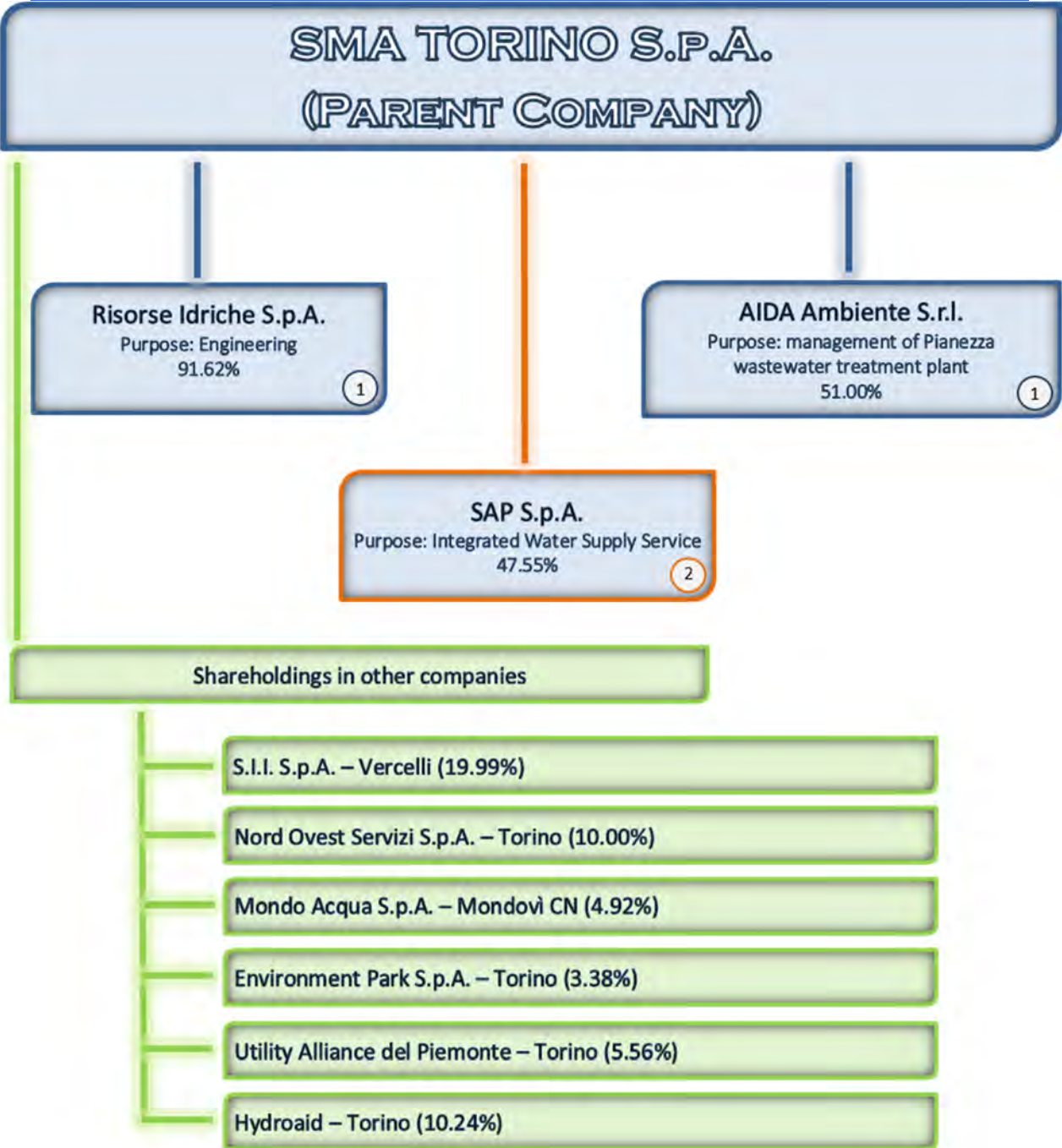
- BOCCHINO Umberto Chairman
- CASSONE Cinzia Member
- CAPUTO Miriam Member
- GUARINI Fulvio Member

■ CORRUPTION PREVENTION OFFICER

Appointed by the Board of Directors
FINO Luisa

■ DATA PROTECTION OFFICER

Appointed by the Board of Directors
GORACCI Michele



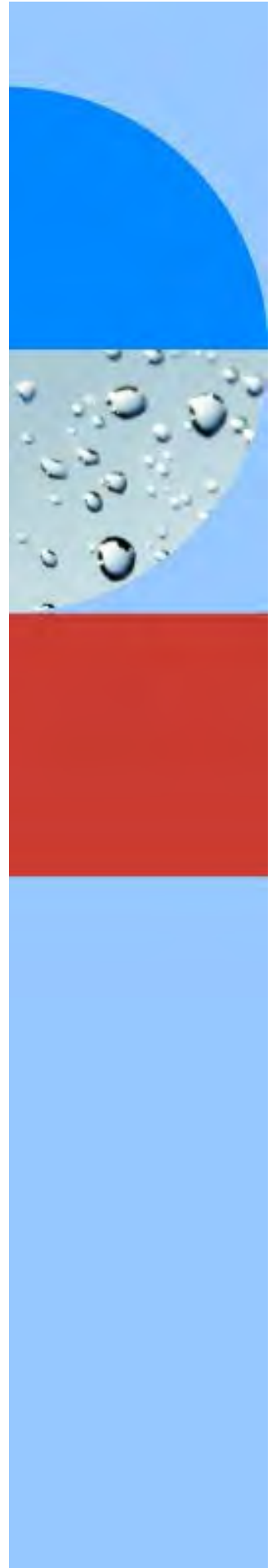
Background colors:

- Companies within the consolidation area*
- Companies outside the consolidation area*

*Consolidation methodology:

- 1 – Full consolidation
- 2 – Evaluation of shareholdings according to net worth method

MANAGEMENT REPORT



A. SMAT GROUP DIRECTORS' REPORT

Dear Shareholders,

In addition to the severe hardships brought about by the drought that hit all of northeast Italy, FY 2022 was characterised by the end of the Coronavirus public health emergency and the Russia-Ukraine conflict and the ensuing crisis in terms of high level of uncertainty due to the volatility of the energy market and rising inflation. It is worth noting that thanks to the prompt operational and organisational adjustments made to respond to the critical issues engendered by the shortage of water shortage and the actions taken to contain costs and minimise the economic and financial impact of the crisis, high service levels were maintained, with no supply limitations, and expected results were achieved, testifying to the resilience of your company.

As for the SMAT Group's operating results for the year, they show a substantial stability in performance with respect to the 4.0 Industrial Plan approved by the Shareholders' Meeting held on 26 June 2020.

The results were determined by the activities performed during the year by the parent company Società Metropolitana Acque Torino S.p.A. (hereinafter also SMA Torino S.p.A. or SMAT S.p.A.) and by its subsidiaries as the effect of the direct ownership by SMA Torino S.p.A. of controlling and association shareholdings.

A1. Introduction

These financial statements of the Group and of SMA Torino S.p.A. reports the accounting data of the closing fiscal year compared to those of the previous fiscal year, which are presented in application of the International Financial Reporting Standards (IFRS) adopted by the European Union.

The Board of Directors of the Company, at the meeting of 30 January 2023, decided to postpone convocation of the Meeting of Shareholders for approval of the financial statement as at 31 December 2022, availing itself of the extended term of 180 days after closing of the fiscal year as contemplated by article 2364 of the Italian Civil Code and by article 14 point 5) of the current Articles of Association.

A2. Summary of the 2022 results in figures

SMAT GROUP: SUMMARY OF THE Results IN FIGURES	Consolidated Financial Statement 2022	Consolidated Financial Statement 2021	Absolute Change	Change %	Financial Statement 2022	Financial Statement 2021	Absolute Change	Change %
ECONOMIC DATA								
Total Revenues	481,451	441,598	39,853	9.02%	478,862	439,101	39,761	9.06%
Gross operating margin	146,681	133,900	12,781	9.55%	146,438	133,738	12,700	9.50%
Gross operating margin/Total revenues	30.47%	30.32%	0.15 p.p.		30.58%	30.46%	0.12 p.p.	
Operating income (EBIT)	55,503	47,427	8,076	17.03%	55,287	47,314	7,973	16.85%
Operating income (EBIT)/Total revenues	11.53%	10.74%	0.79 p.p.		11.55%	10.78%	0.77 p.p.	
Net profit (loss)	41,742	34,565	7,177	20.76%	41,584	34,195	7,389	21.61%
Net profit (loss)/ Total Revenues	8.67%	7.83%	0.84 p.p.		8.68%	7.79%	0.89 p.p.	
EQUITY DATA								
Net fixed assets	955,961	922,944	33,017	3.58%	955,844	922,860	32,984	3.57%
Net equity	729,149	691,779	37,370	5.40%	727,719	690,819	36,900	5.34%
Gross financial debt	(365,905)	(301,922)	(63,983)	21.19%	(365,892)	(301,922)	(63,970)	21.19%
Gross financial debt	(240,830)	(254,912)	14,082	-5.52%	(241,792)	(255,213)	13,421	-5.26%
OTHER DATA								
Investments	110,779	113,914	(3,135)	-2.75%	110,733	113,901	(3,168)	-2.78%
Amortization	77,591	76,211	1,380	1.81%	77,565	76,162	1,403	1.84%
WORKFORCE¹								
	1,075	1,041	34	3.27%	1,047	1,013	34	3.36%
ECONOMIC/EQUITY INDICATORS								
Gross Borrowing Need /Net Equity	0.50	0.44	0.06		0.50	0.44	0.06	
Gross Borrowing Need/MOL	2.49	2.25	0.24		2.50	2.26	0.24	
EBITDA/Financial expenses ²	34.06	33.80	0.26		34.04	33.76	0.28	
ROI	3.95%	3.83%	0.12 p.p.		3.93%	3.81%	0.12 p.p.	
ROE	5.72%	5.00%	0.72 p.p.		5.71%	4.95%	0.76 p.p.	
ROS99	15.39%	14.30%	1.09 p.p.		15.32%	14.26%	1.06 p.p.	
Net financial Position/Net Equity ≤1	0.33	0.37	(0.04)		0.33	0.37	(0.04)	
Net financial position/MOL (EBIT+Amortization) ≤5	1.81	2.06	(0.25)		1.82	2.07	(0.25)	
Gross financial debt/ MOL (EBIT ³ +Depreciation) ≤4,5	2.75	2.44	0.31		2.75	2.45	0.30	
MOL (EBIT ³ +Depreciation)/Net Financial expense>5	294.66	205.08	89.58		303.88	204.97	98.91	
Net fixed assets/Gross financial debt ≥ 1,30	2.60	3.04	(0.44)		2.60	3.04	(0.44)	

¹ Including temporary employment and secondment contracts and a manager who was on leave of absence art. 15 of National Collective Labour Agreement for Public Utility Company Managers 16 October 2019

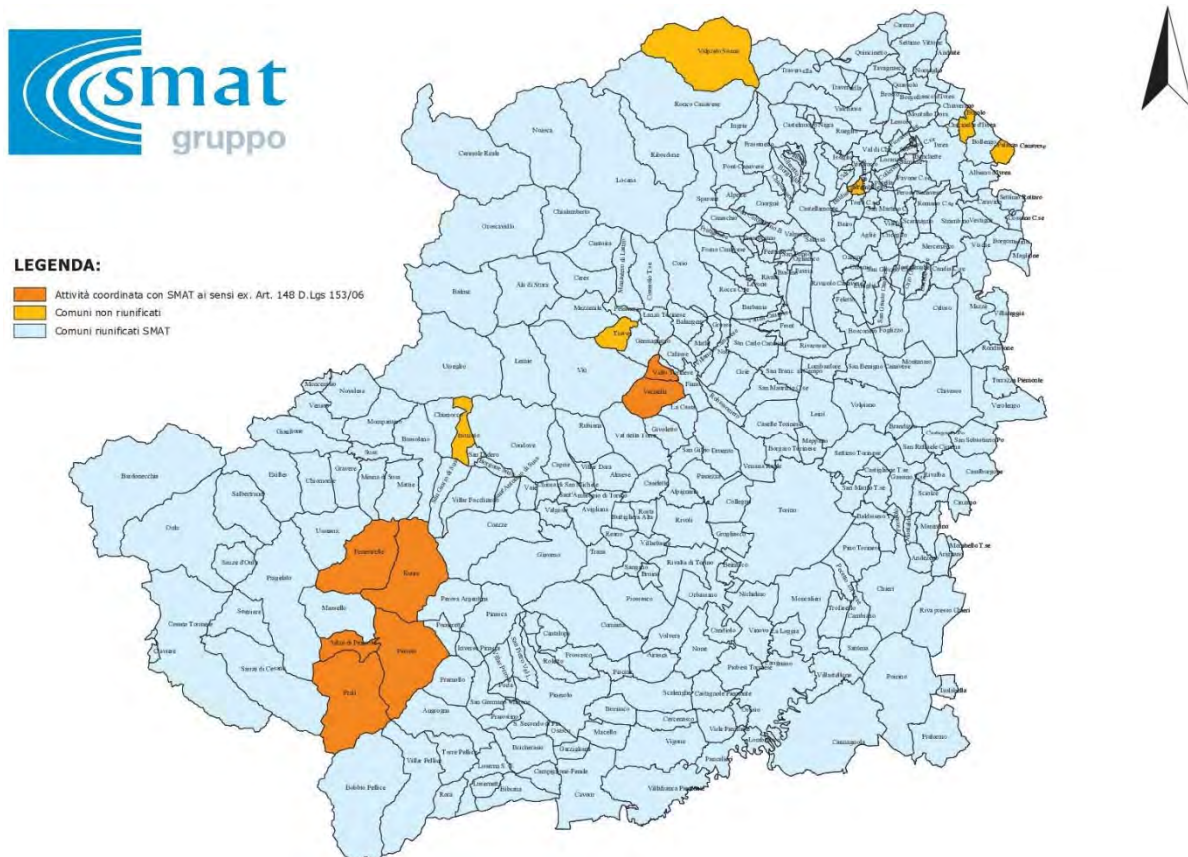
² (excluding the value adjustments of financial assets)

³ EBITDA or MOL meant in compliance with the contract statements as EBIT + Amortization

A3. Main technical data and operating area

At the end of the fiscal year, your Company develops water services in 290 Municipalities, either directly or through Operational Services involved, besides the water treatment in the Municipalities of Burolo and Bruzolo.

On 1 January 2023 SMAT acquired the management of the Water Supply Service for the Municipality of Alpignano, and on 1 February 2023 it acquired the management of the Integrated Water Service (water supply, sewer network and waste water treatment services) for the Municipality of Traves.



Municipalities served to 31 December 2022: n. 290	Drinking water plants: 95
Residents: 2,189,151 ⁴	Self-produced energy: 13.075 MWh
Surface area: 6,317 Km ²	Waterworks network in km: 12,882
% of the resident population served: 99.63	Sewer network in km: 10,250
Waterworks users contracts: 413,350	Water treatment plants 393
Water invoiced: 170,066,440 m ³	Volumes treated: 273 mln m ³

Taking into account the volume estimates in the accounting period, the volume of drinking water amounted to 170,066,440 m³, delivered to a total of 413,350 users of whom 80% were domestic user contracts.

The average per capita household use is 169 l/inhabitant/day with the peak demand of 5,920 l/sec on 18 June 2022.

Source ISTAT on 31.12.2021

The water production capacity was used, within a general context where the lack of service does not virtually exist, obtaining resources from:

Sources	2022
Springs	12%
Surface water	19%
Water table	69%
	100%

The urban waste water treatment systems that are directly managed, divided by potential, are as follows:

Plants with potentialities of up to 2,000 p.e.	n	339
Plants between 2.000 p.e. e 10.000 p.e.	n	32
Plants between 10,000 p.e. and 100,000 p.e.	n	20
Plants between 100,000 p.e. and 2,000,000 p.e.	n	1
Plants over 2,000,000 p.e.	n	1
TOTAL	n	393

With regard to the drinking water treatment plant, in 2022 the treated volume amounted to 273 million m3, of which 3.6% represents the volume of industrial waste water, and 24,274 tons of sludge, measured in terms of dried material, were produced.

The data refers to plants that serve over 2,000 inhabitants equivalent (264 million m3 treated, of which 176 million m3 of the Castiglione Torinese plant), relative to the elimination of the effluent from pollutants and treatment yields, and shows a high index of efficiency and efficacy in the accounting period as in the percentage of reduction in the following indicators:

Breakdown pollutants (Plants >=2,000 p.e.)	Input t/year	Output t/year	Breakdown	Breakdown %
Total suspended solids (SST)	46,572	1,801	44,771	96
Chemical oxygen demand (COD)	108,876	6,532	102,344	94
Biological oxygen demand (COD)	60,726	1,406	59,320	98
Total phosphorous (P _{tot})	1,169	213	956	82
Total nitrogen (N _{tot})	8,932	1,619	7,313	82

A4. General description of the activities

Year 2022 corresponds to the 23rd year of activity of SMAT S.p.A which continues management of the integrated water services in the plan of Ambito Territoriale Ottimale 3 Torinese ("ATO3 Torinese"), coordinated the Group activities and defined its strategic goals until 2033.

The results achieved for the year were as predicted: Gross Operating Margin came to EUR 146.4 million, exceeding the expectations of IP 4.0 (EUR 126.8 million) thanks to a raise in Revenues, as a result of the new tariff structure following the biennial tariff update, an increase in Other Revenues thanks to activities related to the production and sale of energy products and a reduction in operating costs and 'Other Operating Revenues', which includes the tax credit for electricity and gas. This increase in revenues was offset by rising operating costs, caused, in particular, by the increase in energy market prices and the prices of raw materials for maintenance works.

Investments, reaching a level of EUR 110.7 million, corresponding to EUR 51 per inhabitant, are higher than expected in the IP 4.0 forecast (EUR 108.8 million).

These results were accompanied by satisfactory financial data, which ensured compliance with the contractual covenants.

A5. Service agreement

The management re-unification of Ambito 3 Torinese and the subsequent distribution of the service in compliance with the rates and action plan defined by the Ambito Governance Body are exercised by your Company on the grounds of the following deeds:

- Service agreement for the management of the integrated water service within Ambito Territoriale Ottimale N. 3 "Torinese" signed on October 1st 2004 in execution of deliberation no. 173 undertaken by the Conference of Ambito 3 Torinese on May 27th 2004;
- Supplementary deed signed on October 2nd 2009 for the assimilation of the periodical review of the 2008–2023 Ambito Plan, approved by Ente d'Ambito Conference resolution no. 349 dated March 27th 2009;
- Agreement signed with ACEA Pinerolese Industriale S.p.A. on December 28th, 2007, upon execution, with validity starting on July 1st 2007, of the provisions of resolution no. 282 passed by the Conference of Ambito 3 Torinese on June 14th 2007, which confirmed the qualification of SMAT as Sole Provider of the Integrated Water Services for Ambito Ottimale Torinese and of ACEA as safeguarded operational provider in the territory of historical reference, revised by the parties on November 20th 2015;
- ATO3 approved by Resolution no. 598 of April 29th 2016 the updated Ambito Plan (2016–2033), after reiterating the choice of an in-house appointment and confirmed SMAT S.p.A. for the Ambito management up to 31 December –2033, term that was considered as consistent to ensure the economic and financial sustainability of the investments required by the Plan;
- The amendment to the convention, which is also aimed at having the Service Convention comply with the Standard Convention approved by 'EEGSI by deliberation no. 656/2015/R/IDR dated December 23rd 2015, as submitted to the Assembly of the Shareholders on October 14th 2016, was signed on 8 August 2016 by SMAT S.p.A. and ATO3;
- on 6 December 2018 the Shareholder Meeting approved the amendment to the integrative document for the Convention to implement the 2-year rate provisions for the years 2018--2019 and development of the economic plan for the period 2018--2033, approved by ATO 3 with resolution no. 692 on 26 June 2018.
- on 27 June and 11 July 2019, SMAT S.p.A. and ATO3 stipulated a supplementary agreement to the Convention, in order to implement the updated financial economic plan approved by ATO by way of Resolution no. 720 of 09 April 2019.
- On 17 June and 11 July 2019 respectively, SMAT S.p.A. and ATO3 stipulated a supplementary agreement to the Convention, in order to implement the updated financial economic plan approved by ATO3 by way of Resolution no. 774 of 09 April 2020.
- On 2 February and 3 February 2023 respectively, SMAT S.p.A. and ATO3 stipulated a supplementary agreement to the Convention, in order to implement the updated financial economic plan approved by ATO3 by way of Resolution no. 825 of 3 November 2022.

A6. The Territorial Area Plan and the programme of interventions

On December 21st 2015, ATO3 Torinese - by resolution 587 - updated the Ambito Plan for the 2016–2033 period, which reports total investments for EUR 1,534,138,724, transmitting it to the Regional Executive Council and to the Authority for Electricity, Gas and Water Systems (AEEGSI now ARERA) for the consequent fulfilments.

On April 29th 2016, by resolution no. 598, the Autorità d'Ambito 3 approved the updated Ambito Plan (2016–2033), which adopted the modifications applied during the Strategic Environmental Assessment.

With its Resolutions No. 692 of 26 June 2018 and No. 720 of 9 April 2019 the Territory Authority no. 3 approved the Two-Year Updating of rate provisions for the years 2018–2019, the development of the Economic Financial Plan for 2018–2033" and the Interventions Program setting forth the objectives in the Territorial Plan, as well as those connected to the Technical Authority.

On 23 July 2020 with resolution no. 759, the Territory Authority no. 3 approved the Programme of Interventions (PdI) for 2020–2023 e the Strategic Works Plan for 2020–2027 pursuant to resolution no. 580/2019/R/IDR adopted by ARERA on 27 December 2019, confirmed with resolution no. 759 of 16 December 2021.

On 3 November 2022, with resolution no. 825, Territory Authority no. 3 approved the Programme of Interventions for 2022–2023 and the Strategic Works Plan for 2022–2027 pursuant to ARERA resolution

no. 639/2021/R/IDR of 30 December 2021 on the updates to the rate proposal for the 2022-2023 two year period.

A7. Applied research & development activities

After a year of upheaval such as 2020, which saw the scientific community join force to combat the spread of, and treat the Sars-Cov-2 virus, FYs 2021 and 2022 brought new challenges and other significant changes. In 2021, the ongoing climate crisis began to impact Italy, and the north-west in particular, more violently than in the recent past, highlighting the need to address with urgency the problems associated with these impacts, and effective adaptation and mitigation measures. In addition, the initial signs of the Russian-Ukrainian conflict were perceived and required the attention of the international community. In the face of these difficulties, periods of crisis stimulate the search for solutions. The SMAT Research Centre continued to focus its efforts on applied research and technological innovation, addressing a number of significant issues.

Attention was devoted to the theme of the circular economy, in order to develop strategies and models designed to reduce waste and promote the reuse of resources. Emerging pollutants were studied in depth, in order to better understand their sources and their impacts on the environment and human health. Renewable sources were another area of interest for the Research Centre, which worked to promote the development and adoption of clean, sustainable and low-impact energy sources. Research on climate change and adaptation and mitigation tools was intensified in order to promote greater resilience and adaptability and attenuate the impact of company activities. Reducing impact on the environment remained a constant priority, with the aim of minimising the ecological footprint of human activities and promoting sustainable development.

The Research Centre worked at the forefront of the search for innovative solutions to global problems.

It remains committed to address future challenges and contribute to a more sustainable and more resilient future for all.

Below is a summary of the most significant research activities:

- 24 projects were carried on in 2022;
- 14 new projects were started;
- 8 projects were completed;
- 5 project was deemed suitable for funding within the framework of the Horizon programme:
 - 2 projects were approved
 - 1 passed the initial selection state;
- 8 scientific publications were completed;
- 7 new collaboration agreements were entered into with public and private organisations;
- 63 were the academic and industrial partners with whom SMAT collaborated.

The guidelines for the selection of the projects to be undertaken are defined by the Evaluation Committee headed by SMAT's Chairman and – in addition to the Chairman – composed of the Managing Director, the Head of the Research Centre and the Head of Laboratori e Qualità Acque. As needed, the Chairman convenes the meetings, which are attended by all the members of the Evaluation Committee and R&D staff members to review, assess and approve the progress of the projects underway and the start of new ones.

A8. International projects

The international activities carried out by SMAT in 2022 included project proposals supported by European funds under the Horizon 2020 programme or the 2021 Life call.

At UN level, SMAT was awarded the “EU-WOP Programme” grant managed by the UN-Habitat Global Water Operators' Partnership Alliance (GWOPA) with project proposal “Supporting OWSSB (India) in upgrading Capacities in WAstewater and faecal Sludge MAnagement (SO-WOP)”.

The partnership of the **SO-WOP** project is composed of SMAT as "Lead Partner", Odisha Water Supply and Sewerage Board (OWSSB, Indian Utility) as "Beneficiary Partner", WaterLinks as "Additional Partner" and Hydroaid and Politecnico di Torino as "co-Mentors"; its goals include providing training and technical assistance in the areas of low-cost technologies for wastewater treatment, the management of stormwater, the management and modelling of sewerage networks as well as devising solutions to improve waste water and sludge treatment processes for OWSSB, the Indian public company that designs and builds waste water treatment systems in the State of Odisha with over 7 million inhabitants served.

Within the framework of the Horizon 2020 programme, the activities of EU project “**CALLISTO**” – “Copernicus Artificial Intelligence Services and data fusion with other distributed data sources and processing at the edge to support DIAS and HPC infrastructures” –, funded under call DT-SPACE-25-EO-2020, were carried on with the

aim of exploiting satellite data and artificial intelligence to extract useful information for the water service and the protection of the environment.

In 2022, the SMAT Research Centre participated in the preparation of a Horizon Europe project named “**iMERMAID**” – “Innovative solutions for Mediterranean Ecosystem Remediation via Monitoring and decontamination from Chemical Pollution”, funded under call “MISS-2022-OCEAN-01-03 Mediterranean Sea basin lighthouse - Actions to prevent, minimise and remediate chemical pollution”. The aim of this project is to find innovative solutions to reduce the pollution of the Mediterranean Sea from chemical substances, in line with the goals of the European Union Zero Pollution Action Plan. The partnership is composed of 25 international subjects. The project was funded and its activities will get underway in 2023.

SMAT participates as associate partner in project “In2Aguas - Human footprint on water from remote cold areas to the tropical belt. INtegrated Approach TO secure water QUALity by exploiting Sustainable processes”, conducted under call Marie Skłodowska-Curie Actions (MSCA) Doctoral Networks for the funding of doctorate programmes in various Research and Innovation areas carried out through partnerships between universities, research institutes, companies and other socio-economic players from various countries from Europe and outside Europe. The In2Aguas project (scheduled to start in June 2023) will prepare 15 candidates (DC) to address the complex challenge of foreseeing the impact of pollutants on the environment and identifying viable treatments for the production of safe water - even in extreme environments - using eco-friendly approaches.

Under call “Life 2021” SMAT was awarded the European Commission’s grant for project “**LIFE CLIMAX PO - Climate Adaptation for the Po river basin district**” whose objective is adaptation to climate change by managing water resources on a district basin scale, implementing NAS (National Adaptation Strategy) measures and improving district governance for the management of water resource through pilot actions.

Furthermore, SMAT was admitted to the second stage of a call launched in Ethiopia for a project named “**NRW Reduction Strategic Plan for Gambella, Semera and Asosa**” relating to the selection of consultants who will be charged with the tasks of developing or updating the business plan for the water and sewerage system, and implementing a strategic plan to minimise water losses in the cities of Gambella, Semera e Asosa.

A9. SMA Torino S.p.A. Membership in National and International Associations

In 2022 SMAT participated actively with numerous associations working at different levels, from international to local level, confirming its interest in being personally present at all the tables where the most relevant issues for the integrated water service are dealt with, both in the technical/management field and in the administrative and governance field.

The most significant associations are described below, with indications of their operating range.

L - Confservizi Piemonte and Valle d’Aosta is the multi regional confederation that represents safeguards and promotes the interests and development of the Members that operate in the SPLs of industrial application (Water, Gas, Energy, Environmental Hygiene and TPL) operating in the Piedmont and Valle d’Aosta region. Within the Association SMAT is represented by two members in the Executive Council with relevant assignments such as Water Sector Coordinator and Technological Innovation Coordinator.

L – The Utility Alliance of Piedmont is a network of fully state-owned companies that manage from 2016 public utility services in the water supply, energy and environmental sectors. The Utility Alliance of Piemonte is made up of 16 Public Service Providers with in-house concessions in the Piemonte Region and serving over 3.5 million residents (80% of the population in Piedmont), with comprehensive turnover of more than 600 million Euros. SMAT holds a member within the Shared Management Committee.

N - Althesys is an independent research centre specialising in economic research and strategic consulting in the environment, energy, infrastructure and utilities sectors supported by economists and strategic consultants who assist companies, associations and institutions in the analysis, evaluation and design of policies in key sectors for the country. The knowledge acquired thanks to the “*Water Strategy (WS) think tank*,” of which SMAT is a participant, provides qualified support.

N - REF Ricerche is an independent company that offers customised research and consultancy services, organises observatories and training activities, and supports companies, institutions and governmental bodies in cognitive and decision-making processes within the framework of Local Public Services and, in particular, in the water sector. SMAT takes an active part in the REF think-tank and provides support with the drafting of the institute's numerous publications.

N - SPRING – Sustainable Process and Resources for Innovation and National Growth is a non-profit association established in 2014 that brings together networks and supply chains of the Italian biobased industry and constitutes the Italian Cluster of the Circular Bioeconomy.

The objective is to contribute to the creation of the right conditions for developing context, and an attractive, dynamic, innovative, competitive industrial and academic framework, in constant growth. SMAT has a member in the Governing Council and appoints the Responsible for the water sector. The association has over 130 members.

N - Utilitalia is the Federation that gathers Companies operating in the public services, (Water, Environment, Electricity and Gas) representing them at national and European institutions. Utilitalia has a total workforce of over 96,000 employees - of which 39,000 are dedicated to the Water Service. In particular, the Utilitalia Members provide the water service to 80% of the national population.

Within the largest Italian association, SMAT is represented in the Steering Committee, in the Executive Council and is present in several Commissions (Drinking Water, Wastewater, Regulation, In-house, SME and Innovation).

E - Aqua Publica Europea (APE) is the European Association of Public Water Operators headquartered in Brussels. It unites publicly owned water service companies and a wide range of stakeholders working to promote public water management at both European and international level. APE brings together 66 public companies from 14 European countries serving an area with more than 80 million inhabitants and generating a total turnover of around EUR 10 billion/year.

SMAT serves on the Working Groups of APE and is one of the companies coordinating the Innovation & Research Group and the Wastewater Treatment Sludge Group, a topic of great interest at European level.

E – EUREAU is the European Federation of National Water Service Associations, which brings together 32 companies that manage the integrated water service in 29 European countries. EurEau promotes the shared interests towards the European Institutions and pays special care to the pathway that generates the policies related to the water sector. SMAT represents Utilitalia in the Drinking Water Commission

E - The European House - Ambrosetti is a team of ca. 250 professionals, active internationally since 1965, who operate as a predominantly economic and econometric think tank, analysing national, European and global scenarios.

SMAT is a founding partner of Community Valore Acqua, a multi-stakeholder platform on water management serving as a driver of competitiveness and development.

E - WATER EUROPE, established by the European Commission in 2004, and regulated by Belgian law, is a multi-stakeholder technology platform dedicated to water supply and wastewater treatment services. It works to increase and improve the performance of water service operators according to sustainable and inclusive criteria and helps addressing global water challenges.

Its goals are to develop research and take up the challenges of an integrated and sustainable management of water resources. SMAT is present with its Research Centre and as representative of Utilitalia; its members serve on the VLT (Vision Leadership Team) groups responsible for defining the “*vision*” and the future development of the platform.

E - European Benchmarking Cooperation (EBC) manages International Benchmarking through a non-profit foundation whose core business is the benchmarking of water services.

EBC's mission is to support water services in the ongoing process of improvement and innovation by enhancing transparency and providing a platform for the exchange of best management practices. Smat's participation in International Benchmarking, which was created to meet a need for comparing company performance in a non-national context with a view to pursuing improvement and knowledge enhancement goals, is now in its 15th edition.

M - IWA – International Water Association is a London-based non-governmental, non-profit organisation whose mission is to unite water operators and professionals in a worldwide network in order to advance and disseminate the standards and best practices of sustainable water management. IWA organises events worldwide with the aim of disseminating best practices in the water sector.

B. COMPOSITION OF THE SMAT GROUP

B1. Parent Company SMA Torino S.p.A.

The Capital Stock at the end of fiscal year 2022 is equal to € 345,533,761.65, fully paid and recorded to the Register of Enterprises of Turin in compliance with the law, and it is represented by 5.352.963 ordinary shares of the unit nominal value of € 64.55.

The share register, updated to the date of the balance sheet, the Municipality of Turin directly holds 3,231,679 shares and - indirectly - through subsidiary Finanziaria Città di Torino Holding S.r.l., other 169,331 shares, for a total amount of 63.54% of the Share Capital.

Treasury shares were 492,963 in 2022 and accounted for 9.21% of the share capital held by the Parent Company, which purchased the treasury shares pursuant to art. 2357 of the Italian Civil Code.

The remaining 1,458,990 shares (which represent 27.26% of the Capital Stock, equal to Euro 94,177,804.50) are distributed amongst 290 other Associates, 288 of which are Municipalities.

B2. Own shares and shareholdings in subsidiaries

As at 12/31/2022 the number of own shares held by the parent company SMAT S.p.A. Amounts to 492,963 shares (representing 9.21% of the share capital for a total value of EUR 31,820,761.65) to which it refers the relative negative Net Equity provision (EUR 32,993,211.30).

The available reserves in the 2022 balance sheet, after purchasing owned shares in the previous years, are nearly totally exhausted.

Within the SMAT Group, the subsidiaries do not hold any shares in the controlling company.

B3. Subsidiaries and associates included in the consolidation area

SUBSIDIARIES:

- RISORSE IDRICHE S.p.A. di Torino

To 31 December 2022, the Capital Stock of Euro 412,768.72 is held at 91.62% by the Parent Company and for the remaining part by Service and design companies that operate at local level.

The company prevalently operates in the engineering sector relevant to the Integrated Water Service and was transferred by the Parent Company - effective on January 1st 2005, the branch of activity relevant to the design services with the specific aim of maximizing the systematicity, the quality, organizational efficiency, flexibility and design standardization of the Integrated Water Service with special reference to the territory water infrastructures connected to the Piano d'Ambito.

Fiscal year 2022 closed with an operating income of EUR 56,701 and a net result of EUR 20,998.

The activities of the subsidiary are fully focused to Parent Company SMAT, for which it developed the totality of the appointments for design and works management it received.

Consequently, the Net Capital of the subsidiary at the end of 2022 amounts to Euro 718,020.

Subsidiary Risorse Idriche S.p.A. has been consolidated by the Integral Consolidation method since fiscal year 2004.

- AIDA AMBIENTE S.r.l. of Pianezza

On August 1st 2008, the Parent Company subscribed 51% of the Capital Stock, namely Euro 100,000, of Company AIDA Ambiente S.r.l., established at the same date, since the remaining part was subscribed by Azienda Intercomunale Difesa Ambiente A.I.D.A. di Pianezza.

Since the Company operates in a systematic, independent way within the group framework with the Parent Company, and is therefore subject to the management and coordination of the latter in compliance with articles 2359 and 2497 of the Civil Code, it is assigned to the management of segments of the integrated water cycle managed by the Parent Company as Sole Territorial Service Provider, as well as the management of liquid waste as defined by the law.

The management evolution of the subsidiary generated an EBIT of Euro 179,703 and a positive Net Result of Euro 104,228 in the fiscal year 2022.

Consequently, the Net Capital of the subsidiary at the end of 2022 amounts to Euro 819,335.

The aforesaid company was consolidated by the Integral Consolidation method since fiscal year 2009.

COMPANIES SUBJECT TO JOINT EQUAL CONTROL (ASSOCIATES)

- SAP S.p.A. Turin-based company under liquidation (since 1 June 2021)

Società Acque Potabili S.p.A. Under liquidation is an associate of SMAT holding an equal interest of 47.546% in IRETI S.p.A., with 3,429,125 shares.

The Extraordinary Shareholders' Meeting of company Società Acque Potabili S.p.A. held on 29 April 2021 resolved on the early dissolution of the Company pursuant to art. 2484(1) no. 6) of the Civil Code and its ensuing winding up. The deed was registered and recorded in the Trade Register of Turin on 31 May 2021. As from that date, the resolution for the liquidation of Società Acque Potabili came into full effect.

The Ordinary Shareholders' Meeting of company SAP S.p.A. in liquidation since 29 April 2022 approved the financial statements for the period from 1 June to 31 December 2021 (first intermediate liquidation financial statements) that ended with a positive result of EUR 158,000, whereas the period from 1 January to 31 May 2021 had ended with a negative result of EUR – 196,000, as recorded in the statement of accounts handed over to the liquidators on 16 September 2021.

The Ordinary Shareholders' Meeting of company SAP S.p.A. in liquidation, held on 27 April 2023, approved the financial statements for the year ended 31 December 2022 (second intermediate liquidation financial statements) that closed with a positive result of EUR 311,000. At the end of 2022, net worth came to EUR 17,164,000 (IAS/IFRS criteria), whereas Consolidated Net Worth as at 31 December 2021 amounted to EUR 17,015,000.

For the purposes of the Consolidated Financial statement as at 31 December 2022, the shareholding in Acque Potabili S.p.A. was assessed with the Net Equity method, since there are the premises that define its equal joint control, together with IRETI, and it was classified amongst the shareholdings in with joint control.

In the consolidated financial statements, the value of the shareholding was EUR 8,090,808,000 (it was EUR 8,090,000 in 31 December 2021). In the financial statements, this value remained unchanged at EUR 7,808,000 and is supported by the impairment test performed by an independent external expert, who used the equity valuation method as the company is in liquidation.

The changes in shareholdings are detailed in paragraph F.10 "*Acque Potabili S.p.A. in liquidation*".

B4. Shareholdings in other companies

- APS S.p.A. in Liquidation (now in Bankruptcy) in Palermo

Company Acque Potabili Siciliane S.p.A. (APS) was established on February 27th 2007 with an initial Share Capital of EUR 5,000,000, and it is held jointly for 9.83% by SMAT S.p.A. and Mediterranea of Acque S.p.A. The same company was established as a result of the tender called for awarding the Integrated Water Service in the territory of the 81 Municipalities of the Province of Palermo (Municipality of Palermo excluded) by ATO 1 of Palermo.o.

Arbitration

On June 25th 2015, an articulated arbitration procedure started on January 7th 2010 by the submittal by APS and of the shareholders aimed at:

- ascertaining that AATO 1 Palermo had become seriously noncompliant against the AAPS authority;
- sentencing AATO 1 Palermo to full compliance with the Agreement and to restore the economic and financial balance of the concession;
- sentencing AATO 1 Palermo to pay in any event the damages suffered by APS deriving from the ascertained and declared noncompliances.

The final Award of the arbitration between Acque Potabili Siciliane in bankruptcy, Acque Potabili S.p.A. and AATO 1 Palermo was deposited on June 25th 2005.

The Award acknowledges in favor of Acque Potabili Siciliane in bankruptcy and against the 'ATO, the following amounts:

- EUR 18,349,342.00 for the indemnity of the redemption bonuses
- EUR 21,195,041.00 less revenue for non- collection of the set-off amount by AMAP;
- Euro 5,923,000.00 reduced revenue for lower water volumes invoiced and different rates applied ;
- EUR 3,212,037.00 greater wholesale water costs;
- EUR 773,000.00 less revenues resulting from arrears.

Furthermore, the arbitration acknowledges some of the emerging damage assumptions affecting the shareholders, highlighting that they can enforce them against Acque Potabili Siciliane in bankruptcy also through claiming in the liabilities, i.e.:

- Euro 6,600,681.00 for the engineering shareholders;
- EUR 1,350,685.00 for the management shareholders (of which EUR 359,548 for SMAT) as related to the know-how project.

On the other hand, all the damage assumptions claimed by 'ATO (for an overall amount of Euro 200,000,000.00) were rejected and the only damage claim is the one regarding the Management Agreement fee, for a total amount of EUR 23,815,000.00. Subsequently, the final Award grants damages to 'ATO for an overall amount of Euro 33,588,786.00.

On February 9th 2016, 'AATO 1 Palermo notified the summons to appear in court for an appeal with request of declaration of groundlessness, after with holding the effectiveness, of the Second, Non-Final Award of October 29th 2012, of the Third Non-Final Award of February 24th 2015 and of the Final Award of June 25th 2015, which were pronounced as related to the aforementioned arbitration.

By an order filed on July 28th 2016, the Court of Appeal of Palermo ordered r the withholding of the effectiveness of the final award of June 25th 2015, upon condition that 'AATO 1 Palermo provides the appropriate surety policy . The Court of Appeal has also ordered to adjourn the proceedings for the clarification of the conclusions to the hearing of November 7th 2018.

At the hearing on 7 November 2018 all the Parties presented their respective conclusions. Subsequently the Court assigned the terms for the closing arguments, which all the Parties compiled and deposited.

With a ruling filed on 8 January 2021, the Court of Appeal of Palermo – First Civil Section – confirmed the non-definitive 2012 and 2015 arbitration awards as well as the definitive award issued by the Arbitration Board on 25 June 2015, and ordered AATO 1 Palermo to pay the costs of the proceedings.

With an appeal dated 8 June 2021, AATO 1 Palermo brought an appeal before the Court of Cassation against the aforementioned ruling of the Court of Appeal.

Acting on its own behalf and as lead company of ATI, the winner of the tender, Acque Potabili filed a cross-appeal on 16 July 2021. Si è in attesa della data di fissazione dell'udienza.

With reference to the aforementioned investment in Acque Potabili Siciliane S.p.A., until October 28th 2013, under Extraordinary Administration Procedure, now in Bankruptcy, was subjected to complete writedown in the previous fiscal years. Furthermore, already in fiscal year 2010, SMAT S.p.A. set up an ad hoc provision for liabilities and potential charges of EUR 650,000 and - in the financial statement closed as at 31 December 2013 - provided for the full extinction of all the payables accrued up to the end of the Extraordinary Administration Procedure period (October 28th 2013)..

- **SII S.p.A. of Vercelli**

19.99% shareholdings in Servizio Idrico Integrato del Biellese e Vercellese S.p.A. di Vercelli (Share Capital 131 thousand Euros – accounted cost and value 1,300,102 Euros). Furthermore, the Company features shareholdings by Municipalities of Ambito 2 Vercellese and - since the object is the management of the water service in the Associated Municipalities, it shows a remarkable synergy potential with other local entrepreneurial realities in the perspective of being entrusted the management of the Integrated Water Service of said Ambito.

- **NOS S.p.A. of Turin**

10% Shareholding in Nord Ovest Servizi S.p.A. di Torino (Share capital EUR 7,800,000)– costo e valore contabile 1.750.000 euro). Furthermore, the Company features a shareholding by Iren Acqua Gas S.p.A. di Genova (now IRETI S.p.A.), and by other public and private providers. "Nord Ovest Servizi S.p.A." manages the 45% shareholding in Asti Servizi Pubblici S.p.A.", which was purchased as a result of a public call of tender by a joint venture of the same shareholders in Nord Ovest Servizi.

- **Mondo Acqua S.p.A. of Mondovì**

4.92% shareholding in Mondo Acqua S.p.A. di Mondovì (Share Capital 1,100 thousand Euros – accounted cost and value 18,204 Euros) Company with majority local public shareholding, held by the municipalities of Mondovì, Briglia, Villanova Mondovì, Roccaforte Mondovì and Vicoforte. The company purpose is the management of the water service in the territory of the shareholding Municipalities.

- **Environment Park S.p.A. of Turin**

3.38% in Environment Park S.p.A. of Turin (Share Capital 11,407 thousand Euros - cost 463,565 and accounted value 385,440 Euros). Furthermore, the Company is also held by Public bodies, Service

Companies and financial companies with local value and its purpose is the management of the environmental technological park appointed to research aimed at sustainable development.

- **Galatea S.c.a.r.l. Of Alessandria**

0.50% participating interest in Galatea S.c.a.r.l. Cooperative company of Alessandria (Share Capital 10,000 Euros - accounted cost and value 51 Euros) in divestment process, whose object is the building and management of the waste water treatment plant of the Municipality of S. Stefano Belbo (CN).

- **Utility Alliance del Piemonte**

5.56% shareholdings in Utility Alliance- del Piemonte with offices in Turin (95,000 Euros equity fund on the date of the financial statement – accounted cost and value 5,000 Euros). Such network of public enterprises with in-house mandates was established by Notary Deed of July 19th 2016 among 11 water service companies of Piedmont, that have signed an ad hoc "network agreement" aimed at upgrading their competitive capacity through the shared exercise of representing interests in institutional and associative stakeholders, as well as in the decision-making processes.

By notary deed dated 21/05/2019, the consortium of companies took on the new name “Utility Alliance del Piemonte”, expanding its operating area, adding the energy sector (Energy Alliance) to water services (Water Alliance), as well as environmental protection (Environmental Alliance), and opening up the possibility to join the network also for public service providers that manage public services and share the same goals as the business network.

New companies intending to work in a network have joined and the number of water utilities adhering to the Alliance has now grown to 18.

- **Hydroaid – International School of Water Development**

10.24% shareholdings in Hydroaid – International School of Water Development with offices in Turin (endowment € 293,000 - accounted cost and value 30,000 Euros), composed of permanent shareholders coming from the public and private sectors (Piemonte Region, Turin Municipality, San Paolo Company, Turin Chamber of Commerce, Hydrodata S.p.A., in addition to SMAT), working to support corporate business and actively contributing to the creation of numerous projects and initiatives.

C. SMAT GROUP ECONOMIC TREND

Amounts in ,000 Euros	Consolidated Financial Statement 2022	Consolidated Financial Statement 2021	Absolute variation	Variation %	Financial Statement 2022	Financial Statement 2021	Absolute variation	Variation %
Revenues	360,708	331,608	29,100	8.78%	360,937	331,723	29,214	8.81%
Revenues for planning and construction activities	97,265	91,806	5,459	5.95%	97,265	91,806	5,459	5.95%
Other revenues	23,478	18,184	5,294	29.11%	20,660	15,572	5,088	32.67%
Total Revenues	481,451	441,598	39,853	9.02%	478,862	439,101	39,761	9.06%
Consumption of raw materials and consumables	(15,024)	(13,690)	(1,334)	9.74%	(14,879)	(13,577)	(1,302)	9.59%
Costs for leased assets and services	(140,803)	(116,581)	(24,222)	20.78%	(140,393)	(116,583)	(23,810)	20.42%
Payroll costs	(62,513)	(67,614)	5,101	-7.54%	(60,746)	(65,415)	4,669	-7.14%
Other operating expenses	(22,711)	(21,572)	(1,139)	5.28%	(22,686)	(21,547)	(1,139)	5.29%
Costs for planning and construction activities	(93,719)	(88,241)	(5,478)	6.21%	(93,719)	(88,241)	(5,478)	6.21%
Total operating expenses	(334,771)	(307,698)	(27,073)	8.80%	(332,424)	(305,363)	(27,061)	8.86%
Gross operating margin	146,681	133,900	12,781	9.55%	146,438	133,738	12,700	9.50%
Depreciation, provisions and writedowns	(91,178)	(86,473)	(4,705)	5.44%	(91,152)	(86,424)	(4,728)	5.47%
Operating income (EBIT)	55,503	47,427	8,076	17.03%	55,287	47,314	7,973	16.85%
Total financial management	(381)	(321)	(60)	18.69%	(437)	(602)	165	-27.41%
Result before taxes	55,122	47,106	8,016	17.02%	54,849	46,712	8,137	17.42%
Income Taxes	(13,380)	(12,541)	(839)	6.69%	(13,265)	(12,517)	(748)	5.98%
Net Profit/(loss) for the year	41,742	34,565	7,177	20.76%	41,584	34,195	7,389	21.61%
Of which								
belonging to non-controlling interests	65	19						
belonging to shareholders of the Parent Company	41,677	34,546						

The 8.81% increase in “Revenues” is mostly due to the increase in rates, of 8.4% over 2021, and the revenue from the sale of energy products; to some extent this increase is offset by higher allocations to the provision for risks and lower revenues from works for users and third parties.

The increase in “Other revenues from operations”, of 32.67%, is mostly due to the increase in Operating Contributions relating to the tax credit for electricity and gas against lower contributions relating to the incentives replacing the Green Certificates, photovoltaic energy and biomethane production.

The “Costs of raw materials and consumables” recorded an overall increase of 9.59% for the purchase of raw materials, mainly attributable to the price of chemical products.

The upward trend in “Costs for leased assets and services”, of 20.42%, is determined in particular by the significant increase in electric energy costs, in connection with which prices are seen to be rising as a consequence of the Russian-Ukrainian conflict that led to a crisis in the availability of energy resources and the ensuing inflationary dynamics. SMAT and the other members of the Utility Alliance network were able to obtain energy at a fixed price below the average for the sector. During the year an increase in electric energy consumption due to the implementation of the Programme Agreement with ACEA was also recorded.

Also on the rise are the costs for emergency water services and maintenance works also in connection with the management of rainwater disposal infrastructure, costs for services rendered by Operational Management Entities, and costs for utilities, with particular reference to gas, notwithstanding the reduction in gas consumption. All this is offset to some extent by lower costs for rentals, insurance and software maintenance fees.

“Payroll costs” show a 7.14% decrease, which may be ascribed primarily to the reduction in the cost incurred for the expansion contract and savings from personnel turnover. Pay rises following the renewal of the National Collective Labour Agreement also contributed to the change.

“Other operating expenses” went up by 5.29% over 2021, mostly due to the allocation to the provision for risks and charges, while the increase was somewhat mitigated by a decrease in contingent liabilities and exceptional writedowns of assets.

The increase in “Depreciation, provisions and writedowns”, of 5.47%, is due to increments in the provision for bad and doubtful debts.

Overall financial performance shows a positive change.

D. INVESTMENTS BY SMA TORINO S.P.A. AND THE SMAT GROUP

The framework of the technical investments of the Parent Company and its subsidiaries in the balance sheet period is reported in the following table:

Investments	
SMAT S.p.A. Investments	
Tangible fixed assets	11,104,858
Intangible fixed assets	2,721,664
Assets under concession	96,906,939
	SMAT S.p.A.Total investments 110,733,461
Investments by AIDA Ambiente	
Tangible fixed assets	18,205
Intangible fixed assets	0
	AIDA Ambiente Total investments 18,205
Investments by Risorse Idriche	
Tangible fixed assets	18,062
Intangible fixed assets	9,750
	Total Investments by Risorse Idriche 27,812
	SMAT Group Total investments 110,779,478

STATE OF PROGRESS OF LARGE INFRASTRUCTURE

The Valle Susa Aqueduct and Waterworks

The Bardonecchia drinking water plant, inaugurated in June 2019, was built inside the former Bardonecchia power station, a 1921 building that SMAT bought from Enel Green Power, allows the use of the drinking water of the Rochemolles dam through the development of a main duct of over 66 km that, thanks to another 40 km of feed pipelines, serves 27 Municipalities of the Valley, delivering 16 million m³/year of high-quality drinking water. The waterworks is equipped with three hydro-electrical power stations, which exploit the altimetry difference between the drinking water plant of Bardonecchia and the Gravera reservoir and generate electricity thanks to the multi-purpose use of the resources with the aim to make the entire system energetically self-sufficient.

In 2022, a total of 3,504,372 kWh was produced and sold on the free market to EGO ENERGY S.r.l., generating revenue of over EUR 1.1 million.

In response to new needs, SMAT commissioned Società Risorse Idriche to design the connections to the municipalities of Villar Focchiardo, Vaie, San Giorio and the railway crossing in the municipality of Oulx.

A request was submitted to the Metropolitan City of Turin for a non-substantial change to the water diversion concession on account of the new configuration of the subsidiary intake on the Rochemolles Torrent. The new subsidiary intake will be completed by March 2024.

Reclamation of the water treatment system for the Ivrea District

Construction works on the ultra-filtration system of the Plant in San Bernardo di Ivrea west (proj. 445 445) and the installation of the first lot of manifolds on the right bank of the Dora River were completed in 2019. The contract for second lot of manifolds was awarded in 2020. The year also saw the completion of the works for the expansion of the sewage treatment plant in Torre Balfredo (East Ivrea), which resulted in the plant being upgraded from a secondary to a tertiary plant for the abatement of nutrients, thereby also completing the treatment system for the left bank of the Dora Baltea River. As at 31 December 2022, the state of progress of the works for the second lot of manifolds was about 80%.

Mediano Main Sewer - Idropolitana

The imposing work is a main sewer line 3.2 m in diameter running underground at a depth of 20 m across the entire urban area of Turin from South to North, for a total length of over 14 km.

The new sewer line (prog 3186) is strategic, not only as redundancy to the 40-year old intercity sewer line, which will be temporarily taken out of operation for the necessary extraordinary maintenance works, but also on account of its rainfall lamination function and the ensuing mitigation of the effects of climate change; it will result in a better distribution over time of the hydraulic load entering the Castiglione T.se water treatment plant, making a significant contribution to the efficiency of the wastewater treatment processes.

The original economic framework of the work as laid out in the Strategic Works Plan comes to EUR 146 million. In 2018, SMAT drafted the preliminary advanced project, and then published a call for bids to contract the design and execution of the entire job. In 2019, following an analysis of the bids received, the contract awarding commission identified the winning grouping of companies in consortium COLMET S.c.a.r.l. formed by Itinera and Ghella.

On 8 November 2020 COLMETO S.c.a.r.l. handed over the revised complete final project. With Determination no. 134 of 15 June 2021 of the General Director, the Ambito 3 Torinese Authority approved the Final Project Rev. 3 (without prejudice to provisos introduced by the entities concerned, to be incorporated in the final project), for a total contractual amount of EUR 119,726,762.04, broken down as follows:

- EUR 113,440,112.04 for fixed price works;
- EUR 2,091,000.00 for safety charges not subject to reductions;
- EUR 4,195,650.00 for the final detailed project and safety coordination during the design phase.

The project includes that the works are carried out totally in the Municipality of Turin, for the purpose of improving management of rain water collected in the sewer system coming from 20 municipalities in the south-west area of the city, as well as storm water from the Municipality of Turin network. The objectives are:

- to plan for the problems stemming from changes in climate, to alternate periods of drought with rainy periods, planning for future generations,
- to increase system reliability,
- to contribute to reducing environmental pollution.

On 15 November 2022 COLMETO S.c.a.r.l. handed over the Final Project Rev. 3, approved by SMAT S.p.A. on 3 April 2023 with provisos.

Partial handover of the works took place on 4 May 2023, and time to complete the works under the contract is 1,458 days.

The Valle Orco Aqueduct and Waterworks - PNRR

This is the greatest and most extensive of the large infrastructure projects in the industrial plan of SMAT S.p.A. for the next few years.

It will cover the current water deficits in terms of quantity as well as quality in the areas of Ivrea, Caluso and Canavese. The aqueduct will use the water from the reservoirs of Ceresole, Telessio and Angel situated at high altitude in the Parco del Gran Paradiso and today exploited by Iren Energia only for the production of hydroelectric power.

The infrastructure (project 3199) consists of 140 km of pipeline, for sourcing and supplying that will serve over 50 municipalities directly and indirectly, from Rivarolo to Cuorgnè and from Castellamonte to Ivrea amounting to over 120,000 inhabitants.

Over the course of 2018, the whole project was submitted to the assessment of EIA (Environmental Impact Assessment) liability at the Ministry of the Environment. On 6 February 2019, the project was deemed as screened for EIA. Following the tender process, the project for designing the water treatment plant and pipelines were assigned.

In June 2019, the Agreement between Regione/ATO3/SMAT/IREN Energia for the use of water resources for drinking water needs was signed.

The final project is divided into 2 lots: Lot A includes the catchment works, the drinking water treatment plant and the pipeline section from Locana to Pont C.se; Lot B encompasses all the other pipelines downstream of Pont C.se.

After verification and approval, they were submitted to the ATO3 services conference for approval.

Complementary activities for the definition of the working drawings (i.e., excavation works and geological and archaeological surveys) were carried out in 2021.

With Decree no. 157 of the Ministry of Infrastructure and Sustainable Mobility (MIMS), the intervention as a whole was admitted for financing under the "Investments in primary water infrastructure for the security of the water supply" of Investment 4.1, Mission 2, Component C4 of the National Recovery and Resilience Plan (NRRP) for an amount of EUR 93,000,000.00.

With Determination of the General Director of ATO 3 T.se no. 76/2022, the Orco Valley Lot A Services Conference ended with the approval of the final project.

With Determination of the General Director of ATO 3 T.se no.166/2022, the Orco Valley Lot B Services Conference ended with the approval of the final project.

With a Decree issued by the Ministry of Economy and Finance on 18 November 2022 (Official Gazette no. 278 of 28 November 2022), the intervention as a whole was declared eligible for financing under the “Fund for the start of non-deferrable works” for an amount of EUR 36,352,813.24.

With Decree no. 52 of the Ministry of Economy and Finance of 2 March 2023 closing procedure 2022 (Official Gazette no. 69 of 22 March 2023), the intervention as a whole was confirmed and admitted for financing under the “Fund for the start of non-deferrable works” for an amount of EUR 36,352,813.24.

In December 2022, the final project was approved and a call for bids was announced for the awarding of the works subdivided into 3 lots. On 28 and 31 March 2023, the selection process was concluded with the following results:

- Lot A – the minutes of the tender of 28 March 2023 show that 3 bids were received and the most advantageous for SMAT S.p.A., for lot A, was the bid submitted by Temporary Grouping of Companies DI VINCENZO DINO & C S.p.A. - TORRICELLI S.r.l. - RIGHI ELETTROSERVIZI S.p.A., for a total amount of EUR 96,525,231.90, plus VAT, EUR 2,159,615.87 of which for safety charges not subject to discounts, arising from the application of the discount offered, of 10.688%, over the tender starting price.
- Lot B1 – the minutes of the tender of 31 March 2023 show that 5 bids were received and the most advantageous for SMAT S.p.A., for lot B1, was the bid submitted by Temporary Grouping of Companies RITONNARO COSTRUZIONI S.r.l. - IMPRESA BORIO GIACOMO S.r.l. - MELLO S.r.l. - C.F.C. CONSORZIO FRA COSTRUTTORI SOC. COOP., for a total amount of EUR 52,302,653.35, plus VAT, EUR 2,320,424,04 of which for safety charges not subject to discounts, arising from the application of the discount offered, of 31.070%, over the tender starting price.
- Lot B2 – the minutes of the tender of 31 March 2023 show that 5 bids were received and the most advantageous for SMAT S.p.A., for lot B2, was the bid submitted by Temporary Grouping of Companies RITONNARO COSTRUZIONI S.r.l. - IMPRESA BORIO GIACOMO S.r.l. - MELLO S.r.l. - C.F.C. CONSORZIO FRA COSTRUTTORI SOC. COOP., for a total amount of EUR 61,336,617.56, plus VAT, EUR 3,081,766.21 of which for safety charges not subject to discounts, arising from the application of the discount offered, of 15.330%, over the tender starting price.

The new economic framework of the works net of bidding discounts comes to EUR 234,971,770.13.

Revamping the Po drinking water treatment plant

The modernization activities of the facilities for the drinking water treatment plants Po1, Po2 and Po3 (prog.1565) introduced in the Po-La Loggia plant complex at the service of the drinking water network of the City of Turin proceed. The definitive project was completed over the course of 2018 and approved by ATO in January 2019.

On 21 September 2020, the tender for the integrated design and works contract was awarded.

The development of the executive project was completed in 2022.

In December 2022, the executive project (prog. 1565) for the construction of the pipeline section up to the Valsalice reservoir was contracted out.

Thermal oxidation plant

It is a plant worth over EUR 50 million (prog. 14396) for energy recovery from the sludge generated by the SMAT treatment plants and the production of electric and thermal energy

The conceptual project and preliminary technical-economic feasibility projects were developed in the course of 2021.

The final project was developed in the course of 2022.

The authorisation process will be activated in 2023.

E. FINANCIAL MANAGEMENT OF SMA TORINO S.P.A. AND THE SMAT GROUP

<i>Amounts in ,000 Euros</i>	Consolidated financial statements as at 12/31/2022	Consolidated financial statements as at 12/31/2021	Financial statements as of 12/31/2022	Financial statements as of 12/31/2021
A. Cash and cash equivalents	27	16	27	15
B. Other liquidity	125,048	46,994	124,073	46,694
C. Shares held for negotiation	0	0	0	0
D. Liquidity (A) + (B) + (C)	125,075	47,010	124,100	46,709
E. Current financial credits	0	0	0	0
F. Current bank debt	(2,645)	(6,230)	(2,644)	(6,230)
G. Current part of non-current payables	(10,192)	(44,300)	(10,192)	(44,300)
H. Other current financial debts	(7,707)	(1,330)	(7,704)	(1,330)
I. Current financial payables (F)+(G)+(H)	(20,544)	(51,860)	(20,540)	(51,860)
J. Net current financial payables (D) + (E) + (I)	104,531	(4,850)	103,560	(5,151)
K. Non-current bank debts	(199,866)	(110,126)	(199,866)	(110,126)
L. Issued bonds	(134,645)	(134,476)	(134,645)	(134,476)
M. Other non-current debts	(10,850)	(5,460)	(10,841)	(5,460)
N. Non-current financial payables (K) + (L) + (M)	(345,361)	(250,062)	(345,352)	(250,062)
O. Net Financial Position (J) + (N)	(240,830)	(254,912)	(241,792)	(255,213)

The current net financial payables of the Parent Company as at 31 December 2022 presents a balance of Euro 103.560 million, versus Euro -5.151 million of the previous fiscal year.

The net financial position as at 12/31/2022 amounted to EUR -241,792 million as opposed to EUR -255,213 million as at 12/31/2021. The change was mostly due to the disbursement of the first EUR 100 million of the "green loan" agreed on with the European Investment Bank, of EUR 150 million, in support of the Area Interventions Programme, net of the repayment of principal relating to outstanding loan agreements and the change in amortised cost as well as the reduction in payables for leased assets. The changes for the year also include the advance, introduced with ARERA Resolution 229/2022/R/idr and relating to the raising of funds to meet part of the expenses incurred for the purchase of electric energy, disbursed by Cassa per i Servizi Energetici e Ambientali (CSEA) for EUR 12.7 million.

The Parent Company's gross debt as of 31 December 2022 consisted of EUR 20,540,000 due within the next financial year and EUR 345,352,000 due beyond the following year, for a total of EUR 365,892,000. For more details, see the Notes to the Accounts of the Parent Company SMAT S.p.A.

The situation of the Group is substantially similar: the net financial position to 31 December 2022 amounts to -240,830 kEuro versus the -254,912 kEuro of the previous fiscal year.

The difference versus the results of the Parent Company is mainly determined by the liquidity of subsidiary AIDA Ambiente.

FINANCIAL RISKS

Below you will find comments regarding the financial risks for which the group business is exposed and the hedges provided where needed.

Liquidity risk

The financial activity is, for the most part, managed separately by each company of the Group with autonomous management of the financial flows and current accounts in banks utilized for collection and payment operations, as well as negotiations with the banking system for collection and payment transactions. Starting in fiscal year 2015, a cash-pooling system was activated between the Parent Company and its subsidiary Risorse Idriche S.p.A. to optimize the liquid assets management and the associated financial charges through a greater integration of the control by the Parent Company.

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Guarantees and covenants on the debt

The composition and conditions of the loans are itemized in the Notes to the Accounts in the comment on the financial liabilities.

As at 12/31/2022 part of the financial position of the Group and of the Company is represented by loan agreements that involve clauses — in line with international procedures — that forbid some operations. . Amongst them, the commitment to not grant future financiers any burden on any own assets (negative covenant) and the commitment to treat the obligations undertaken on equal terms with all other present and future obligations (equal pace).

Financial covenants are provided, as better detailed in the Notes to the Consolidated Accounts and — in cases of noncompliance with even only one of the aforementioned financial parameters — the lending institutions have the right to terminate the agreement early.

Interest rate risk

The Group is exposed to a minimal extent to the interest rate fluctuation risk arising from financial indebtedness. To 31 December 2022 the medium to long term fundings are 0.7% at variable rate and 99.3% at fixed rate.

The Parent Company adopted the strategy of limiting as much as possible the exposure to the risk of growing interest rates through the preferential access to EU fundings released by the European Bank for the investments with guarantee by a national Bank, in order to benefit of both the lower onerousness of the provisions and of the lower content of the guarantee, attaining medium to long term fundings at variable rate and agreeing on EURIBOR increases that are lower than the market standards.

Moreover, always with a view to minimising exposure to interest rate risks, in 2017 the Parent Company diversified the sources of loans by issuing a fixed rate bond loan, and the latest loans from the European Investment Bank were also stipulated at fixed rates on account of their duration and particularly advantageous rates.

Exchange rate risk

The Group is not exposed to the exchange rate risk and — consequently — as at the date of 31 December, 2022, does not detain any financial derivative instruments to cover the exchange rate risk.

New Corporate Crisis and Insolvency Code

Pursuant to art. 26(5) of Legislative Decree 175/2016, SMAT S.p.A. is not subject to the provisions set out in art. 6(2) of the Decree.

The Board of Directors evaluated the organisation, administrative and accounting structures according to art. 2086 of the Italian Civil Code in terms of the measures as per art 3 of the Corporate Crisis and Insolvency Decree (Legislative Decree no. 14 of 12 January 2019 as subsequently amended) and found them suitable to detect the state of crisis in a timely manner in order to take the necessary initiatives to address a crisis without delay.

All parameters are complied with from the perspective of business continuity in the medium to long run.

Rating

On June 26th 2015 Standard & Poor's granted the Company the "BBB" rating level ("A+" for SMAT S.p.A. stand alone).

Subsequently, Standard & Poor's released the following Rating Actions:

- On June 28th 2016, it confirmed Corporate Credit Rating "BBB" on the long term and the steady outlook;
- On February 13th 2017, it confirmed Corporate Credit Rating "BBB" on the long term and the steady outlook, and it allocated preliminary rating "BBB" to the planned issue of bonds;
- On April 5th 2017, it confirmed corporate credit rating "BBB" on the long term, revising the outlook from steady to negative, only as a function of the revision of the outlook on the Municipality of Turin, and it confirmed preliminary rating "BBB" to the planned issue of bonds;
- On April 11th 2017, it confirmed rating "BBB" for the issue of bonds .
- On November 2nd 2017 it lowered the rating (Corporate Credit Rating and Senior Unsecured) to "BBB-" in relation to the uncertainties in the long-term regarding the uncertainties on the long term financial strategy caused by the proposal of the City of Turin to transform the company into a non-profit consortium, confirming the negative outlook and bringing the stand-alone credit profile to "bbb+";
- On November 26th 2018 the rating "BBB-" was confirmed;
- On November 27th 2019 the rating "BBB-" was confirmed, the outlook shifted from negative to positive and the stand-alone credit profile stayed "bbb+";

- On November 24th 2020 the rating was upgraded from “BBB-” to “BBB” with a stable outlook;
- On January 4th 2022 the rating “BBB-” was confirmed with a stable outlook”.

On 29 November 2022, it raised the Issuer Credit and Senior Unsecured Ratings from “BBB” to “BBB+” with stable outlook, and revised the company’s stand-alone credit profile from “bbb+” to “a-”.

The rating agency also upgraded SMAT’s Environmental, Social and Governance (ESG) indices to E-2, S-2, G-2 (from G-3) in view of the improvement in the appraisal of the company’s governance structure and Risk Management in a particularly challenging period.

OTHER RISKS

Cyber risks

Cyber risks arise from potential events relating to loss of confidentiality, integrity or availability of data or information that may have negative impacts on the organisation, persons, operations or other organisations; cyber risks are defined as the set of internal and external threats that can compromise company continuity or cause civil liability damages to third parties in the event of loss or disclosure of sensitive data.

From an internal view point, cyber risks are strictly correlated with the activities of the company, which manages network infrastructure and systems, also through remote control, and operates accounting and invoicing management systems. Problems relating to the surveillance and acquisition of data concerning physical systems could cause system downtime and even serious collateral damage. A breakdown of the invoicing systems could also cause delays in issuing the bills and collecting the relative amounts, as well as have a negative impact on corporate image.

Based on cyber risk assessments carried out according to some of the most advanced methods, regulations and directives, the company’s “cyber posture” was defined and a process was started to improve the security measures for the protection of company infrastructure and information, which began with the definition of specific behaviour and operational policies.

Specific measures were taken to mitigate the risks detected, including redundancy measures, high reliability systems and ad hoc emergency procedures, which undergo periodic simulation tests to verify their efficacy.

Targeted projects were implemented to increase resilience to external attacks, reduce possible attack targets and enhance the protection of infrastructure and data/information.

All this made it possible to strengthen the barriers against external attacks by means of firewall and email protection systems, redundancy of data saving systems, network segregation and communication encryption, as well as by reducing access permits, protecting company equipment, and strengthening authentication processes through multi-factor systems. Ongoing training programmes and raising awareness about residual risks to the users, also by means of cross-functional activities, complete the range of activities carried out on potential corporate attack targets. Ongoing assessments and audits have been activated in order to keep the protective measures up-to-date and to ensure that the residual risk tolerated remains limited.

Climate change risks

As described in detail in the Non-Financial Report, the measures taken to achieve the goal of limiting global warming cannot be successful without a sustainable management of water resources that reduces carbon emissions and, at the same time, enables society to adapt to climate change by promoting the resilience of territories and ecosystems.

The parent company has carried out an assessment of the risks posed by climate change, which include the risks arising from the transition to a low GHG emission economy (transition risks) and risks of a physical nature (physical risks) that may arise from extreme weather and climate events (acute risks) or from medium- to long-term changes (chronic risks), assessing possible impacts also in relation to the taxonomic activities concerned. Physical risks are assessed through a solid assessment of climate risk and vulnerability, which is proportional to the scope and expected duration of the activity, by making use of climate projections on the smallest possible scale for activities lasting less than 10 years and advanced climate projections at the highest resolution available in the existing set of future scenarios for all the other activities.

As for the assessment of climate-related hazards on groundwater recharge, SMAT has enhanced a project completed in 2019 “Study of climate change impacts on groundwater bodies for drinking water supply in the Turin area”. The results of the project were described in a recent scientific paper subjected to peer review (Brussolo et al., 2022, Aquifer recharge in the Piedmont Alpine zone: historical trends and future scenarios, <https://doi.org/10.5194/hess-26-407-2022>), which formulates an initial climate risk analysis for two of the activities that are part of SMAT’s core business, and namely, “Construction, extension and management of water collection, treatment and supply systems” and “Renewal of water collection, treatment and distribution

systems". Moreover, in 2022, the parent company started a project conducted in collaboration by the SMAT Research Centre and the Euro-Mediterranean Centre on Climate Change (CMCC) with the aim to identify the climate-related hazards its activities are exposed to by analysing climate variability at local level in the recent past (reference period: 1981-2010) and expected variability due to the effects of climate change of anthropogenic nature, based on various IPCC scenarios (<https://www.ipcc.ch/>), for the Metropolitan City of Turin.

The analyses were conducted by making use of high spatial resolution (ca. 10-12 km) climate datasets available at European level, by taking into consideration climate data in the 1981-2010 reference period and the climate change expected for time spans of the same duration: the thirty-year period centred on 2035 (2021-2050) and the thirty-year period centred on 2050 (2036-2065). These time spans were chosen in consideration of the lifecycles of SMAT's activities (duration of the concession) and the alignment of climate scenario analyses according to the guidelines of the National Climate Change Adaptation Plan (NCCAP), recently released and currently under Strategic Environmental Assessment (SEA).

Three different emission scenarios, as defined by the Intergovernmental Panel on Climate Change - RCP8.5 "Business as usual", RCP4.5 "Strong mitigation", RCP2.6 "Aggressive mitigation"- were considered. The technical details can be found in the Non-Financial Report and the project deliverables released by the CMCC. An initial risk assessment performed on the basis of a qualitative evaluation of the impacts of each of the activities eligible for the European Taxonomy (EU Regulation 2020/852) made it possible to identify appropriate adaptation measures. Some measures already in place constitute an element of risk attenuation and adaptation to climate change. Other measures shall be included in the company's future adaptation strategy, which will be appropriately deployed in the course of 2023.

In particular, acute physical risks posed by extreme climatic events (floods, storms, landslides and fires) have a probability of occurring more frequently than in the present conditions throughout the territory managed, impacting on all of SMAT's activities, damaging water infrastructures, water distribution systems, reservoirs, energy production systems, sewerage systems, and water treatment systems, and causing direct structural damage, as well as indirect damage due to the need to suspend the activities, with economic and reputational impacts potentially very high for the safety of the territory managed. Such impacts are dealt with through: (i) specific risk-assessment analysis of specific assets, to determine their vulnerability to catastrophic natural events based on past events; (ii) the integration of emergency plans and procedures into the assessment of climate change risks, with definition and attribution of roles and responsibilities; (iii) adoption of new approaches and advanced treatment technologies; (iv) analysis of the insurance strategy to verify the adequacy of coverage; (v) construction, design and remodelling of buildings and infrastructure by taking into due account structural resistance to extreme events.

The rise in temperature, which is virtually certain in all the scenarios and in any time frame considered in the analyses, is a chronic risk that has negative impacts on many factors, such as for instance the degradation of the reagents used in potabilization treatments (with an increase in disinfection by-products and a reduction in the effectiveness of chlorine-based disinfectants) while, at the same time, it accelerates anaerobic digestion processes, increasing biogas generation and the efficiency of some water treatments. Thus, constant monitoring of weather and climate parameters becomes a priority to ensure the optimal functioning of drinking water and purification processes, together with the adoption of new approaches and advanced treatment methods.

Lastly, as regards the availability of water resources, while the variability of rainfall in terms of quantity (cumulative rainfall on rainy days) has a medium-low probability of undergoing a slight decrease, the scenarios show a high probability of occurrence for a change in regime and type of rainfall. The snow/rain fraction has a high probability of shifting towards less and less snow (also as a consequence of rising temperatures), thus altering the hydrological cycles as we currently know them. Together with this shift, the scenarios show a probability of an increase in draught and flood type extreme events impacting the availability of resources and the system's ability to supply an appropriate quantity of drinking water to the population. Hence, in terms of adaptation strategy, it is essential to carry on the company strategy that provides for the diversification of supply sources, the interconnection of water networks, the reduction in losses from the networks, the development of forecasting, monitoring and decision-making supporting systems integrating short and medium term climate change risks assessment.

SMAT mitigates physical climate-related risks also through insurance policies, e.g., providing for compensation for flooding and sewerage spills, and through the planning of operational and investment activities.

As for the transition risks identified, the most severe are of a political-legal nature.

One of the transition risks identified is posed by the probable adoption of more stringent regulations on the quality of treated water, the adequacy of the sewerage system and the energy independence of water treatment systems, with the ensuing increase in the costs to be incurred to adapt the systems, as well as a possible increase in mandatory reports on performance indicators. Mitigation strategy is based on preventive analyses of the efficiency of waste water treatments with respect to environmental policies providing for more stringent requirements in terms of chemical-physical parameters of the wastewater treated, the modelling and optimisation of the treatment processes, technological scouting and a careful planning of adaptation investments, to include investments in systems for the self-generation of energy from renewable sources.

Another transition risk identified arises from the possible tightening of the Emission Trading System Regulation, which entails a possible increase in costs for offsetting "unavoidable" emissions (e.g., those from the water treatment process) in order to achieve the carbon neutrality goal in line with the European Green Deal timeline. Since 2019, SMAT has been monitoring (direct and indirect) CO₂-equivalent emissions in order to identify actions to continuously reduce emissions. Technological innovation and the evaluation of revamping investments constitute the primary strategic approach to the climate neutrality goal.

On the other hand, the statutory provisions designed to promote sustainable financing provide an interesting opportunity to finance the Investment Plan (more than 90% of which is linked to potentially eco-sustainable activities pursuant to the technical evaluation criteria established by the European Taxonomy) at economically advantageous conditions for the subscription of financial instruments, subject to the achievement of sustainability goals.

Greater opportunities also exist to access capital through sustainable financing instruments, such as Green Bonds, EIB loans, Sustainability-linked loans by Hydro, Sustainability-linked revolving credit facilities. Constant monitoring of available regulations and sustainable financing initiatives, as well as the definition of an investment classification system based on the criteria of the European Taxonomy, and relationships with the financial markets are indispensable measures to be able to take full advantage of the opportunities offered by the financial markets.

The gradual enhancement of the regulatory framework that governs and promotes the recovery of water, energy and materials, from the perspective of a circular economy (considered indispensable for the mitigation of climate change), can be an opportunity for a company such as SMAT, in terms of increased revenues and reduced costs for the disposal of sewage sludge.

In this connection, research and innovation for the optimisation of recovery processes are key activities.

Thanks to the ongoing scouting activities carried out by the Research Centre, the company is in a position to benefit from the widespread presence on the market of innovative and integrated technological solutions, such as those for a more efficient use of energy, which constitute an indispensable opportunity for reducing production costs.

Climate change influenced the decision to extend the scope of SMAT's activities as a water system operator to the management of infrastructure dedicated to the disposal of stormwater, with the approval of the Area Plan with Resolution 598 of 29 April 2016.

However, from the first stage of the analysis no risks emerged that, with reference to the probability of occurrence with the time frame of the industrial plan, could determine the need for writing down the Group's assets. A reassurance from an economic point of view with respect to the impact of climate risks stems from the fact that SMAT operates in a regulated sector, where the residual economic value of any infrastructure built is recognised at the end of the concession thus shielding it from the risk of fluctuations in demand.

The Group launched a number of initiatives with the aim to mitigate the effects of climate change and, at the same time, reduce its carbon footprint.

Among the main mitigation and adaptation activities we should mention specific investments in the growing role of renewable energy generation systems, such as the investment realised in biomethane production plants, the choice of renewable electricity to power their business, the development of projects for the integration and partial replacement of existing water sources, as well as in the construction of interconnections between them in order to be able to cope with emergencies within the 2030 time horizon, intervention for the "districtualisation" of water distribution network and water leaking monitoring systems, agreements and investments for the reuse of treated wastewater..

F. SIGNIFICANT EVENTS DURING FISCAL YEAR 2022

F1. Russia Ukraine War

The Russian invasion of Ukraine, launched on 24 February 2022, had a series of consequences on economic and financial conditions in Europe, and especially on the energy market, due to the proximity to the war zone and the dependence on gas supplies from Russia. The high volatility of energy prices accelerated the inflationary dynamics that had already started in late 2021, pushing inflation to very high levels, up 11.3% over the same month the previous year. The company will continue to constantly assess risks and indirect consequences on its operations.

F2. Increase of energy cost

In spite of the extraordinary rise in wholesale energy prices, SMAT was able to sterilise the increases in the energy market in 2022 by optimising the purchase of electricity via the company's own network, thereby securing a fixed price.

Moreover, the measures adopted by the Italian government to combat high energy prices (L.D. 4/2022, L.D. 17/2022, Law 51/2022 and the so-called "Aid" Decrees, 50/2022, 115/2022 and 144/2022), which provided for a reduction in general system charges and the introduction of tax credits for energy procurement for "non-high-energy-consuming" and "non-high-gas-consuming" companies, made it possible to partially mitigate the increase recorded in 2022 with respect to the same procurement tender held in 2021.

In particular, Legislative Decree 4/2022 ("Aid-ter" Decree) provided for, effective 1 January 2022, the abolition of system charges for users with available power equal to or greater than 16.5 kW for the first three months of 2022, a time period subsequently extended by Legislative Decree 17/2022 (Energy). Law 51/2022 of 20 May introduced 12% and 20% tax credits, for "non-high-energy-consuming" and "non-high-gas-consuming" companies, respectively, to offset the higher costs incurred for electric energy and gas purchased and used for their business activities during the months of April, May and June 2022. With Legislative Decree 50/2022 (the so-called "Aid" Decree) these percentages were increased to 15% and 25%, respectively. With the "Aid-bis" Decree, these measures were extended to credits accrued in the third quarter of 2022. Legislative Decree 144/2022, the so-called "Aid-ter" Decree provided for a further increase in tax credit for the last quarter of 2022, raising it to 30% (electric energy consumption) for "non-high-energy-consuming" companies and 40% for "non-high-gas-consuming" companies.

For SMAT, the effects of such measures amount to approx. EUR 6 million for FY 2022.

As for the integrated water service, in 2022, in view of the exceptional conditions of volatility of energy prices, ARERA passed resolution 229/2022/R/idr providing for a number of extraordinary measures: in particular, it introduced an option for requesting a financial advance for electricity procurement from Cassa per i Servizi Energetici e Ambientali (CSEA), subsequently, with Resolution 495/2022, this option was extended to 30 November 2022.

Even though the purchasing management policy implemented jointly with the network of water companies operating in Piedmont and Lombardy made it possible to contract a fixed average unit cost, the increase in the purchase cost of the energy component was awarded at a price more than 179% higher than that of the previous year.

As a result of the customary tender held through the Utility Alliance network, the awarding of the 2022 electricity supply contract at a fixed price again made it possible to contain the exceptional price increase to be paid by other water utilities, ensuring that the 2022 average cost of the supply of electricity for the sector remained within the threshold determined by ARERA of EUR 0.2855/kWh.

In order to contain the increases, SMAT planned a series of energy-saving actions, which were implemented in the final months of the year, including in particular:

- renewal of the turbocompressors and implementation of alternate cycles at the Castiglione Torinese water treatment plant,
- commissioning of 3 hydroelectric plants in Val di Susa.

In conclusion, the interventions by the government, the recognition of an additional component of a predictive nature envisaged by the tariff method, and the energy saving actions implemented during the last three months of the year made it possible to partially contain the effects of the growth trend in the cost of electricity.

F3. Price revision on contracts

In 2021, with Article 1-septies of Law 106/2021 converting Legislative Decree 73 /2021 that provided for urgent measures in connection with the COVID-19 emergency crisis, the Government carried out a first intervention on the subject of price adjustments, whereby it introduced a compensation mechanism in favour of public works contractors, which could be activated in the event of (upward or downward) percentage changes of more than 8% occurring in the first and second half of 2021, as recorded by the MIMS with a decree, by 31 October 2021 and by 31 March 2022.

According to this provision, the contracting stations are required to pay the compensation, applicable to contracts in progress as at 25 July 2021, by tapping, within the limit of 50%, the resources set aside for contingencies within the economic framework of each intervention, as well as any further sums available for the same intervention; for the same purposes, the contracting stations may use the sums arising from bidding discounts and the amounts still available from other interventions previously completed; if the resources available are insufficient, the contracting stations may have recourse to the special Price Adjustment Fund set up by the MIMS, Article 1-septies(8) of the aforementioned Legislative Decree no. 73

With a decree issued on 30 September 2021, the MIMS defined the modalities of utilisation of the Price Adjustment Fund, and, with a decree issued on 11 November 2021, the ministry registered the percentage changes of more than 8% in the prices of the most significant materials that occurred in the first half of 2021. For upward variations, the contractor had to submit, under penalty of forfeiture, a specific request for compensation to the contracting authority within 15 days of the publication of the aforementioned Ministerial Decree in the Official Gazette of the Italian Republic (GURI)

By the deadline, 51 requests for compensation were received from SMAT contractors, and following the verifications made for 38 contracts, the Board of Directors on 10 February 2022 authorised the recognition of higher charges to the companies for a total amount of approximately EUR 300,000. The Price Adjustment Fund (MIMS) was not used, the company having the resources to meet the increased costs.

The application of Article 1-septies of the aforementioned Legislative Decree 73/2021 and hence the application of the compensation mechanism based on the MIMS findings were subsequently extended to the second half of 2021 by Article 1(398) of the Finance Bill for 2022 and then to the first half of 2022 by virtue of Article 25 of Legislative Decree 17/2022 (the so-called “Energy Decree” addressed further on). With a decree issued on 4 April 2022, the MIMS registered the percentage changes of more than 8% in the prices of the most significant materials that occurred in the second half of 2021.

In order to further mitigate the economic effects of the exceptional increase in the prices of some construction materials as well as in fuel and energy prices, arising not solely from the COVID-19 emergency but also from the Russia-Ukraine war, with a series of legislative decrees – no. 4 of 27 January 2022 (the so-called “*Support-ter Decree*”), no. 17 of 1 March 2022 and no. 21 of 21 March 2022 (the so-called “*Ukraine Crisis-bis Decree*”) –, the Government adopted further urgent measures in support of the enterprises. In particular, article 29 of Legislative Decree 4/2022 (the so-called “*Support-ter Decree*”), subsequently converted into Law no. 25 of 28 March 2022, for all contracts whose procedures were initiated between 27 January 2022 and 31 December 2023, established the obligation to include in the initial tender documents the price revision clauses provided for in Article 106(1) letter a) of the Public Contracts Code as per Legislative Decree no. 50/2016. Article 29 also defined for the works detailed rules on price acquisition methods and compensation modalities.

The rules apply to price variations in the individual building materials, whether upward or downward, which are evaluated by the contracting authority only if they exceed by more than 5% the price recorded in the year of submission of the bid, in which case the compensation is made, upward or downward, for the percentage exceeding 5% and, in any event, to the extent of 80 per cent of the difference.

Then, article 25 of Legislative Decree 17/2022 (the so-called “*Energy Decree*”) intervened and, by increasing the allocation to the ministerial fund provided for in Decree 73/2021 by an additional EUR 150 million, provided for the adoption, by 30 September 2022, of a new decree for the determination of price changes for the first half of 2022, based on the analyses carried out by ISTAT in implementation of the methodology defined by the same Institute.

Later on, article 23 of Legislative Decree 21/2022 (the so-called “*Ukraine Crisis-bis Decree*”) raised to EUR 320 million the resources that can be activated for the price adjustment of the materials identified with MIMS ministerial decrees, also providing for an advance of 50% of the resources requested by the contracting stations from the MIMS for compensation purposes.

Also for the year 2022, the fulfilment of the compensation requests presented by the economic operators is carried out using, first of all, the sums at their disposal that can be used for such purposes, i.e. the resources for contingencies in the economic framework of each intervention, as well as any further sums available for

the same intervention and allocated annually and only on a subsidiary or residual basis by resorting to the resources of the aforesaid Fund.

The “*Aid Decree*” (L.D. no. 50 of 17 May 2022, converted into Law no. 91 of July 2022), with the provision set out in article 26 – applicable to all public works contracts awarded on the basis of bids submitted by 31 December 2021 – established that progress reports up to 31 December 2022 had to be drawn up on the basis of the revised contract price list, with reference to the updated regional price lists, with an adjustment of 90% of the difference between the contract price and the new price.

The 2023 Finance Bill extended the application of the “*Aid Decree*” to 2023 and provided for the issuing of new regional price lists by March 2023, to be applied to all the new procedures, updated to 80% of the price increase net of bidding discounts for works carried out, or recognised in the accounts, in 2023 relating to bids submitted by 31 December 2022.

Lastly, Law no. 79 of 29 June 2022, converting, with amendments, legislative Decree no. 36 of 30 April 2022, concerning “*Further Urgent Measures for the Implementation of the National Recovery and Resilience Plan (NRRP)*”, contains, in Article 7, paragraphs 2-ter and 2-quater, important provisions on the cost of the materials necessary for the execution of the works. The paragraphs in question establish that article 106(1) letter c), number 1) of Legislative Decree 50/2016, should be construed to mean that the circumstances referred to in the first sentence (i.e., unforeseen and unforeseeable circumstances that may give rise to changes or variants to existing contracts in force without a new awarding procedure having to be carried out) also include unforeseen and unforeseeable circumstances that alter to a significant extent the cost of the materials necessary to the execution of the works. In such cases, without imposing new or greater burdens on public finance, the contracting station or the successful bidder may propose, without altering the general nature of the contract and without prejudice to the overall functionality of the work, a variant during construction that ensures savings, compared to the initial forecasts, to be used exclusively as compensation offsetting the increase in the cost of materials.

Thus, the set of rules currently in force consists of:

- **Art. 29(1) letter a) of Legislative Decree no. 4 of 27 January 2022 (the so-called “*Support-ter Decree*”),** converted into law no. 25, of 28 March 2022, concerning calls for bids and invitations to tender sent as from the date of entry into force of the same degree, which provides for:
 - The obligation to include the price revision clause in all work, service and supply contracts;
 - The compensation for construction materials price variations of more than 5%, effective 2023, and only for 80% of the difference;
- **Art. 7, paragraphs 2-ter and 2-quater, of Law no. 79 of 29 June 2022 converting, with amendments, Legislative Decree no. 36 of 30 April 2022 (the so-called “*NRRP 2 Decree*”).** Paragraph 2-ter makes it possible to manage price increases during contract execution through a variation during construction pursuant to article 106(1) letter c) of Legislative Decree 50/2016. Essentially, changes resulting in significant changes in the cost of materials are recognised as changes to contracts during execution. Moreover, paragraph 2-quater stipulates that, without new or increased burdens on public finance, the contracting station or the successful bidder may propose a variant during construction that ensures savings to be used to offset the increase in the cost of materials;
- **Art. 26, paragraphs 2 and 3, of Legislative Decree no. 50 of 17 May 2022 (the so-called “*Aid Decree*”)** on the update of the price list and the application thereof to the works recognised in the accounts in 2022 (for bids submitted by 31 December 2021). Regional price lists issued in July 2022 apply to projects approved by 31 March 2023;
- **Art. 1, paragraphs 369-379, of Law no. 197 of 2022 (2023 Finance Bill),** extends the application of the “*Aid Decree*” to 2023 and provides for the issuing of new regional price lists by March 2023 to be applied to all new procedures.

F4. 2022 Rates

Following the update of the Rates Budget for the 2022-2023 three-year period (MTI-3) as detailed further on, the rates applied in 2022 increased by 8.4% over 2021, in accordance with the communication from the Ente d’Ambito (Area Agency) received on 10/11/2022, and supplemented on 16/12/2022, on collection and treatment rates for wastewater that can be discharged into public sewers as per Title 4 of Annex A to the Integrated Text for Water Services Charges (ICTSI).

For households in hardship conditions because of the persisting negative economic conditions, the rate reduction is confirmed with the criteria and amounts define by deliberations 897/2017/R/IDR of 12/21/2017. Furthermore, upon request of the Municipalities, on the grounds of the high social value represented by the municipal and provincial users, which concerns - amongst others - schools, canteens and public fountains, in 2022 a 50% reduction of the Integrated Water Service rate was applied to said users, so that they could continue delivering the aforementioned services and were also involved and encouraged to invest and pay greater attention and deploy resources in favor of the environmental policies, to safeguard of the territory and recover degraded areas. The subsequent lower rate revenues shall not be the subject of adjustment on the water service rate.

Rate update

By way of resolution on 28 December 2019 no. 580/2019/R/IDR ARERA approved the water rate method, for the four-year period 2020-2023, with updating every 2 years, containing the definitions of the regulations for computing costs allowed by the rate plan for the third regulatory period (MTI-3), in alignment with the guiding criteria introduced in the previous periods.

This is uniform but asymmetrical rate method, in consideration of local differences and programming decisions by governmental bodies, to surpass the Water Service Divide, generate more efficiency in operating costs and management costs, enhance environmental sustainability, also through the Plan for Strategic Works and incentives for consumption measuring instruments. With resolution no. 83/2021/R/IDR of 2 March 2021, ARERA announced the start of a procedure to update the rules on integrated water service metering, which entailed a revision of resolution no. 218/2016/R/IDR (TIMSII), confirming that the output of metering activities is key, not only to strengthen the regulatory framework, but also to comply with the principle of water conservation. The method places the sector squarely in the circular economy, also awarding energy efficiency and offering incentives for saving and reusing water.

The Plan for Strategic Works (POS) is also introduced, an instrument through which the governmental body in the territory indicated infrastructural interventions dedicated to complex projects with useful lifespan exceeding 20 years, considered priorities for guaranteeing the quality of service for users. In the POS, which collects works planned for 2020 - 2027, the time lines must be included for the interventions, with any available public contributions. Better capacity to program and organise available coordinated financing will be, according to ARERA, the basis for future availability of water resources, also in respect to climate change.

In keeping with the provisions of this resolution, with their proposed rate schedule for 2020-2023, approved with resolution no. 774 of 10 December 2020, following resolution no. 759 of 23/07/2020, the Local Regulator defined the regulatory Scheme, Strategic Works Plan for 2020-2027, and the goals to be pursued (based on the technical quality standards established with the regulation of technical quality for the integrated water service (RQTI) model and starting performance levels) and accepted the operator's proposal concerning the interventions necessary to fulfil such goals, moreover it updated the programme of interventions, the economic-financial plan and the convention supplementary act, as mandatory documentation to be submitted to the national Authority.

Following the preparatory investigation, with resolution no. 437/2021/R/IDR of 18 October 2021, ARERA approved the specific regulatory scheme setting out the rate provisions for the 2020-2023 three-year period, as provided for in the revision of the proposal as per ATO3 determination no.208 of 8 October 2021, maintaining the same rate multiplier values as per resolution 774/2020 for 2020 and 2021. Further discussion and studies pointed out the advisability of supplementing the rates proposal approved by the aforementioned Conference Resolution no. 774/2020 in order to achieve a better correspondence between rate choices and the methods approved by ARERA with resolution no. 580/2019/R/IDR (MTI-3). The proposal was ratified by Turin Area Authority No. 3 with resolution no. 796 of 16 December 2021.

Rate updates for the 2022 – 2023 two-year period

With resolution 639/2021/R/IDR of 30 December 2021, ARERA approved the criteria for the two-yearly update (2022-2023) of the integrated water service rates for the third regulatory period, as reviewed with resolution 229/2022/R/IDR, which provided for urgent measures for the raising of the resources necessary to cover part of the expenses incurred for the purchase of electric energy.

The forecasts in resolution 639/2021/R/IDR, it being an infra-period review, were substantially in line with what had already been defined in resolution 580/2019/R/IDR. Also included were provisions issued in compliance with the outcome of litigation regarding the rate determination methods used previously and the technical quality regulation, as well as measures designed to ensure an effective application of NextGenerationEU supporting instruments.

Among the new rules on the two-yearly adjustment, the rates for 2022 and 2023, approved with resolution 639/2021/R/IDR, besides a redetermination of the rate of recognition for tax and financial charges (which, from 5.24 for the 2021 two-year period, decreased to 4.8% for 2022 and 2023), in order to take into account high energy costs for the 2022-2023 two-year period, upon a motivated request by the Government Area Agency, it is now possible to recognize an additional component of a previsionsal nature, subject to adjustment in the 4th regulatory period.

Following the consultation initiated by ARERA on 26 April with Consultation Document DCO 184/2022/R/IDR then incorporated into resolution 229/2022/R/idr of 22 May 2022, on *“Conclusion of the procedure for the review of some criteria for the two-yearly adjustment of the integrated water service rated, in compliance with the orders of the Regional Administrative Court of Lombardy, Section One, Nos. 373/2022, 383/2022, 384/2022, 385/2022 and 386/2022,”* Arera introduced new components to mitigate the effects in relation to the extraordinary and documented increases in energy costs, and the possibility of formulating a substantiated request to the CSEA for the activation of forms of financial advances related to the raising of the resources necessary to cover part of the expenses incurred for the purchase of electric energy.

With resolution 495/R/idr of 13/10/2022 *“Reopening of the terms for the financial advance aimed at mitigating the effects of the trend in the cost of electric energy on Integrated Water Service Operators”* another time span was established within which the Area Authority – at the request of the relevant operator – could formulate a justified request to the CSEA for the activation of the forms of financial advance, introduced with Resolution 229/2022/R/idr, related to the raising of resources to meet part of the expenses incurred for the purchase of electricity. The Area Authority, at the request of the SMAT in its capacity as water system operator, presented the relative request for over EUR 12.7 million.

The rate update proposal was developed through a participatory procedure, which was initiated in March 2022 and was carried on through an exchange of correspondence and meetings, as a result of which the rate update proposal was drafted and forwarded in October 2022 and jointly examined and subjected to some adjustments in the course of subsequent meetings.

On 3 November 2022, with resolution no. 825, Turin Area Authority no. 3 approved the 2022-2023 Programme of Interventions and the 2022-2027 Plan of Strategic Works, as well as the rate update proposal for 2022 and 2023.

Fee Structure (TICSI)

On 1 January 2022, the pro-capita criterion was adopted for resident domestic users on the basis of Article 3.4(b) of Annex A to resolution no. 665/2017/R/IDR on the *“Approval of the Integrated Text for Water Service Charges (TICSI).”*

Hidden losses

Implementing the provisions of ARERA resolution no. 609/2021/R/IDR on the issue of hidden losses, with ATO Resolution no. 823 of 03/11/2022, the amendments to the Service Charter were approved, which included, inter alia, the definition of the minimum safeguards provided for in the event of hidden losses, such as the application, to the entire extra consumption, of a water service rate equal to half the basic rate provided for by the contractual profile in place, and the exemption, for said extra consumption, from the charges for sewerage and water treatment services.

Water bonus (TIBSI)

The water bonus derives from the Resolution ARERA no. 897/2017/R/IDR declaring *“approval of the consolidated text for the application modalities of social water bonus for the supply of water to economically disadvantaged domestic uses”*.

Such provisions were amended with resolution 106/2022/R/Com of 15 March 2022 providing for simplified regulations on user identification and settlement of the social water bonus for the year 2021.

With resolution no. 651/2022/r/com of 6 December 2022, *“Simplified rules for the recognition and settlement of the social water bonus for the years 2021 and 2022 and amendments to annex a to resolution 554/2022/r/com of the Authority”*, the modalities for the recognition of the social water bonus for the years 2021 and 2022 were simplified with respect to the ordinary provisions set out in resolution 63/2021/R/com.

With resolution 13/2023/r/com passed on 24 January 2023 *“Updating of the ISEE threshold values for access to the social electric, gas and water bonuses for economic hardship, and modification of the facilitation classes as of 1 January 2023”*, the Authority implemented the regulatory provisions set forth in Law no. 197 of 29 December 2022 (2023 Finance Bill) and consistently with the decree of the Minister of Economic Development

of 29 December 2016, and updated the ISEE threshold values for access to the social bonuses as of 1 January 2023.

Based on the information made available by Sole Purchaser and the communication sent to ATO3, the estimated amounts are as follows:

- year 2021 - no. of files 86,916 for an amount of EUR 6,866,775.02
- year 2022 - no. of files 126,552 for an amount of EUR 10,797,028.26.

F5. The Industrial Plan 4.0

The Shareholders' Meeting held on 26 June 2020 approved the new Industrial Plan 4.0 (2020-2024) resolved on by the Board of Directors on February 26th, 2020, prior to the outbreak of the health emergency.

Focus on the deviations from the PI 4.0

The differences between the actual results and the forecast in the Industrial Plan for 2022 may be summarised by looking at the following company's main economic and financial figures:

<i>SMAT: SUMMARY OF THE Results IN FIGURES</i>	Financial statements as of 12/31/2022	PI 4.0 2022	Absolute Variation	Variation %
ECONOMIC DATA				
Total Revenues	478,862	441,852	37,010	8.38%
Gross operating margin	146,438	126,790	19,648	15.50%
Operating income (EBIT)	55,287	53,470	1,817	3.40%
Net profit (loss)	41,584	35,380	6,204	17.54%
EQUITY DATA				
Net fixed assets	955,844	968,992	(13,148)	-1.36%
Net equity	727,719	728,673	(954)	-0.13%
Gross financial debt	(365,892)	(287,800)	(78,092)	27.13%
Gross financial debt	(241,792)	(255,112)	13,320	-5.22%
OTHER DATA				
Investments	110,733	108,782	1,951	1.79%
Amortization	77,565	69,820	7,745	11.09%
WORKFORCE	1,047	1,097	(50)	-4.56%
ECONOMIC/EQUITY INDICATORS				
Gross Borrowing Need /Net Equity	0.50	0.39	0.11	
Gross Borrowing Need/MOL	2.50	2.27	0.23	
EBITDA/Financial expenses	34.04	14.15	19.89	
ROI	3.93%	4.24%	-0,31 p.p.	
ROE	5.71%	4.86%	0,85 p.p.	
ROS	15.32%	16.07%	-0,75 p.p.	
Net financial Position/Net Equity ≤1	0.33	0.35	-0.02	
Net financial position/MOL (EBIT+Amortization) ≤5	1.82	2.07	-0.25	
Gross financial debt/	2.75	2.33	0.42	
MOL (EBIT+Depreciation)/Net Financial expense>5	303.88	24.91	278.97	
Net fixed assets/Gross financial debt ≥ 1,30	2.60	3.35	-0.75	

Amounts in ,000 Euros	Financial Statement 2022	PI 4.0 2022	Absolute Variation	Variation %
Revenues	360,937	332,780	28,157	8.46%
Revenues for planning and construction activities	97,265	98,992	(1,727)	-1.74%
Other revenues	20,660	10,080	10,580	104.96%
Total Revenues	478,862	441,852	37,010	8.38%
Consumption of raw materials and consumables	(14,879)	(13,610)	(1,269)	9.32%
Costs for leased assets and services	(140,393)	(120,310)	(20,083)	16.69%
Payroll costs	(60,746)	(64,480)	3,734	-5.79%
Other operating expenses	(22,686)	(20,670)	(2,016)	9.75%
Costs for planning and construction activities	(93,719)	(95,992)	2,273	-2.37%
Total operating expenses	(332,424)	(315,062)	(17,362)	5.51%
Gross operating margin	146,438	126,790	19,648	15.50%
Depreciation, provisions and writedowns	(91,152)	(73,320)	(17,832)	24.32%
Operating income (EBIT)	55,287	53,470	1,817	3.40%
Total financial management	(437)	(4,950)	4,513	-91.17%
Result before taxes	54,849	48,520	6,329	13.04%
Income Taxes	(13,265)	(13,140)	(125)	0.95%
Net Profit/(loss) for the year	41,584	35,380	6,204	17.54%

Notwithstanding the persistence of the economic crisis that followed the emergency period, compounded by the international geopolitical crisis that has triggered an acceleration in the prices of energy, raw materials and services, now at exceptionally high levels, the results for FT 2022 show figures that enable the 2022 forecasts of Industrial Plan 4.0 to be met. In particular, with respect to PI 4.0 it should be noted:

- ✓ Revenues, consisting of Revenues from rates and Other revenues, increased overall. Compared to the estimates IP 4.0, revenues from rates recorded an increase +7.6%. offset by a reduction in average volumes of about 7.0 mcm (169.8 mcm vs. 176.8 mcm) and a reduction in the AMMFoNI component, while Other revenues showed an increase from sales of energy products, mitigated by a reduction in contract work for others and liability provisions;
- ✓ Other revenues from operations increased due to the effect of Operating Contribution essentially arising from the incentives for the production of biomethane and the tax credit for electricity and gas, the granting of Contributions for plants, adjustments of liability provisions;
- ✓ Costs for leased assets and services mostly due to electric energy costs and costs of Maintenance and industrial Services (especially gas utilities and sludge transport and disposal);
- ✓ Payroll costs decreased due to staff terminations in previous years and accessions to expansion contracts;
- ✓ Operating costs increased, in particular due to contingent liabilities, assets write-offs and allocations to provisions for liabilities;
- ✓ Depreciation/amortisation expenses and write-downs increased overall. The increase in depreciation expenses, of EUR 7,745,000 (up to EUR 77,565,000 from EUR 69,820,000) was due to the much greater number of works completed than in previous years. The increase in bad debt provision, of EUR 10,086,000 (up to 13,586,000 from 3,500,000) was due to the application of the new accounting standard IFRS 9 which takes into account expected losses based on information available;
- ✓ Financial expenses decreased mainly on account of lower interest payable both on past loans, as a result of the Euribor rate still favourable in the first part of the year, and on new loans stipulated at particularly favourable fixed rates and without guarantee fees.

In conclusion, an improvement in MOL was observed, evidencing how management efficiency and efficacy made it possible to guarantee the planned profit for the year.

The economic and financial indicators show values that confirm the strength of the Company, and all the agreements entered into in connection with existing loans are being complied with.

F6. Equalization rate components

In 2013, AEEGSI (now ARERA) instituted the first equalisation rate component applied as a surcharge to water, sewerage and wastewater treatment charges.

To date, the equalisation components established are as follows:

Objective	Component	cent/m3	Reference	Effective date	Remarks
Rate component for earthquake victims	UI1	0.4	art. 24 L.D. 6/2013	2014	
IWS quality promotion	UI2	0.9	art. 9 L.D. 918/2017	2018	
Social water bonus	UI3	1.79	art. 10 L.D. 918/2017 art. 12 L.D. 639/2021	2018 (0.5) 2022 (1.79)	Before 2020 only on aqueduct service Since 2020 on the 3 services
Water works guarantee fund	UI4	0.4	art. 30 L.D. 580/2019	2020	
Allocation instrument	QI	0.3	art. 17 L.D. 580/2019	2020	

As of January 2022, by virtue of the system for automatic identification of social water bonus recipients on the grounds of economic hardship, the value of the UI3 equalisation component covering the bonus was updated to 1.79 € cent/m3.

With resolution 437/2021/R/IDR, as mentioned above, ARERA approved the regulatory scheme setting out the rate provisions for the 2020-2023 three-year period, pursuant to the revised version of the proposal as per ATO3 determination no.208 of 8 October 2021, providing for the application in the water supply bills of allocation instrument "quota supplementing the national mechanism for the improvement of the integrated water service quality" as per art. 17.1 of Annex A to ARERA resolution no. 580/2019/R/IDR, to be paid into the account set up at CSEA (Energy and Environmental Services Fund) for the support of incentive schemes. As notified by ATO3 on 26 October 2021, the allocation instrument supplementing the UI2 rate component, to be applied to consumption effective 1 January 2020, came to 0.003 € cent/m3, billed for each segment managed.

F7. Fulfillment of the technical quality regulations (RQTI)

By resolution no. 917/2017/R/IDR of December 27th 2017 issuing "Regulation of the technical quality of the integrated water service or each of the single services therein (RQTI)" are defined as the minimum levels and goals of technical quality of the integrated water service, by the introduction of prerequisites, general standards, associated with an incentivizing mechanism with bonuses/penalties, and specific standards, and noncompliance gives rise to the application of indemnities.

The regulation came into effect in January 1st 2018.

The utility Companies are required to register all the values underlying the specific and general indicators for each of the ATOs in which they operate, and to keep such data for a period 10 years starting from 1st January of the year subsequent to the year of registration.

The Territorial Governmental Entity, with resolution no. 720 on 9 April 2019, implemented the objectives approved in resolution ARERA no. 617/2018/R/IDR of aforesaid 27 November 2018.

With resolution 46/2020/R/IDR of 18/02/2020 ARERA started the procedure for the quantitative assessment provided for by the mechanism incentivising the technical quality of the integrated water service as per Title 7 of Annex A to resolution 917/2017/R/IDR (RQTI). The procedure ended following resolution 183/2022/R/IDR, "Final results" announcing the awards and penalties for 2018 and 2019.

With resolution 825 of 03 November 2022, Turin ATO 3 approved the quality goals for the 2022-2023 two-year period.

F8. Sunshine regulation

Contractual Quality

The integrated water service quality has been monitored continually since 2015, when ARERA (the Italian Regulatory Authority for Energy, Networks and Environment) defined the contractual quality Regulation.

Only for "contractual" aspects – such as number of services provided, service performance time, start, management and end of contractual relationships with users – 42 parameters per water service operator are monitored throughout Italy.

Since March 2021, ARERA has published in its website navigable infographics, with which anyone can compare the situation of their municipality with the rest of the Country or learn about the specific characteristics of their water service Operator.

With resolution no. 231/2022/r/com of 31 May 2022 *“Update of the methods for verifying the commercial quality data of the services of distribution, metering and sale of electric energy and natural gas and the contractual quality of the integrated water service”* the process of updating the procedures for verifying commercial and contractual quality data was concluded.

With resolution 734/2022/r/idr of 27 December 2022 *“Approval of the methodological note as a result of the preliminary investigation findings within the framework of the proceedings for the quantitative evaluations provided for by the integrated water service contractual quality incentive mechanism (RQSII) initiated with resolution of the authority 69/2022/r/idr”* ARERA approved the methodological note aimed at highlighting the preliminary investigation findings that have emerged as part of the proceedings initiated with resolution 69/2022/R/idr for the quantitative evaluations required for purposes of the integrated water service contractual quality incentive mechanism (RQSII), evidencing that, in addition to the identification of some particularly serious cases of exclusion from the mechanism and from the bonuses, in the event of noteworthy inconsistencies/incompleteness of the data, the operators concerned may be asked to submit detailed information, with the possibility of justifying and possibly rectifying the data previously submitted by providing appropriate supporting documentation.

Comparison of MC1 and MC2 macro-indicators

The incentive mechanism, consisting of awards/penalties, to be attributed as a function of the performance of the individual operations, will be applied by taking into account two macro-indicators:

- MC1 - “Start and cessation of contractual relationship” (comprised of the simple performance indicators for quotations, execution of connections and works, supply activation and deactivation);
- MC2 - “Management of contractual relationship and service accessibility” (comprised of the simple performance indicators for appointments, billing, checks on meters and pressure levels, replies to written requests, and management of user contact points).

In particular, the Authority established that annual targets had to be identified for each macro-indicator; SMAT placed in class A for both macro-indicators, also for the 2022 operating year.

Technical quality

For the first time in Italy, the water service was measured and evaluated, assigning rewards and penalties to the operators, based on the results obtained and confirmed in 2018 and 2019.

Water losses, service interruptions, quality of the water supplied, adequacy of the sewage system, quality of treated water and sludge disposal are the 6 macro-indicators used with which each water service operator was evaluated and classified (for the first two-year period, the service interruption criterion was excluded in the incentive scheme).

The ranking was published by ARERA in resolution 183/2022/R/IDR, which concluded the first two-year period of application of the incentive scheme.

Overall, from the attainment of the objectives set by ARERA, SMAT obtained rewards worth more than EUR 1 million and penalties for EUR 72,434.00 charged in the previous year.

F9. Additional ARERA regulations

Reconciliation (TICO)

ARERA with resolution dated 16 April 2019 no. 142/2019/E/idr established methods for implementation of the protection system for claims and disputes by final users in the water sector, which providers are required to participate in procedures voluntarily activated by users through the Reconciliation Service.

In alignment with the corporate vision set forth in its Social Responsibilities and Code of Ethics, SMAT adheres to out-of-court resolution of disputes (ADR - Alternative Dispute Resolution) through reconciliation procedures.

With resolution no. 301/2021/E/COM of 13 July 2021 ARERA implemented a gradual shift towards the system of safeguards in effect by increasing the number of operators required to participate in the Resolution Service of the Authority, setting the minimum threshold for the identification of the operators under the aforementioned obligation to be 100,000, including SMAT.

We are still waiting for the final provision by ARERA for the implementation of the amendments made to Article 5 of Legislative Decree 28/2010 with Legislative Decree 149/2022.

National Aqueducts Plan

The Authority, after preliminary activities, by way of ARERA Resolution no. 252/2019/I/IDR on 20 June 2019, selected a preliminary list of interventions to be carried out for the years 2019 and 2020, including the project to “Implement water connections in the Rivoli and Rosta plants” for an amount of 1,800,000 Euros, valued on each year of the two-year period.

By way of ARERA Resolution on 23 October 2019 no. 425/2019/R/IDR, the methods for distributing resources for the realisation of the interventions contained in attachment 1 to the Decree by the President of the Council of Ministers on 1 August 2019 were set forth, citing “Adoption of the first phase of the national plan for interventions in the water sector – aqueducts section”, adopted in accordance with article 1, section 516, of Law 205/2017.

By way of resolution on 3 December 2019 no. 512/2019/R/ COM, the Energy and Environmental Services Fund (CSEA) was authorized by ARERA to release the first financing amounts € 720,000.

For the purpose of monitoring the interventions (art. 5.3 of resolution 425/2019/R/IDR), every 6 months starting 25 October 2019, and with every request for funding instalments after the initial advance, the Local Regulator (EGA) informs ARERA and CSEA on the progress of the intervention funded and updates the technical and financial time schedule, pointing out any critical problem that may have occurred (delays in the implementation) or changes in the technical and/or financial aspects of a project.

With resolutions 284/2020/R/IDR passed on, a procedure got underway to define a second list of necessary and urgent interventions for the water service sector, for the purposes of updating the National Waterworks Plan.

With resolution no. 58/2021/R/IDR of 16 February 2021, ARERA simplified the resource allocation method, as per ARERA resolution 425/2019/R/IDR, for the implementation of the interventions specified in the first part of the National Plan of Interventions in the Water Sector – Aqueducts Section for the implementation of the interventions listed in Annex I to Prime Minister's Decree of 1 August 2019 “Adoption of the first part of the National Plan of Interventions in the Water Sector – Aqueducts Section”.

In June 2022, following ARERA's resolution 211/2022/R/IDR, CSEA disbursed to SMAT the balance of the funding, of EUR 2,880,000 over a total of EUR 3,600,000.

Delinquency (REMSI)

ARERA intervened by way of Resolution 311/2019/R/IDR (REMSI) for containment of overdue payments in the integrated water service, with the measures that the Authority intends to implement to contain overdue payments in the integrated water service, in particular focused on the conditions for limitation and suspension of supply for domestic users with overdue payments, not from vulnerable groups, on the procedures for management and containment of overdue payments in the case of condominium users, as well as instalment payment plans and communications to users to be adopted in the case of overdue amounts. Arera subsequently proceeded to amend and supplement the provisions following regulatory interventions.

As of October 2021, specific “Regulations on debt collection procedures for SII bills” were formalised and transmitted to ATO3 Torinese.

2022 saw the continuation of mass mailings of solleciti bonari reminders, notifications of arrears and operational activities of restriction/suspension of supply under article 7 of the REMSI (*SII Late Payment Management Provisions*) after the processing of the notifications of arrears.

Two-year limitation period

Still in connection with the water supply sector, we should also mention resolution 610/2021/R/IDR, on the two-year limitation period introduced by the 2018 Budget Law for some user types, which amends the previous regulations and specifies, clearly, as in the energy sectors, the existence of causes that will suspend the limitation period (with reference to arts. 2935 and 2941 of the Civil Code), and points out that, effective 2022, the latter must be identified and notified to the individual user in invoices containing amounts relating to a balance that has been due for over two years.

Operator Data Registry Integrated Text (TIAO)

Resolution no. 102/2022/R/COM sets out ARERA's provisions on the data registry obligations to be complied with by operators in the sectors reporting to the Authority, as detailed in the Operator Data Registry Integrated Text (TIAO).

ARERA 2022-2025 strategic framework

With resolution 2/2022/A of 13 January 2022, ARERA approved the 2022-2025 strategic framework establishing the objectives that will serve as a guide for the development of the Authority's regulation over the next four years in the sectors reporting to it, and namely: consumer protection and awareness, through instruments and communication, digitalisation and the 'right' conversion to sustainable energy across the energy and environmental sectors, improvements to infrastructure, services and competitiveness. Special attention also goes to the new issues of energy communities, electric mobility, decarbonisation with renewable energy and clean hydrogen.

The strategic objectives, associated with one or more of the Sustainable Development objectives of Agenda 2030, and the lines of action are directed towards social, economic and environmental sustainability objectives (ESG).

MTI-4 rate determination method

With resolution no. 64/2023/r/idr of 21 February 2023, the procedure for the definition of the water rate method for the fourth regulatory period (MTI-4) for the determination of the integrated water services rates in keeping with the principles arising from EU and national regulations.

As ARERA pointed out, the final measure will maintain the stability of the overall framework, but, on the basis of new evidence, additional mechanisms will have to be defined for:

- promote management efficiency (also in terms of energy consumption);
- enhance the measures to steer investment choices towards innovative and resilient solutions with a smaller environmental impact;
- extend the incentive measures already provided under MTI-3 and further promote reductions in the amount of sewage sludge disposed of in landfills;
- preserve the efficacy of spending on investments in water infrastructure, maintaining an integrated view of the multiple sources of funding that can be activated, and step up the measures designed to promote the effective implementation of the investments planned;
- update the standard outlines of the economic-financial plan and the programme of interventions so as to ensure that they are consistently drawn up by taking into account the minimum levels, the indicators and the quality standards provided for by the regulations, also by detailing the modalities for the implementation of the interventions financed under the NRRP investment lines.

With this provision ARERA aims to mitigate the effects of the extraordinary increase in electric energy prices recorded in 2022 by extending to electricity costs incurred in 2022 the possibility of proposing a justified request for the recognition of additional costs, to be included in adjustment component "costs for the occurrence of exceptional events" and through the valorisation of the average cost of electricity for the sector in 2022 of EUR 0.2855/kWh.

F10. Acque Potabili S.p.A. under liquidation

Summarizing the steps leading up to acquisition of co-control shares of the Società Acque Potabili di Torino, on 22 June 2005 SMAT and AMGA Genova (presently IRETI), following a public procedure acquired majority shares in Condotta di Acque Potabili S.p.A. (SAP) – a company founded in 1852 and the first Italian company in the water sector to be traded on the Milan stock exchange, from Italgas/ENI.

SAP held, prior to the merger, the entirety of shares of Acquedotto Monferrato S.p.A., the company that manages the aqueduct services in the municipalities of Monferrato.

The intervention by SMAT with the acquisition of SAP, in addition to having significant industrial impact, represented an important signal at a local level, because it guaranteed occupational continuity to more than 200 workers in Turin and in many other Italian regions.

SAP became the vehicle through which SMAT and AMGA intended to develop their presence at a national level: SAP also participated in the tender to become a service provider for the integrated water service in territory ATO1-Palermo, and in 2007 won the 20-year concession. This was the basis for the constitution of Acque Potabili Siciliane, the provider of water services to 55 of the 82 municipalities in the Palermo province.

In 2010 insolvency proceedings were commenced and, after alternate vicissitudes, company Acque Potabili Siciliane was declared bankrupt. Also commenced a drawn out arbitration procedure, at the end of which ATO 1-Palermo was judged to be the losing party, with the SMAT subsidiary awarded damages for over 32 million Euros, by the simultaneous administrative liquidation, which the Authority was subjected to.

The business model represented by SAP, based on multiple non-prevailing concessions, scattered through different territories throughout Italy following the referendum results of June 2011, abrogating article 23 bis of Law 6 August 2008, no. 133 and the judgement of the Constitutional Court 199/2012, meant that the company Acque Potabili progressively lost its capacity to function as an independent industrial entity.

In 2014 SMAT and IREN Acqua e Gas (taken over by AMGA) decided to jointly promote - through Sviluppo Idrico S.p.A. (holding equal shares) – A Tender Offer for the acquisition of shares held by private shareholders and the delisting of the company from the Screen-Based Trading System Managed by the Italian Stock Exchange.

The Tender Offer consolidated in the control of SMAT (and equally IREN Acqua e Gas) a share holding of just less than 45% and in 2015 – following an inverse merger – Acque Potabili was delisted.

This was the start of rationalisation and integration of business and concessions still controlled by SAP, with division of relative services locally and from a managerial standpoint: in 2015 the transfer of two branches of SAP to SMAT and IREN was concluded. On 1 July 2015, SMAT began directly managing 31 municipalities with the ATO3-Torinese territory, which were previously managed by SAP, serving a population of approximately 250,000 residents and transferring 60 employees to SMAT.

After the concession of the branch of the Turin company to SMAT and the Liguria company to IREN Acqua e Gas, Acque Potabili held 32% of the originally held concessions.

Another step towards corporate rationalisation was concluded in the end of 2016, with the transfer to IREN of a remaining 31 concessions (defined "performing" and located in the provinces of Alessandria, Asti, Aosta, Cuneo, Mantova, Novara, Vercelli, Brescia, Milan, Pavia, Piacenza and Verona), simultaneously transferring 47 employees to IRETI (which took over IREN Acqua e Gas in the meantime).

In the end of 2018, SAP had completed the process of ceding any remaining concessions ("non-performing") with the transfer of the concession in Adria (RO), and in 2019 all the price adjustment transactions for the Veneto transferee Acque Veronesi S.p.A. were completed.

SAP had no direct employees. Operations and adequate organizational frameworks were guaranteed by specific service contract stipulated with SMAT and IRETI.

In light of the aforesaid and in relation to the negative result of the case brought by the subsidiary company Acquedotto Monferrato S.p.A. with the Consortium for the Acquedotto del Monferrato, it was considered opportune to activate a series of corporate transactions for the purpose of:

1. incorporating the company Acquedotto Monferrato into Acque Potabili;
2. approving an amendment to the articles of association setting forth the right of shareholders to withdraw;
3. approving the liquidation of Acque Potabili on the occasion of the Shareholders Meeting, which was convened to approve the 2019 financial statement.

On 18 February 2020 the SMAT Board of Directors approved the aforesaid transactions.

To carry on the Acque Potabili operation, on 24 February 2020, the company entered into an agreement with associate company IRETI whereby it was agreed that the joint ownership of the interest in Acque Potabili would be maintained after the shareholders' withdrawal, and all decisions would be taken jointly, even after the liquidation of Acque Potabili.

The merger of Acquedotto Monferrato (owned 100%) into Acque Potabili, dictated by the possibility of limiting the liquidation to one subject and further reduce corporate costs, was completed by signing the merger deed on 10 November 2020. On that date, Acquedotto Monferrato S.p.A. ceased to exist. For civil code purposes the merger went into effect on 13 November 2020 and for accounting and tax purposes on 1 January 2020.

The amendment to the bylaws (art. 6) that activated the right of withdrawal and thereby the possibility of reducing the number of shareholders to below the number specified for widely held corporations, and hence be authorised to adopt simplified corporate procedures, was approved by the Extraordinary Meeting of the Shareholders of Acque Potabili held on 16 June 2020.

The right of withdrawal was exercised for 426,111 shares, of which 5,172 were offered as an option and purchased by minority shareholders and 420,939 were bought back by Acque Potabili as treasury shares for a total of EUR 1,094,000.

The solution adopted to cancel the treasury shares consisted of removing the nominal value of the shares from the company bylaws. This solution will make it possible to cancel the treasury shares without the contextual reduction in share capital, so that, in 2021, when the process has been completed, the total number of shares issued by SAP will be 7,212,157.

Accordingly, the percentage of shares held by SMAT and IRETI in Acque Potabili will increase from 44.92% to 47.55%, while the overall number of shares held will remain the same and Acque Potabili will become an ordinary, not widely-held corporation.

the Extraordinary Meeting of the Shareholders of Acque Potabili held on 29 April 2021 approved:

- 1) the proposal to amend article 5 of the Company bylaws, which made it possible to avoid reducing the share capital;
- 2) the proposal for an early dissolution and voluntary liquidation of the company pursuant to article 2484(1) number 6 of the Italian Civil Code;
- 3) number, appointment and powers of the liquidators, and liquidation modalities.

The deed was registered and recorded in the Trade Register of Turin on 31 May 2021.

The Directors, in office until 31 May 2021, handed over to the Liquidators the following documentation:

- company books and documents;
- statement as at 31 May 2021 showing the state of company accounts at the date of dissolution of the company as at 31 May 2021 and management report for the period from 1 January to 31 May 2021 pursuant to art. 2487-bis of the Civil Code, handed over to the Liquidators on 16 October 2021.

It should be noted that the Liquidators decided not to change the valuation criteria and the historical values reported in the directors' management report as at 31 May 2021, in that, at the date of commencement of liquidation proceedings, they provided the best approximation of the realization value for the assets and the liquidation value for the liabilities.

The Liquidators' actions are aimed at the sale and divestment of assets, the management and payment of payables, as well as litigation and real property management and containment of operating costs.

The Ordinary Shareholders Meeting of company SAP S.p.A. Under liquidation, held on 29 April 2022, approved the financial statements for the period from 1 June 2021 to 31 December 2021 (first intermediate liquidation financial statements), which ended with a positive result of EUR 158,000, and incorporated the negative result for the period from 1 January 2021 to 31 December 2021, of EUR 196,000, as recorded in the aforementioned statement handed over to the Liquidators.

The Ordinary Shareholders' Meeting of SAP S.p.A. in liquidation since 27 April 2022 approved the financial statements for the period from 1 January 2022 to 31 December 2021 (second intermediate liquidation financial statements) that ended with a positive result of EUR 311,000.

F11. Programme Agreement with ACEA

On 18 February 2021, in its capacity as sole operator, SMAT signed with ACEA P.I. S.p.A. a programme agreement that embodies their intention to share a gradual process of operational rationalisation and reorganisation designed to overcome the division of tasks currently existing in some municipalities, to reorganise the configuration of the service along the route of the Great Susa Valley Aqueduct, also with a view to prevent the wholesale supply and purchasing of water, and to encourage the municipalities to join the integrated water service structure pursuant to art. 148 of legislative decree 152/2006. Moreover, in consideration of the need to not dissipate the skills and professional expertise acquired, it was decided to meet the aforementioned requirements by separating the water branch from ACEA and making into a "Newco" under the tax ad accounting control of SMAT, while assigning ACEA a minority holding (possibly 49%) to enable ACEA to retain an active role in the territory of Pinerolo and enable the "Newco" to continue providing the services for the area based on an ad hoc service contract.

This programme agreement sets up a technical committee in charge of defining the overall operational rationalisation and reorganisation so as to ensure that the aforementioned goals are met, account duly taken of the territorial proximity criterion to maximise the scale economies obtainable through the operational reorganisation of the services.

On 23 September the parties signed an addendum to the Executive Agreement for the Operational Management of the Integrated Water Service providing for operational reorganisation with effect from 1 January 2022.

F12. Personnel

In the course of 2022, a total of 93 hires were made (48 of them under professional apprenticeship contracts), of which 3 to strengthen the activities provided for in IP 4.0. and 90 to make up for turnover, 53 employees having left the company - many more than the number forecast in the Plan, 24.

In 2022, a provision totalling approximately EUR 1.5 million was recognised in the income statement as a labour cost component; it originated from the negotiations concluded between the Company and the trade unions

with a view to further accelerate generational turnover through the implementation of actions designed to create employment and promote the turnover of professionalism and skills.

The retirement tools provided for by current social security regulations have in actual fact slowed down technological and digital evolution processes by placing a limit on the relationship between retirement age and generational turnover.

In this context, only a few measures were aimed at producing early access to retirement and promote generational turnover (e.g., *Opzione Donna (Women's Option)*, etc.), but, for various reasons, these instruments did not arouse significant interest among workers, with the consequence that only the so-called “facilitated retirement” – introduced by the SMAT Memorandum of Understanding signed on 19 December 2019 – actually proved to be a viable solution aimed at generational turnover, together with the expansion contract already entered into in 2021.

The allocation refers to the charges arising from the expansion contract as per Article 41 of Legislative Decree 148/2015, as subsequently amended and supplemented, based on considering a similar approach to the one signed in 2021.

Therefore, the 2022 the personnel cost net of this extraordinary component would amount to about EUR 59.2 million.

F13. Loan from PNRR

By Ministerial Decree No. 517 of 16 December 2021, registered at the Court of Auditors on 30 December 2021 under No. 3227, it was ordered, in implementation of the provisions of the National Recovery and Resilience Plan - Measure M2C2 - I4.1 "Investments in primary water infrastructures for the security of water supply" the financing of interventions aimed, in particular, at increasing the security of water supply in important urban areas, the security and resilience of the networks, including the adaptation to climate change and the transport capacity of the resource.

The eligible PNRR funding for SMAT for the Valle Orco Project, in Annex 2 of the MISE Decree, is worth EUR 93 million out of an investment of EUR 186 million.

By signing the “Obligation Deed” on 22/06/2022 SMAT, in its capacity as Party Implementing the Intervention and the MIMS - General Directorate for Dams and Water Infrastructures – as the Government Agency in charge – finalised the deed for the allocation for the resources needed for the intervention.

The “Obligation Deed” specifies, in art. 4, the advance granted to SMAT, of EUR 27,900,000.00, corresponding to 30% of the amount admitted to NRRP financing, which SMAT received on 23 August 2022.

In compliance with the provisions of the “*Aid Decree*” (L.D. 50/2022) art. 26(7), the Fund for the start-up of non-deferrable works was established with Decree of the President of the Council of Ministers (DPCM) of 28 July 2022 (published on the Official Gazette on 12 October 2022). On 10 October, SMAT submitted an online application for access to the Fund, with the request to admit SMAT to the measure for financing the increase in expenditure determined by adjusting the fees to the costs incurred for the final projects, adding up to a total of EUR 36,352,813.24.

With the Decree of the Ministry of Economy and Finance of 18 November 2022 (Official Gazette no. 278 of 28 November 2022), the entire intervention was admitted to financing under the Fund for the start-up of non-deferrable works for the same amount.

With a resolution adopted by the SMAT Board of Directors on 12 December 2022, it was decided to launch an open call for bids for the awarding of the works in question, divided into 3 distinct lots, with a duration of 30 months, with publication of the call for bids pursuant to art. 127 of Legislative Decree no. 50/2016 and based on the criterion of the most economically advantageous proposal, pursuant to Art. 95(2) of Legislative Decree no. 50/2016, with a starting bid of EUR 254,534,000.00, the awarding of which was formalised in April 2023.

With Ministerial Decree no. 594, of 24 August 2022, the General Directorate for Dams and Water Infrastructures of the Ministry of Infrastructure and Sustainable Mobility (now Ministry delle Infrastruttura and Transport) declared the project proposed by Autorità d'Ambito no. 3 “Torinese”, entitled “*Digital transformation of the management of the aqueduct systems of ATO3 Torinese and reduction of water losses*” (intervention code M2C4-I4.2-072) eligible for financing under the National Recovery and Resilience Plan M2C4 - Investment 4.2 scheme “Reduction of losses from water distribution networks, including the digitalisation and monitoring of networks”, of which SMAT is the Implementing Party.

With the “Obligation Deed” towards the Ministry of Infrastructure and Sustained Mobility signed on 21 October 2022 by the Beneficiary Subject (Autorità d’Ambito no. 3 “Torinese”) and the Implementing Party (SMAT S.p.A.), the deed for the allocation for the resources needed for the aforementioned intervention was finalised.

The M2C4-I4.2_072 intervention, with a total cost of EUR 66,123,570.00, is financed by the European Union - Next Generation EU, for the amount of EUR 50,000,000.00.

SMAT developed a system for remote meter reading or tele-reading via the LoRaWAN (Long Range Wide Area Network) protocol, which was identified by the SMAT Research Centre as the ideal application solution because it uses a small portion of bandwidth, which translates into low energy consumption, almost zero radio frequency emissions and high communication radii. The investment concerns a project that will be implemented over five years with 440,000 smart meters.

A further development of the project is the possibility to add on the SMAT network also divisional meters serving households.

F14. Loan from the European Investment Bank

The European Investment Bank (EIB) approved a EUR 150 million unsecured loan for the implementation of an investment project whose total financing requirement is estimated at EUR 300 million for the period 2022-2027.

All project components comply with the eligibility criteria set out in the Green Loan Principles and the Bank's environmental sustainability criteria, so that the loan comes under the "green" category.

The transaction was concluded on 23 September 2022, in conjunction with the 2022 Water Festival.

A first tranche of EUR 100 million was disbursed on 18 November 2022.

F15. Financial rating

On 29 November 2022, Standard & Poor's raised the company's Issuer Credit Rating and Senior Unsecured rating from "BBB" to "BBB+" with "stable" outlook, and revised the company's stand-alone credit profile from "bbb+" to "a-". The rating agency also upgraded SMAT's Environmental, Social and Governance (ESG) indices to E-2, S-2, G-2 (from G-3) on account of the improvement in the appraisal of the company's Governance and Risk Management in a particularly challenging period.

F16. Legality ratings

SMAT renewed the legality rating assigned by the Authority Guaranteeing Competition and the Market with a score of ★★+, expiring 10 December 2021: in 2022 SMAT received the maximum score of ★★★.

F17. Legislative decree no. 175 of August 19th 2016 (Madia)

In accordance with art. 26 section 5, the decree is not applied to companies with publicly owned shares that have issued financial instruments different from shares, traded on regulated markets.

F18. Climate variations and SII reorganisation strategies

In order to cope with the vulnerability of the water resource, which is increasingly put under stress by the evolving dynamics of the climate, SMAT has drawn up an Industrial Investment Plan that contains the construction of significant infrastructural works and the development of a series of organisational strategies such as the priority use of invaded Alpine waters, the use of innovative technologies to reduce losses in the water networks the identification of areas for the creation of reservoirs to store surface water, the creation of municipal interconnections between aqueduct networks and the strengthening of existing networks and plants.

In particular, as regards adaptation to climate change, SMAT has planned three infrastructural works to improve the resilience of the water system in accordance with the 2022-2027 Strategic Works Plan. Among such works, the Median Sewer Line and the Great Orco Valley Aqueduct are under construction, while the Great Susa Valley Aqueduct is already operational. Moreover, in connection with the strategic goal of efficient energy use, SMAT has started the final design of the great infrastructural project for the thermal oxidation of sludge at the Castiglione Torinese treatment plant.

In 2022, with the aim of reducing deficiencies in water distribution by computerising its systems through the districtualisation of the network, SMAT launched a project to model the interconnections between aqueduct networks, starting with the municipalities south of Turin. The aim is to improve water supply and increase the resilience of the aqueduct systems by connecting different networks so as to ensure greater availability of resources and continuity of service.

In order to guarantee the distribution of drinking water to the community, even in an emergency, SMAT has defined a specific “Operational Plan for water emergencies in drought periods” as well as two Operational Crisis Plans: one for the drinking water production plants and the other to manage the distribution network, aimed at preventing any disruptions in service.

Last but not least, the redesign of the Tournon dam got underway, as described further on.

These strategic choices were also dictated by specific studies and in-depth investigations conducted by the SMAT Research Centre, which, among its numerous research projects, gave priority to those aimed at mitigating and, above all, adapting to the impacts of change on water resources and the integrated water service in general, together with active participation in institutional roundtables.

While the project on the assessment of climate change impacts on groundwater resources (carried out in collaboration with CNR-IGG, Turin Polytechnic, Arpa Piemonte, the Piedmont Region and the Italian Meteorological Society) produced results that are the subject of a scientific publication, which are used in the climate risk assessment of aquifers in the area managed, other ongoing projects are aimed at providing support to operational decisions on short to medium-term time scales. In particular, nearing conclusion is a project for the identification of meteo-hydrological precursors of water crises, implemented in cooperation with Arpa Piemonte; through a bottom-up approach for the management of water scarcity risks, the project has identified a combined index capable of pre-alerting potentially critical areas from the standpoint of water supply. Also in connection with the management of the scarcity of resources, the INOPIA support system, which is currently being tested and was developed in collaboration with CNR-IRSA, the Civil Protection Department and Arpa Piemonte, aims to develop information systems for the early warning of water crises.

F19. Change in scope of activities

With Resolution no. 774 of 10 December 2020, the ATO 3 of Turin confirmed the management of infrastructures dedicated to the disposal of rainwater, allowing SMAT to extend the scope of this activity to all the municipalities of ATO3 falling under the scope management as of 2018.

The expansion of the scope of activities, provided for in the Territorial Area Plan (Piano d’Ambito), concerned the routine maintenance of the following infrastructures:

- street drains and collection grates;
- sections of piping connecting roadside drains and sewerage collectors;
- municipal sewerage pipelines;
- pumping systems serving road or pedestrian subways pertaining to municipal roads.

Public infrastructures for the collection and conveyance of water originating from meteoric precipitation collected from impermeable surfaces in man-made or heavily man-made areas are therefore managed: roofs of buildings, municipal roads, squares, car parks or provincial and state roads, but only within built-up areas.

In this regard, it should be noted that Council of State ruling no. 6694/2021, citing previous rulings nos. 731, 732, 768 and 2672 of 2021, reaffirmed that rainwater sewer management and drains cleaning and maintenance activities are to be considered for rate purposes only if they are already being carried out by the operator, and in the case of a mixed sewer that collects both waste water from households or productive settlements and rainwater, provided that having the rates cover the costs arising from the collection and treatment of rainwater is in accordance with economic rationality criteria.

In view of the considerable volume of new business, the expansion of the scope has been planned progressively over the time frame 2018 - 2022 and beyond.

In 2021, the geo-referenced survey of all manholes and street gutters continued and mixed sewer overflows were monitored by remote control and the planned targets were achieved.

Since 2022, SMAT has extended its sphere of competence to the management of the infrastructure for the disposal of stormwater and the storm drains in all ATO3 municipalities, as pointed out in the Non-Financial Report.

F20. New Nichelino Operations Centre

On 25 March 2022, the new SMAT operations centre in Nichelino was inaugurated, which houses the technicians who supervise the networks and plants in the southern area of the Turin Metropolitan Area, in line with the objectives of the industrial plan aimed at increasing the efficiency of activities and the unification of network and plant management for each centre.

F21. Top Employer 2022 certification

In 2020, SMAT joined the Top Employers Certification Programme, obtaining Top Employer Italy certification for the first time in 2022, subsequently reconfirmed for 2023. SMAT is thus officially recognised as one of Italy's 141 best companies for working conditions, benefits, career plans, investment in training and development, as well as for its HR policies focused on professional and personal growth and people's wellbeing.

F.22 Bill simulator

In order to reach its users more comprehensively, SMAT has prepared a communication aimed at so-called indirect users, i.e. those who use the service through a condominium connection and receive information only indirectly from the condominium administrator. The company has asked for the cooperation of condominium administrators in distributing an information sheet on the integrated water service indicating where to find data on quality levels and the rate structure, and summarising the amounts billed to the registered user for the condominium. SMAT will ask the administrators to communicate the number of household members for each resident domestic unit and to indicate any types of use other than domestic for a more precise application of the rate structure.

A simple calculation tool available at <https://simulatorebolletta.smatorino.it> allows you to:

- if you are a condominium administrator, split the SMAT bill among the individual tenants;
- if you are an indirect user (condominium tenant), figure out the amount of your bill if you contracted the water supply directly with SMAT;
- if you are a single direct use, figure out in advance the amount of the next bill.

The calculation is performed according to the criteria governing national billing methods (ARERA TICS1, no. 665/2017) on the basis of the rates established for the Metropolitan City of Turin by ATO 3 "Torinese" Ambito Authority and refers to the variable and fixed items of the services managed but does not include accessory charges such as Smat Card service charges, arrears, etc.

F.23 Water Festival

From 21 to 23 September 2022, in the halls of the Lingotto Conference Centre Turin hosted for the first time the Water Festival, the main national event focusing on water service themes, promoted by Utilitalia in collaboration with SMAT, as described in the Non-Financial Report. Three days of reflection and in-depth analysis, 14 conferences including plenary sessions and parallel events, where one of the main themes was the drought that hit Piedmont.

During the Festival, the SMAT virtual experience was opened to the public to explore the integrated water cycle.

F.24 Water emergency in Piedmont

The summer of 2022 saw one of the worst droughts in history, as described in the Non-Financial Report.

In view of persistent critical conditions and the need to implement appropriate operational strategies, a state of emergency was declared in the Region in July 2022 and extended for another 12 months in December of the same year.

The Region has received EUR 7.6 million in funding for the interventions required to deal with the critical water scarcity conditions. Of this amount, almost EUR 6.8 million was allocated to 102 medium-term emergency interventions, concerning network interconnections, replacement or upgrading of pumps, design activities for spring upgrading or water network replacement works, and the restoration of disused wells, with the aim of preventing the occurrence of critical peaks in the summer months. In addition, more than EUR 800,000 were earmarked for a total of 142 water transport operations by tanker trucks.

F.25 Centennial of the Pian della Mussa Aqueduct

2022 saw the celebration of the centennial of the Pian della Mussa Aqueduct, an important infrastructure inaugurated in 1922, which since then has provided water for Turin from the Lanzo Valleys. Despite its age, the aqueduct is still perfectly efficient and is a well-designed, highly resilient work.

F.26 2022 Top Utility Prize

In 2022, SMAT won a number of awards that testifying to its focus on social and environmental responsibilities. These included the Top Utility 2022 award, assigned by Althesys, a company specialising in strategic consulting, to the best performers, from among the main Italian companies, in the Utility sector in terms of environmental sustainability and social responsibility.

G. SIGNIFICANT EVENTS OCCURRING AFTER 31 DECEMBER 2022 AND BUSINESS OUTLOOK

G1. SAP Alpignano

Effective 1 January 2023, SMAT acquired the company branch of Società per la Condotta di Acqua Potabile in Alpignano S.r.l. and the operational management of the aqueduct segment in the Municipality of Alpignano, thereby completing the aggregation process contemplated in the Deed of Commitment of 30 June 2022; the branch transfer contract was signed on 28 December 2022, with the transfer to come into effect on 1 January 2023.

Subject to adjustment by way of balance, the sale price provisionally agreed upon by the Parties for the transfer of the Company Branch is EUR 562,091.00, corresponding to its residual net book value, as determined, with reference to the date of 30 June 2022, by the two appraisers appointed by the Parties. The branch transfer entailed the transfer of five resources who worked in the assignor company SAPA.

The SAP Alpignano balance sheet as at 30 June 2022 is summarised in the table below showing the assets and liabilities included company branch (data in euro units)

Machinery, equipment and furniture	769,837	Employee indemnity and seniority provision	90,934
Fixed systems	1,053,149	Ordinary contract bonds	238,982
Multiannual expenses to be amortised (software lic.)	20,650	Sundry surety bonds	516
Depreciation and amortisation provisions	(1,416,168)	Suppliers	119,939
Leftover stock inventory	16,207	Invoices to be received	62,525
NET NON CURRENT ASSETS	443,675	Net accrued expenses and deferred income	223
Receivable caution money	6,084	TOTAL LIABILITY OF COMPANY BRANCH	513,119
Customers	495,483		
Invoices to be issued	138,990		
Provision for bad debts	(22,077)		
Sundry receivables	1,519		
Accruals and deferrals	11,536		
TOTAL ASSETS OF COMPANY BRANCH	1,075,210	TOTAL VALUE OF COMPANY BRANCH	562,091
Financial assets	486,765	Equity	321,638
Sundry receivables	17,865	Profit for the period as at 30/06/2022	11,079
SAP ALPIGNANO TOTAL RESIDUAL ASSETS	504,630	TOTAL NET EQUITY	332,717
		VAT payables	70,927
		Funding	41,910
		Suppliers	501,853
NET FIXED ASSETS		Other payables	119,314
		SAP ALPIGNANO TOTAL RESIDUAL LIABILITIES	734,004
TOTAL ASSETS AS AT 30/06/2022	1,579,840	TOTAL ASSETS AS AT 30/06/2022	1,579,840

G2. Newco ACEA

With resolution no. 828 of 3 November 2022, ATO3 Torinese acknowledged the document “*Addendum to the Executive Agreement for the Operational Management of the Integrated Water Service*”, signed between SMAT and ACEA P.I. S.p.A. on September 23, 2021, which, in addition to the operational reorganisation, as from January 1, 2022, in order to valorise the management skills acquired, provides for the establishment of a NewCo controlled by SMAT with ACEA holding a minority stake, to which, in compliance with the regulatory constraints, the operational management of the Pinerolo area shall be entrusted until the expiration of the agreement that assigned the management of the area to SMAT, and hence until the end of December 31, 2033.

G3. Acquisition of AIDA

The aggregation of Aida Ambiente srl is to take place pursuant to the provisions of Industrial Plan PI 4.0; the company, which is entrusted with the management of the inter-municipal sewage treatment plant of Pianezza through a service contract, is a subsidiary of SMAT and an affiliate of the AIDA Consortium that groups together the Partner Municipalities of Alpignano, Caselette, La Cassa, Pianezza, Rivoli and Val della Torre. As already foreseen in the 3.0 Business Plan, approved by all the Partner Municipalities during the Shareholders' Meeting of 29 June 2015, negotiations are underway aimed at the reunification of the service under SMAT and the

consequent purchase of the shareholding, including assets and personnel, to be transferred with the protections provided for in Article 2112 of the Civil Code pursuant to Article 173 of Legislative Decree 152/06.

G4. Traves

Effective 1 February 2023, SMAT resumed the operational management of the integrated water service for the municipality of Traves.

G5. New contract code

With Legislative Decree no. 36 of 31 March 2023, published in the Official Gazette - General Series No. 77 of 31 March 2023 - O.S. No. 12/L, the new “Public Contracts Code” was promulgated in implementation of Article 1 of Law no. 78 of 21 June 2022 delegating the Government in the matter of public contracts.

The new Code entered into force on 1 April 2023, but its provisions will take effect as of 1 July 2023, save for certain exceptions expressly provided for; as of the same date, the previous Code (Legislative Decree no. 50 of 18 April 2016) will be repealed and the new rules will apply to all procedures and contracts for which calls or notices are published after 1 July 2023.

As of 1 July 2023, instead of the regulations and guidelines of ANAC, adopted in implementation of Legislative Decree No. 50 of 2016, unless otherwise provided for in the new code, the corresponding provisions of the new code and its annexes will apply. For the awards and contracts relating to NPC and NRRP projects and the related supporting infrastructures, the provisions set forth in the Simplifications bis Decree (L.D. no. 77/2021), converted, with amendments, into Law no. 108 of 2021, as well as the specific legislative provisions aimed at simplifying and facilitating the achievement of the objectives set forth in the NRRP and the NPC, shall continue to apply National Plan for Complementary Investments (NPC).

For the awards and contracts relating to NPC (National Plan for Complementary Investments) and NRRP projects and the related supporting infrastructures, the provisions set forth in the Simplifications bis Decree (L.D. no. 77/2021), converted, with amendments, into Law no. 108 of 2021, as well as the specific provisions aimed at simplifying and facilitating the achievement of the objectives established by the NRRP and the NPC, shall continue to apply.

The new rules are based on two cardinal principles, set out in the first two articles:

- ✓ the “principle of the result”, conceived as primary public interest pertaining to the awarding of a contract and its performance with maximum timeliness and the best quality-price ratio in compliance with the principles of legality, transparency and fair competition;
- ✓ the “principle of trust” in the legitimate, transparent and correct action of the P.A., its officials and economic operators.

Some of the main innovations introduced with the new Code are given below:

- digitisation: for the first time, an entire section of the Code is dedicated to the digitisation of the life cycle of public contracts, establishing the principles and digital rights underlying participation in public tenders;
- design for public works: design stages will be simplified with the disappearance of the final project and the possibility of awarding maintenance works on the basis of the executive project only; moreover, as of 1 January 2025, digital information management methods and tools will be adopted for the design and construction of new works and for interventions on existing constructions with a starting bid of more than EUR 1 million, with the sole exclusion of ordinary and extraordinary maintenance works ;
- integrated contract: for works, the prohibitions of the old Code no apply. A contract may now have as its object the executive design and execution of works on the basis of an approved technical-economic feasibility project. Contracts for ordinary maintenance works are excluded;
- procedures for amounts below the thresholds of European relevance: the thresholds established for direct awarding and for negotiated procedures in Legislative Decree 76/2020 (the so-called Simplifications Decree, converted into Law 120/2020), as subsequently amended by Legislative Decree 77/2021 (the so-called Simplifications Decree-bis, converted into Law 108/2021), have been permanently adopted; moreover, in all “sub-threshold” awarding procedures, the terms for delaying the awarding of contracts, whether due to procedural or proceeding-related issues, are excluded;
- terms for the conclusion of the procedures: the procedures must be concluded within the time limits set out in Annex I.3 and pending litigation does not justify the suspension of proceedings or of the awarding of the contract, without prejudice to orders by the administrative Judge;

- price revision: the new Code confirms the obligation to include in the tender documents price revision clauses that operate upon the occurrence of specific objective conditions entailing a variation in the cost of the work, supply or service, either upwards or downwards, greater than 5% of the overall amount, with the recognition in favour of the company of 80% of the amount of the variation, in relation to the services to be performed. For the purpose of determining the variations in costs and prices, indices drawn up by ISTAT and/or any other indices specified in a decree by the Ministry of Infrastructure and Transport will be used;
- Project Manager (RUP): the Sole Procedure Manager changes its name to Sole Project Manager. The new RUP is entrusted with the planning, design, awarding and execution phases of each procedure subject to the code; it will be possible to identify organisational models that provide for the appointment of a procedure manager for single phases, thus dividing the relative responsibilities according to the tasks carried out in each phase, without prejudice to the Project Manager’s functions of supervision, direction and coordination;
- public-private partnership: the regulatory framework is simplified to facilitate the awarding of partnership projects;
- special sectors: greater flexibility and a more pronounced special character is envisaged for the “special sectors” in keeping with the essential nature of the public services managed by the contracting entities (water, energy, transport, etc.). This greater flexibility finds expression in the fact that only partial reference is made to the constraints set for the ordinary sectors, as well as in the granting of self-organisation powers;
- subcontracting: in order to bring the rules into line with European legislation and jurisdiction, subcontracting without percentage limits and the so-called “cascade” subcontracting are permitted, with the right for contracting authorities to limit such possibilities by including specific justifications in the tender documents;
- concessions: for concession holders chosen without a tender, an obligation is established to contract out between 50 and 60 per cent of the works, services and supplies. This obligation does not apply to special sectors (railways, airports, gas, electricity, water);
- governance, litigation and jurisdiction: the responsibilities of the Italian National Anti-Corruption Authority (ANAC) are reorganised according to the criterion contained in the Delegated Law, i.e., providing for greater supervisory and sanctioning functions.

G6. Hiring Programme

The recruitment plan in line with Industrial Plan 4.0. continued with a special focus on securing the professional skills needed for the operational processes.

FY 2022 was characterised by the publication of Selection Notice 1-22 aimed at selecting 70 full-time resources to be employed under open-ended contract in technical and administrative positions: specialised technical figures, responsible for network maintenance and system operation, assistance to water and sewerage works, user inspections and quotations, electrical equipment maintenance and safety measures coordination at construction sites.

More specifically, 29 profiles were advertised, 12 of them under professional apprenticeship contracts, aimed at younger people and designed to integrate them into the company through training and work experience. For some profiles it was decided to seek both apprenticeship and non-apprenticeship positions, since SMAT already has a fairly high percentage of workers employed under this type of contract (around 11%).

A total of 2,188 applications were received and examined.

G7. Operational outlook and organisational set-up

In relation to the significant savings achieved in previous years, FY 2023 will continue to be affected by high energy prices and price increases, so much so that the rate proposal as amended at the end of 2022 includes a clause providing for the periodic verification of the company's economic and financial sustainability.

The Company will continue to monitor the economic-financial indicators and to make innovative investments designed to ensure resilience to the climate change.

As of now no further effects resulting in deviations from the forecast set out in the ad hoc focus are expected, while the economic-financial analyses conducted so far ensure the sustainability of the investments planes and objectives pursued. No problems affecting business continuity have been experienced and the organisational structure is deemed appropriate.

G8. Life Climax Po European project

Within the framework of the National Climate Adaptation Plan and the Climate Act, one of the answers will come from the European LIFE CLIMAX PO project – “*Climate Adaptation for the Po river basin district*” – under the Life 2021 call.

The LIFE CLIMAX PO project will promote adaptation to climate change through the management of water resources on a basin district scale, implementing NAS (*National Adaptation Strategy*) measures and improving district governance in terms of water resources management through pilot action.

In concert with the Po River Basin Authority (ADBPO) that is the Project Coordinator, and 24 other partners, SMAT will carry out the following activities:

- risk planning and management of critical events generated by precipitation;
- development of methodologies for the detection of critical points in urban and peri-urban areas;
- definition of guidelines for the management of critical precipitation events

G9. Tournon Dam

The design of the adaptation of the Tournon Dam (formerly Combanera) for drinking, agricultural and hydroelectric uses was financed, through the Po River District Basin Authority, from the “Fund for the feasibility design of infrastructures and priority investments for the development of the country - District Basin Authority and Special Economic Zones (ZES)” constituted at the Ministry of Infrastructures and Transport (Ministerial Decree 259/22 and Directorate Decree 19056/22, for an amount of EUR 1,680 million - co-financing EUR 0.72 million).

G10. Felix Industry Prize - Italy that competes

SMAT was awarded by the Turin Industrial Union the recognition as the best company in the energy and utilities sectors with registered office in Piedmont for management performance and the highest CERVED score for financial reliability. The award, organised by Industria Felix Magazine, is based on an analysis of the 2021 balance sheet indices carried out by the quarterly economics and finance magazine published as a supplement to *Il Sole 24 Ore* and the Cerved Group's Research Department.

G11. World Water Day

On the occasion of the World Water Day, established by the United Nations to celebrate the resource and raise awareness of the global water crisis, ATO3 Torinese and SMAT organised, in collaboration with the Piedmont Region, the Metropolitan City and the City of Turin, a series of initiatives focusing on climate change and the ecological transition.

G12. User assistance with a virtual operator

Created by SMAT in concert with a spin-off of the University of Siena, the Avatar is based on an algorithm that uses Artificial Intelligence, can communicate 24/74, understands and answers, even in sign language, and helps in filling out forms, arranges dates and times of appointments, and directs calls to the appropriate employee.

H. ORGANIZATIONAL MODEL SUPERVISION, ANTI-CORRUPTION AND TRANSPARENCY ENTITY

H1. Supervisory Body

In 2003, SMAT set up a Supervisory Body (Organismo di Vigilanza - OdV), adopted an Organisation, Management and Control (OMC) model as provided for in Legislative Decree 231/2001, and approved its Code of Ethics. Initially composed of a single member, the OdV became a board in 2011.

The Organizational Model, Supervisory and Anti-Corruption Board for the prevention of administrative breaches constitutes - together with the Code of Ethics and other elements of the corporate governance (Legal Audit, internal auditing, quality certification, labs certification, health and safety and environmental certification), - an effective tool to raise awareness of all subjects that operate on behalf of SMAT so that - in exercising their activities - they adopt behaviours inspired by the ethics of responsibility and in compliance with the provisions of the law.

The Company's code of ethics is based on the belief that the behaviour of top management should reflect a veritable shared style in support of the proper functioning and development of the Company. The most important guarantee to be provided to the shareholders and other stakeholders, in fact, lies in the integrity and the ethical values of the persons who work in the organisation, the managers and those in charge of monitoring and control. The code of ethics can be found in the company website: www.smatorino.it. The Code of Ethics is handed out to new employees. It was passed on to Board members, Auditors, Managers, Middle Managers and Heads of Departments when the 231 Model update was distributed. Also involved in this prevention process are external collaborators and partners: purchasing contracts and orders include a specific obligation to accept and implement the ethical principles contained in the code.

The OMC model and the Code of Ethics were updated by the Board of Directors on may 26th, 2022.

The OMC has been updated in order to adapt it to legislative changes, in particular following the introduction of new predicate offences, such as trafficking in unlawful influence and tax offences.

The OMC has also been updated, with reference to the Special Sections on safety and environment, in implementation of the company's integrated certification project and with reference to the adoption of extraordinary measures related to the COVID 19 health emergency. The General Part of the Model is available on the company website.

The Code of Ethics has been updated in Article 6.2 (conflict of interest) by introducing the obligation of timely disclosure in the event of any criminal proceedings being initiated, starting from the committal for trial.

H2. Anti-Corruption and Transparency

On 14 september 2020, in order to fulfil the requirements set out in law 190/2012 (corruption prevention) and legislative decree 33/2013 (transparency), the Board of Directors appointed a new Transparency and Anti-Corruption Manager (RPCT) to remain in office until the approval of the financial statements for the year 2022. As for the protection system for individuals who report irregularities, during the meeting held on 27 January 2022, the Board of Directors approved an update to the whistleblowing procedure approved in 2018. The new procedure was implemented according to the ANAC Guidelines approved with Resolution 469/2021, was distributed to all personnel and was published in the company website. Reports must be addressed to the Corruption Prevention Officer (RPCT), preferably using the reporting form attached to the Procedure that can be found in SMAT's institutional website and using on a prior basis an online transmission via an IT platform, so as to maximise the protection of the confidentiality of the reporter's identity. As of 2019, the company has also adopted the procedure for reporting anomalies, atypic situations and offences pursuant to Legislative Decree 231/2001.

On 29 July 2019 the Board of Directors adopted the Consolidated regulations for governing the right of access to administrative documents and the right of access to documents, data and information, published on the corporate website and distributed to employees with a dedicated internal Service Order.

The three-Year Plan for the Prevention of Corruption and Transparency 2022-2024 was prepared and approved by the Board of Directors on 27 January 2022, which was then published and transmitted to all the Directors and Managers of services involved. The "Transparent Company" section in the company website is continuously updated and developed. General employee training was provided in 2022, with remedial sessions for those absent from the 2021 training days and newly hired personnel.

Training pills on administrative responsibility as per Legislative Decree 231/2001 and Law 190/2012 were distributed to all employees via the SMAT employee portal. On 30 November, Executives and Managers were involved in a training day on administrative responsibility pursuant to Legislative Decree 231/2001 and anti-corruption practices. The RPCT and the support structure took part in training events organised by ANAC and specialised training days. Each year, the RPCT and the Supervisory Board analyse any reports or facts that may point to risks of corruption or administrative offences. If they deem them significant, they initiate the appropriate procedures.

H3. Privacy - GDPR

In compliance with Regulation (EU) 679/2016 (General Data Protection Regulation - GDPR), on 07 October 2022, the Board of Directors appointed the new Data Protection Manager, to remain in office until the approval of the financial statements for operating year 2022.

In the course of 2020, a company organisation chart in keeping with the data protection regulation was approved and the Data Controller appointed the data processors. The data processing register pursuant to art. 30 of the Regulation and all information sheets were updated as well as the document on video surveillance and related assignments, and all the employees received training.

During 2021, the usual updates (processing register, video surveillance, disclosures) were continued.

During 2022, the implementation of activities of both an organisational and technical nature continued, including the customary updates (including but not limited to: Data Processing Register, Video Surveillance, Privacy Notices for the data subjects).

H4. Certification of the integrated management system for Quality - Environment - Health and safety in the workplace

As of 2020, SMAT S.p.A. has achieved certification of its Integrated Management System, certified by an Accredia-certified body in accordance with the standards:

- UNI EN ISO 9001:2015 (Quality Management System)
- UNI EN ISO 14001:2015 (Environment Management System)
- UNI ISO 45001:2018 Health and safety in the workplace Management System)

The Integrated Management System is aimed in particular at ensuring:

- compliance with mandatory quality, environmental and safety requirements;
- customer and other stakeholders' satisfaction with the services offered;
- the continuous improvement of its performance, in terms of effectiveness and efficiency of processes, environmental protection and occupational health and safety of all personnel.

Certification entails continuous monitoring of the system's conformity by the responsible corporate function (QSA), as well as annual surveillance by the Certification Body.

During the financial year, there were no deaths at work due to causes attributable to SMAT; furthermore, there were no charges relating to occupational illnesses or mobbing on employees recorded in the sole job register.

H5. Certification of the sustainability of biofuels and bioliquids

In 2020, certification was obtained at the Castiglione T.se site on the sustainability of biomethane production from sewage sludge according to the Decree of 14 November 2019 - National certification system for the sustainability of biofuels and bioliquids, confirmed in 2022.

H6. Accreditation for laboratories according to UNI CEI EN ISO/IEC 17025: 2018

SMAT laboratories work in accordance with EN ISO 9001: 2015, in pursuing the goals of fostering the maintenance and growth of relationships of trust with customers and users; they have obtained accreditation from ACCREDIA (the Italian Accreditation Body) and work pursuant to standard ISO/IEC 17025: 2018 (the list of tests can be found at www.accredia.it, accreditation no. 0309). Accreditation, first obtained in 2000, entails annual checks by ACCREDIA on the technical and management practices of the laboratories to assess conformity to the requirements of the reference standard and is confirmed every 4 years. The first surveillance visit of the 6th accreditation cycle was carried out in 2021 and passed successfully. In addition, since 2016, the

Chemical and Biological Laboratories of the Water Division have been included in the regional list of laboratories performing analyses within the scope of self-control of food companies.

H7. List of SMAT Group branches

Parent Company SMAT S.p.A. and the other subsidiaries exert their own activities in the respective registered offices and in local reference operations, no group branches ex-art. 2299 of the Italian Civil Code are entered.

I. RELATIONSHIPS WITH RELATED PARTIES

As related to the relations developed with the related parties, as defined in art. 2428, paragraph 2, no. 2 of the Italian Civil Code, we highlight herein under the main operations Parent Company SMAT S.p.A. has developed with them.

11. Relations with the City of Turin

In relation to the City of Turin, regarding the shares held (directly or indirectly), in the amount of 63.54%, as at the date of this Financial Statements, the following relations exist, as a result of transactions operated in standard market conditions:

	Receivables	Trade	Costs	Revenues
CITY OF TURIN	1,248,548	594,411	1,526,353	4,026,586

As related to the composition of the receivables from the City of Turin, the most significant items concern the supply of the Integrated Water Service (invoices issued or to be issued for approx. EUR 1.082 million), and other activities and services (invoices issued or to be issued for approx. EUR 166 thousands).

As related to the composition of the payables to the City of Turin, the item mainly consists of the 2022 installments of the Local Authority Fees deliberated by Ente d'Ambito n. 3 Torinese for the fiscal year that is being closed and for a total amount of approx. EUR 594,000.

The evolution of the amounts receivable from and payable to the City of Turin is a consequence of the reciprocal payments made at the stipulated deadlines.

The revenues are reported at the net amount of EUR 3.533 million in reference to the 50% rate reduction established for public use users applied in 2022.

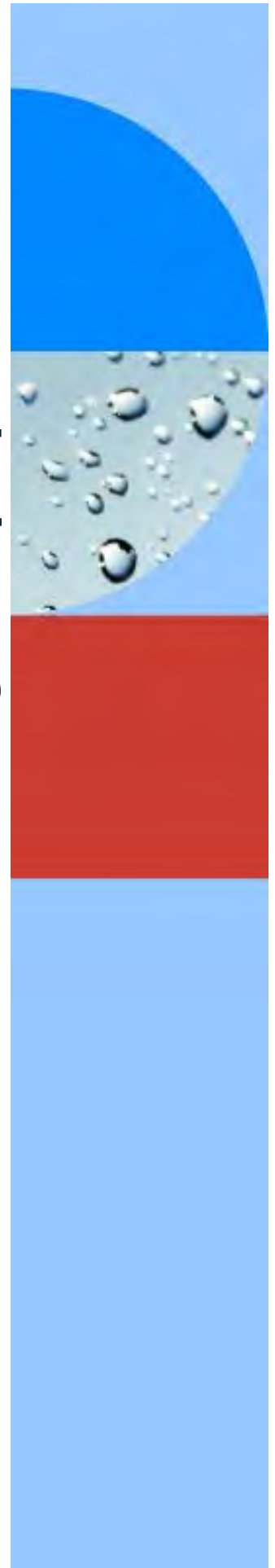
12. Relations with the subsidiaries and associates

As regards the companies of the Group which are to be considered as subsidiaries and/or associates in compliance with article 2359 c.c., as at the date of these Financial Statements there were the following relations, deriving from transactions operated in standard market conditions or by specific or general agreements to regulate the exchange of services between the parties:

	Receivables	Trade	Costs	Revenues
RISORSE IDRICHE S.p.A.	3,160,613	5,405,040	2,974,140	257,549
AIDA AMBIENTE S.r.l.	94,851	561,197	1,941,380	140,861
SAP S.p.A. UNDER LIQUIDATION	40,357	16,380	962	41,401
Total	3,295,821	5,982,617	4,916,482	439,811

CONSOLIDATED FINANCIAL STATEMENT SMAT GROUP

IAS/IFRS FRAMEWORKS
NOTES TO THE ACCOUNTS



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro	Remarks	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Tangible fixed assets	1	139,762,438	143,589,332
Goodwill	2	5,928,005	5,928,005
Other intangible assets	3	2,820,860	2,101,757
Assets under concession	4	807,450,061	771,325,165
Shareholdings	5	11,649,593	11,578,749
Deferred tax assets	6	22,503,513	18,052,836
Non-current financial assets	7	1,369,572	1,307,003
Other non-current assets		0	0
Total non-current assets		991,484,042	953,882,847
Current assets			
Inventory	8	8,242,024	7,457,316
Trade receivables	9	250,768,315	225,138,299
Current tax assets	10	3,331,712	570,080
Current financial assets	11	84,741	58,690
Other current assets	12	25,148,425	5,461,235
Cash and cash equivalents	13	125,075,278	47,009,789
Total current assets		412,650,495	285,695,409
Assets intended for sale		0	0
TOTAL ASSETS		1,404,134,537	1,239,578,256

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Euro	Remarks	31/12/2022	31/12/2021
NET EQUITY AND LIABILITIES			
NET EQUITY			
Share capital		345,533,762	345,533,762
Legal reserve		25,808,344	24,098,579
Reserve restricted for PEF implementation		313,340,899	287,352,460
FTA reserve		(2,845,993)	(2,845,993)
Other reserves and retained earnings		5,165,025	2,744,156
Operating profit due to Parent Company shareholders		41,677,398	34,546,044
TOTAL NET EQUITY OF THE PARENT COMPANY		728,679,435	691,429,008
Other reserves of Third Party Competence		404,998	330,483
Operating profit due to Third Party Competence		64,773	19,260
TOTAL NET EQUITY		469,771	349,743
TOTAL NET EQUITY	14	729,149,206	691,778,751
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	15	345,361,084	250,061,823
Provisions for employee benefits	16	10,251,580	13,096,744
Provisions for risks	17	22,383,106	16,186,747
Deferred tax liabilities	18	293,039	906,158
Other non-current liabilities	19	82,046,731	52,642,270
Total non-current liabilities		460,335,540	332,893,742
Current liabilities			
Current financial liabilities	15	20,544,197	51,860,087
Trade payables	20	101,978,584	82,474,162
Current tax liabilities	21	8,096,857	6,583,425
Other current liabilities	22	84,030,153	73,988,089
Other current financial liabilities		0	0
Total current liabilities		214,649,791	214,905,763
Liabilities intended for sale		0	0
TOTAL LIABILITIES		674,985,331	547,799,505
TOTAL NET EQUITY AND LIABILITIES		1,404,134,537	1,239,578,256

CONSOLIDATED INCOME STATEMENT

	Remarks	2022	2021
REVENUES			
Revenues	23	360,708,294	331,607,718
Revenues for planning and construction activities	24	97,264,788	91,806,372
Other revenues	25	23,478,206	18,183,756
Total revenues		481,451,288	441,597,846
COSTS			
Consumption of raw materials and consumables	26	15,024,266	13,690,257
Costs for leased assets and services	27	140,802,926	116,580,575
Payroll costs	28	62,512,960	67,614,007
Other operating expenses	29	22,711,291	21,571,774
Costs for planning and construction activities	30	93,719,326	88,240,913
Total operating costs		334,770,769	307,697,526
Gross operating margin		146,680,519	133,900,320
Depreciation, provisions and write-downs	31	(91,177,788)	(86,473,632)
Operating income (EBIT)		55,502,731	47,426,688
Financial income	32	3,926,140	3,641,082
Financial expense	33	(4,306,979)	(3,961,801)
Total financial management		(380,839)	(320,719)
Result before taxes		55,121,892	47,105,969
Income Taxes	34	(13,379,721)	(12,540,665)
PROFIT (LOSS) FOR THE YEAR		41,742,171	34,565,304
Of which			
belonging to non-controlling interests		64,773	19,260
Belonging to the parent company		41,677,398	34,546,044

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

Remarks	2022	2021
A. Profit for the year	41,742,171	34,565,304
Current profit (loss) on Severance Fund	2,092,094	(199,642)
Fiscal effect on Profits/(losses) that will not later be reclassified in the Income Statement	0	0
B. Profits/(losses) entered directly under Net Equity and that will not later be reclassified in the Income Statement	2,092,094	(199,642)
Share of other profits/(losses) by the Enterprises assessed by the Net Equity method	0	0
Fiscal effect on profits/(losses) that will later be reclassified in the Income Statement when certain conditions will be met	0	0
Profits/(losses) entered directly under Net Equity that Will not later be reclassified in the Income Statement	0	0
D. Total profit for the year (A + B + C)	43,834,265	34,365,662
Of which		
Belonging to non-controlling interests	120,027	13,198
Belonging to the parent company	43,714,238	34,352,464

CONSOLIDATED CASH FLOW STATEMENT

Euro	Remarks	2022	2021
A Financial flows of operating assets		131,225,178	112,493,938
Net Profit (loss) for the year		41,742,171	34,565,304
Adjustments for non-monetary costs and revenues			
Amortization of intangible assets		1,917,297	1,899,778
Depreciation of tangible assets		14,868,035	16,763,570
Depreciation of assets under concession		60,805,979	57,547,888
Increase/(Decrease) of the provisions for contingencies and charges		6,196,359	(968,995)
Increase/(Decrease) in provisions for employee benefits		(2,845,164)	(2,505,386)
Change in advance deferred taxes		(5,063,796)	(920,490)
Change in other non current assets/liabilities		29,341,892	1,416,360
Change in Net Equity reserves			
Difference in conversion		0	0
Actuarial profit and loss		(55,254)	6,062
Other movements		2,147,339	(204,913)
Change in net working capital			
(Increase)/Decrease in trade receivables		(25,630,016)	(2,426,121)
(Increase)/Decrease in other assets		(22,474,874)	(960,481)
(Increase)/Decrease in inventory		(784,708)	896,363
(Increase)/Decrease of the trade payables		19,504,422	3,105,245
Increase/(Decrease) in other liabilities		11,555,496	4,279,754
B. Financial flows of investment assets		(110,679,260)	(113,733,892)
Disinvestments /(investments) of intangible fixed assets		(2,636,400)	(322,208)
Disinvestments/(investments) of tangible fixed assets		(11,041,141)	(17,221,347)
Disinvestments /(investments) of assets under concession		(96,930,875)	(95,908,176)
Changes in the investments		(70,844)	(282,161)
Changes in the consolidation area			
C. Financial flows of financial assets		57,519,571	10,332,141
Cash from the issue of share capital		0	0
(Purchase)/Release of shares		0	0
Change of the financial payables		67,568,788	10,699,536
Other changes in financial liabilities		(3,585,417)	4,103,805
(Dividends paid)		(6,463,800)	(4,471,200)
D. Net flow generated by the management (A ± B ± C)		78,065,489	9,092,187
E. Initial liquid assets		47,009,789	37,917,602
F. Final liquid assets (D ± E)		125,075,278	47,009,789

CONSOLIDATED CHANGES IN NET EQUITY

(Units in Euro)	31/12/2020	Allocation of result	Distribution of Profit	Other movements	Result for the year	31/12/2021
Share capital	345,533,762			0		345,533,762
Legal reserve	22,914,362	1,184,217				24,098,579
Reserve restricted for PEF implementation	269,352,368	18,000,092				287,352,460
FTA reserve	(2,845,993)			0		(2,845,993)
Other reserves and retained earnings:						
<i>Optional reserve</i>	34,342,562			(1)		34,342,561
<i>Consolidation reserve</i>	5,026,588			0		5,026,588
<i>Severance actualization reserve</i>	(420,245)			(6,062)	(193,580)	(619,887)
<i>Negative reserve for own shares in portfolio</i>	(32,993,340)			129		(32,993,211)
<i>Reserve for rounding up</i>	(2)			7		5
<i>Retained earnings</i>	(3,119,830)	4,573,196	(4,471,200)	5,934		(3,011,900)
Total other reserves and retained earnings	2,835,733	4,573,196	(4,471,200)	7	(193,580)	2,744,156
Operating income	23,757,505	(23,757,505)			34,546,044	34,546,044
TOTAL NET EQUITY OF THE GROUP	661,547,737	0	(4,471,200)	7	34,352,464	691,429,008
Capital & reserves of non-controlling interests	305,617	30,144		784	(6,062)	330,483
Non-controlling interests	30,144	(30,144)			19,260	19,260
TOTAL EQUITY OF NON-CONTROLLING PARTIES	335,761	0	0	784	13,198	349,743
TOTAL CONSOLIDATED NET EQUITY	661,883,498	0	(4,471,200)	791	34,365,662	691,778,751

(Units in Euro)	31/12/2021	Allocation of result	Distribution of Profit	Other movements	Result for the year	31/12/2022
Share capital	345,533,762			0		345,533,762
Legal reserve	24,098,579	1,709,765				25,808,344
Reserve restricted for PEF implementation	287,352,460	25,988,439				313,340,899
FTA reserve	(2,845,993)			0		(2,845,993)
Other reserves and retained earnings:						
• <i>Optional reserve</i>	34,342,561			0		34,342,561
• <i>Consolidation reserve</i>	5,026,588			0		5,026,588
• <i>Severance actualization reserve</i>	(619,887)			55,254	2,036,840	1,472,207
• <i>Negative reserve for own shares in portfolio</i>	(32,993,211)			0		(32,993,211)
• <i>Reserve for rounding up</i>	5			(9)		(4)
• <i>Retained earnings</i>	(3,011,900)	6,847,840	(6,463,800)	(55,256)		(2,683,116)
Total other reserves and retained earnings	2,744,156	6,847,840	(6,463,800)	(11)	2,036,840	5,165,025
Operating income	34,546,044	(34,546,044)			41,677,398	41,677,398
TOTAL NET EQUITY OF THE GROUP	691,429,008	0	(6,463,800)	(11)	43,714,238	728,679,435
Capital & reserves of non-controlling interests	330,483	19,260		1	55,254	404,998
Non-controlling interests	19,260	(19,260)			64,773	64,773
TOTAL EQUITY OF NON-CONTROLLING PARTIES	349,743	0	0	1	120,027	469,771
TOTAL CONSOLIDATED NET EQUITY	691,778,751	0	(6,463,800)	(10)	43,834,265	729,149,206

SMAT GROUP NOTES TO THE ACCOUNTS

We report herein under the main criteria and accounting principles applied in setting and drafting the consolidated financial statement of the Group (the Consolidated Financial statement) Such accounting principles have been applied consistently for all the fiscal years reported in this document.

Principles for preparation of the financial statement

European (CE) Regulations no. 1606/2002 of July 19th 2002 introduced the obligation, starting from fiscal year 2005, to apply the International Financial Reporting Standards ("IFRS"), as amended by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("IFRS" or "International Accounting Principles") for the drafting of the statements of account of the companies holding capital and/or debt shares quoted in one of the markets regulated by the European Community. On April 13th 2017, SMAT issued a bond loan for a rated amount of a Euro 135 million subscribed by institutional investors and it provided for quotation at the Irish Stock Exchange. In compliance with the aforementioned legislative provisions, SMAT is therefore supposed to draft the consolidated and fiscal year financial statement in compliance with the IFRS starting from the fiscal year closed on 31 December 2016.

The data of transition to IFRS (The "Transition Date") was therefore been identified as January 1st 2015. the Company had already drawn up the consolidated financial statements for the fiscal years closed at 31 December 2015 and 2014 in compliance with the accounting principles issued by Association of Chartered Accountants, as amended by the Italian Accounting Body.

This statement of account is therefore drafted in compliance with the IFRS in force at the date of its approval. IFRS means the new International Financial Reporting Standards, the reviewed international accounting principles ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly named Standing Interpretations Committee ("SIC"), certified and adopted by the European Union.

The Financial Statements schedules and the accounting information reported in the Explanatory Notes comply with the book entries they directly derive from. The IFRS were applied in coherence to all the periods presented in this document.

The statement of account prospectus, as provided for in IAS 1, reports by appropriate comparison the indication of the previous year values. Where required, the data of the previous fiscal year have been suitably adapted in order to ensure the appropriate comparison.

This statement of accounts has been set in the perspective of corporate continuity and on the bases of the contractual criteria of the historical cost, with the exception of some book entries, which are detected at the fair value, in compliance with the provisions contained in the International Accounting Principles.

Structure and contents of the financial statement

The diagram used for the profit and loss account is in scale with the different items analyzed according to their type. We believe this presentation, which is aligned with international procedure, is the one that best represents the company results. The total Income Statement is presented, as allowed by the revised IAS 1, in a document separate from net equity, and distinguishes between the components that can be reclassified in the Income Statement and those that cannot. The other components of the total Income Statement are highlighted separately also in the schedule of the net equity changes. The diagram of the equity and financial positions highlights the separation between the current and non-current assets and liabilities. The financial reporting is drafted according to the indirect method, as allowed by IAS7.

The general principle adopted in drawing up this financial statement is cost, with the exception of the financial assets and liabilities (including the derivative instruments) which are assessed at fair value. The preparation of the Financial Statements has required the use of estimates by the management; the main areas characterized by particularly significant assessments and assumptions, together with those that have remarkable effects on the situations presented, are reported in section "Use of Estimates". All the accounting prospects of the equity

and financial status and of the Income Statement are expressed in Euro unit, as are the data entered in the explanatory comments, except when it is otherwise indicated.

Consolidation criteria

Below we have shown the principles adopted for elaborating the consolidated financial statement.

1. CONSOLIDATION AREA AND REFERENCE DATA

This consolidated financial statement includes - besides the Financial Statements of Parent Company SMAT S.p.A. - the statements of account of its Subsidiaries (such statements of accounts, approved by the respective Boards of Directors, have been amended/reclassified as appropriate in order to make them homogeneous to the financial statement drafting standards of the Parent Company and consistent to the drafting standards of the international accounting principles (IAS/IFRS). The control is in force when the parent company has the power to manage the activities relevant to the company and is exposed to the variability of the results.

The statements of account are included in the consolidated financial statement starting from the date the control is taken until such control ceases to exist.

The joint control agreements can be classified as (i) "shareholding in joint ventures" if the Group has rights on the net assets of the agreement such as - for instance - in case of companies with their own legal personality, or (ii) "joint control activities" the Group has rights on the assets and obligations on the liabilities relevant to the agreements. The classification of the agreements is based upon the analysis of the same rights and obligations.

The companies on which a "remarkable influence" is exerted have been assessed with the "net equity method"

Besides Parent Company SMAT S.p.A., the consolidation area includes:

- Company **Risorse Idriche S.p.A.**, where the Parent Company has direct control (91.62%) in compliance with article 2359 of the Civil Code;
- Company **AIDA Ambiente S.r.l.**, where the Parent Company has direct control (51.00%) in compliance with article 2359 of the Civil Code;

There are no discrepancies in the closing dates of the Financial Statements of the enterprises the Group consists of.

The participating interest in **SAP S.p.A. under Liquidation** where the Parent Company exerts joint control together with company IRETI S.p.A, respectively at 47.55% , has been assessed with the Net Equity method.

2. CONSOLIDATION PRINCIPLES

We represent hereinafter the criteria adopted by the Group for the definition of the consolidation area and of the relevant consolidation principles.

Integral consolidation

Consolidation by the "integral method" essentially consists of taking up the assets and liabilities, costs and revenues of the consolidated companies, irrespectively on the size of the shareholding held and allocating the Third-party shareholders - in a purposely-allocated item of the Net Equity called "Equity and reserve of third parties" - the share of profit and reserves of their competence.

Companies Risorse Idriche S.p.A. and AIDA Ambiente S.r.l. are consolidated through the full integration system. The asset and liability elements, as well as the revenues and charges of the aforementioned companies are taken in full (line by line).

Elision is applied to:

- a) shareholdings in subsidiaries and their corresponding fractions of Net Equity held by the Parent Company, allocating the different asset and liability elements the current value at the date control is acquired; any difference, if positive, is reported, if there are the conditions for it, in the "Goodwill" asset item and reported in the Income Statement if negative,
- b) receivables and payables between companies included in the consolidation area;
- c) profits and charges relevant to operations performed between said companies,
- d) profits and charges resulting from operations performed between such companies and relevant to values included in the equity;
- e) charge off of the dividends cashed by consolidated companies.

In particular, the consolidation procedure required the elision of the charging values of the shareholdings and the corresponding shares of Net Equity in the subsidiaries. Such elision has been implemented in the accounting values referred to the date where the subsidiaries have been included for the first time in the consolidation (for Risorse Idriche S.p.A. at 31 December 2004, for AIDA Ambiente S.r.l. at 31 December 2009).

In past fiscal years, such elision determined for:

- **Risorse Idriche S.p.A. a greater value of the shareholding in 2004, which was computed into the consolidated financial statement - to the Net Equity - in an item denominated "Consolidation reserve" and amended in 2007, further to the increase in the control percentage (from 83.67% to 91.62%) with computing to the consolidated financial statement amongst the intangible assets in an item denominated "Consolidation Difference";**
- **AIDA Ambiente S.r.l. no difference.**

The greater/lower price paid from the corresponding fraction of payment, deriving from the acquisition of further company shares is computed as reduction/increment of the net equity.

The acquisitions of controlling shareholding that occur within the same Group (i.e. "business combinations under common control") are calculated in value continuity.

Elimination of the intra-group profits/losses

For the purposes of the consolidated financial statement, the economic result of the Group only derives from transactions involving third parties.

The profits/losses deriving from intra-group transactions - where existing - are eliminated within the consolidation process, sharing the adjustment proportionally between the share relevant to the Group and the one related to Third Parties, taking also into account the tax effects.

Evaluation of the shareholding through the Net Equity method

The shareholding is initially detected at cost and the accounting value is increased or reduced to identify the share belonging to the controlling company, of the profits and losses of the subsidiary that are achieved after the date of acquisition. Any goodwill included in the value of the participating interest is subject to "impairment test". The cost of acquisition is allocated to the pro-rate of the assets and liabilities *fair value*, as they can be identified, of the related companies or *joint ventures*, and the difference to goodwill. The share of the fiscal year of the subsidiary of competence of the controlling company is identified in the profit and loss account of the latter, with the exception of the effects relevant to other variations in the subsidiary net equity, different from the operations with the shareholders, which are directly reflected in the total Income Statement of the Group. In case of any losses exceeding the loading value of the shareholding, the part in excess is identified in a purposely-allocated passive fund insofar the parent company is committed to comply with the legal obligations or in those that are implicit to the subsidiary or in any case to cover its losses.

The dividends received by a subsidiary reduce the accounting value of the shareholding.

Valuation criteria

Tangible fixed assets

The tangible assets are identified at the purchase or production cost including the accessory charges, or at the value based on appraisals of the company equity, in case of acquisitions of companies, net to the relevant depreciation fund and to any losses of value. The production cost included the direct and indirect costs for the share that can be reasonably ascribed to the assets (e.g.: personnel costs, transport, customs duties, expenses for the preparation of the area of installation, testing costs, notary and land register expenses) The cost includes any professional fees and - for some goods, the financial charges capitalized up to the coming into service of the good. The cost includes any cost for site reclaiming, on which the tangible asset lays, complies with the provisions of IAS 37.

The expenses for the ordinary maintenance are fully charged to the Income Statement. The costs for improvements, modernization and transformation of incremental nature are computed to the capital assets. The accounting value of the tangible assets is submitted to verification to identify any losses of value, in particular when events or changes of condition identify that the charged value cannot be recovered.

The tangible assets are entered gross to the system revenue grants which are identified in the Income Statement throughout the period of time required to refer them to the relevant costs; they are represented in the equity and financial status by reporting the grant as deferred revenue.

The depreciation starts when the assets enter the production cycle and - for the new acquisitions - it is calculated at 50% of the full rate part, since it is considered as representative of the actual use of the goods. The current assets include the costs relevant to intangible assets whose economic utilization process has not started yet. The tangible assets are systematically depreciated every fiscal year based on economic and technical rate parts that are considered as representative of the residual potential of use of the assets. We report herein under the tables with the depreciation rate parts that have been taken into account for the depreciation of the assets.

As required by IAS 16, the estimated useful lifespan of the tangible assets are reviewed every fiscal year, in order to assess the need of an overhaul. In case it is ascertained that the estimated useful lifespan does not represent as appropriate the future expected benefits, the relevant depreciation plans must be redefined based on the new assumptions. Such changes are reported in a prospect to the Income Statement.

During the fiscal year that has been closed, no change was reported in the depreciation plans for any of the categories of tangible assets.

The land is not depreciated,

“Assets under construction and payments on account” includes payments to suppliers for advances concerning the acquisition of tangible fixed assets.

Pursuant to accounting principle IFRS 16 - Leases, since 1 January 2019, for leases previously classified as operational, the Group recognises:

- financial liability, equal to the current value of future residual payments on the date of transition, implemented using the applicable incremental borrowing rate on the date of transition for each contract;
- usage right equal to the value of financial liability on the date of the transition, net of any accruals and deferrals in the statement of assets and liabilities on the date of closure for this balance sheet.

The profits or losses that derive from the alienation or dismissals of a tangible asset are identified as the difference between the sale revenue and the net accounting value of the asset and they are identified in the Income Statement at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Goodwill and other intangible fixed assets

The identifiable controllable intangible assets are identified in the accounting; their cost can be reliably determined provided that such activities generate economic benefits in the future. Such assets are identified at cost value in compliance with the criteria indicated for the tangible assets and - if their useful lifespan is defined - they are depreciated throughout the period of such estimated lifespan. The depreciation starts at the moment the asset is ready to be used or - in any case - it starts producing economic benefits for the enterprise. The current assets include the costs relevant to intangible assets for which the economic utilization process as not started yet.

The intangible assets with defined useful lifespan are systematically depreciated starting from when the asset is available for use throughout the period of expected usefulness. The intangible assets with defined useful lifespan are systematically depreciated starting from when the asset is available for use throughout the period of expected usefulness. The goodwill and the other activities whose useful lifespan is not defined are not subject to systematic depreciation, but they are subject to yearly verifications of recoverability (the so-called impairment test) rung at the level of the individual Cash Generating Unit (CGU) or groups of CGU's whose indefinite useful lifespan assets can be reasonably allocated. The test is described hereinafter in "Reduction of the value of the assets". Any write-down ascribed to goodwill cannot be subject to subsequent return to default values.

The goodwill acquired against payment at the time of the disposal of company branches SAC (1 January 2014) and SAP (1 July 2015) was reallocated during the year, also as a result of the management strategies introduced and the redefinition of the Business Plan (PEF), whereby the entire company is conceived as the cash-generating unit or the operating unit aimed at recovering the value recorded. This goodwill is not amortised, but it is submitted every year to the so-called impairment test.

The intangible assets identified as a result to an aggregation of companies are reported separately from the goodwill, if their fair value is reliably determined.

The profits or losses that derive from the alienation of an intangible asset are identified as the difference between the dismissal value and the loading value of the asset and they are identified in the Income Statement at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Assets under concession

The concessions mainly consist of rights relevant to networks, systems and other equipment relevant to the Integrated Water Service given under license to SMAT Spa and which are functional to the management of such service. Such licenses are classified in a purposely-allocated item according to the interpretation IFRIC 12 – Service Concession Arrangements. As far as the depreciation is concerned, IFRIC provides that the latter is calculated on the basis of what is stated in the agreement and - in particular - in a constant measure for the shorter period of time between the technical and economic lift of the assets given in license and the duration of the license itself, until the takeover value provided for in the license agreement is achieved.

In particular, the value of the right of use of the public assets of the waterworks of the City of Turin and of C.I.A.C.T., which are defined in compliance with the expert appraisal of transfer, have been reported in this Financial Statements on the basis of the duration of the relevant agreement deed extended by Ente d’Ambito Torinese n. 3. The depreciation of the improvements made to said assets after the transfer date have been determined based on the estimated economic and technical useful lifespan. The depreciations on the improvements made to the well systems entrusted in direct management to the Company have been determined with reference to the estimated economic and technical useful life of the improvements made.

The extension of the waterworks system of the City of Turin, received under a license agreement and for which it was established in the previous license contract by the City of Turin to AAM Torino S.p.A. (now liquidated) to be devolved free of charge at the end of the license have been depreciated on the basis of the estimated economic and technical life of said extension.

The extension includes the rights on networks, systems and other equipment relevant to the Integrated Water Service and connected to services managed by SMAT S.p.A. The implementation of IFRIC 12 has required the application to the same infrastructures - of IAS 11, since, if the licensee builds or upgrades an infrastructure it does not control, the relevant services of building and upgrading developed on behalf of the licensor are considered as actual activities developed against purchase order. Since a large part of the activities is sub-contracted and that the margin of benefit acknowledged in the remuneration of the service rate cannot be identified separately on the building activities that were developed in-house, such infrastructures are identified based on the cost that was actually sustained.

The item “Assets under construction and payments on account” includes costs incurred for the acquisition or in-house production of intangible assets, mainly works realised on the concession network that have not yet entered into operation and includes payments to suppliers for advances concerning the acquisition of intangible assets.

Shareholdings

Shares in partner companies are accounted using the net equity method, starting from the date when significant impact begins and up to the moment when this significant impact ceases..

Shares in other companies are valued at fair value in accordance with the other components in the comprehensive financial statement. Shares held exclusively for the purpose of subsequent alienation are excluded from this approach, and their fair value is inserted in the profits (losses) of the fiscal year. The risk deriving from any losses exceeding accounting value of the shareholding is identified in a purposely-allocated fund insofar the parent company is committed to comply with the legal obligations or in those that are implicit to the subsidiary or in any case to cover its losses.

To ensure the correctness of the recorded value, the shares in partner companies and other companies were subjected to the impairment test. Operationally, for the purpose of this test, the accounted value of reference for these shares was determined and then compared with the recoverable value identified through valuation performed by an external independent expert.

In case the share of competence of the Company of the losses in the participating interest exceeds the accounting value of the participating interest, the value of the participating interest is zeroed and the share of any further losses is identified as a liability fund in case the Company is obliged to respond to it.

The dividends received are recognized in the Income Statement once the right to receive the relevant payment is established. In case the related company has distributed dividends, also the following aspects are considered as potential indicators of loss of value:

- The reported value of the participating interest exceeds the accounting value in the consolidated balance sheet of the net assets of the related company, including the relevant goodwill;
- The dividend exceeds the overall value of the profit and loss account in the period of time the dividend refers to.

The financial assets the Company intends to and can keep until the expiry are reported at the cost represented by the fair value of the initial amount given in exchange, incremented by the transaction cost. As a result of the initial identification, the financial assets are assessed through the criteria of depreciated cost, using the method of the actual interest rate.

Non-current financial assets

Such category includes those assets that are not represented by derivate instruments and are not quoted in an active market, of which fixed or identifiable payments are expected. Such assets are assessed at the depreciated cost based on the actual interest rate method. If there is objective evidence of the value loss indicators, the value of the assets is reduced in such a measure to result equal to the discounted value of the flows that can be obtained in the future: the losses of value determined through the impairment test are reported in the Income Statement. If the reasons of the previous write-downs no longer stand in subsequent periods, the value of the assets is resumed until it reaches the value that would derive from the application of the depreciated cost if the impairment had not been performed. Such assets are classified as current assets, except the shares whose expiry is longer than 1 month, which are included amongst the noncurrent assets.

Inventory

The inventory is assessed at the lowest value between the average weighed cost for the movement and the corresponding market value, in order to reflect any conditions of technical obsolescence or low turnover, as reported in the purposely-allocated Write-down Fund taken to direct reduction of the inventory to take the cost back to the value that is expected to be achieved.

Receivables

The credits are initially computed at the "fair value" and - then - at the depreciated cost, where it is significant, using the actual interest rate, reduced for losses of value. The losses of value of the credits are reported in the Income Statement when objective evidence is detected that the Group shall not be able to recover such credit. The amount of the write-down is measured as the difference between the accounting value and the current value of the expected future financial flows. The value of the credits is reported in the financial statement net of the credit write-down fund.

With reference to the impairment model, the IFRS 9 principle – Financial Instruments: recognition and measurement - of the year 2018 requires that the estimate of the losses on credits is performed on the basis of the expected losses model (instead of on the model of the incurred losses utilized by IAS 39) using supportable information, available without charges or unreasonable efforts that required historical, current and perspective data; The principle foresees that the impairment model is applied to all financial instruments, or to financial activities valued at the amortized cost, to those valued at fair value , to credits derived from rental contracts and commercial credits. The Group has developed a credit analysis model whereby it also takes into account receivables not yet overdue in establishing the provision for bad debts, and determines the write-downs to be applied to the different types of receivables past due.

Financial assets and other current assets

They are initially reported at the "fair value" (including the costs incurred for the acquisition/emission) at the date of the transaction. Then, they are assessed at the depreciated cost, using the actual interest rate criteria, wherever it is significant and assimilating any losses of value into the Income Statement.

Industry information

The information relevant to the sectors of activity was arranged in compliance with the provisions of IFRS 8 "Operational sectors", which include the submittal of the information in compliance with the modes adopted by the management for the operational decision-making.

Therefore, the identification of the sectors of operation and the information submitted are defined based on the internal reporting used by the management for the allocation of the resources to the different segments and for the analysis of the relevant performance.

A sector of operations is defined by IFRS 8 as a component of a body that : I) undertakes entrepreneurial activities that generate cost and revenue (including the revenues and costs concerning operations with other components of the same body); II) whose operational results are regularly reviewed at the highest operational decision-making level of the body for the purposes of the adoption of decisions as related to the resources to be allocated to the sectors and of the assessment of the results; III) for which separate information is available in the financial statement.

The management has identified only one operational sector, into which all the main services and products supplied to the customers flow, since the activity of the company consists of the management of the Integrated Water Service which is no further broken down at the level of the internal strategic reporting.

Cash and cash equivalents

The liquidity includes the cash on hand, also in the form of checks, and on demand bank deposits. The equivalent means consist of financial investments with a three-month expiry or lower (as from the date of their purchase), which can be promptly converted into liquidity and with an insignificant risk of variation in their value.

Such items are calculated at fair value; profits or losses deriving from any changes in the fair value are reported in the Income Statement.

Own shares

Le azioni proprie sono iscritte al costo di acquisto. Also the counter value deriving from their release is reported with net equity counterpart, with no computing into the Income Statement.

Provisions for risks contingencies and charges, benefits to the employees

The provisions for contingencies and charges concern charges of a determined nature and whose certain or likely existence that - at the date the Financial Statements is being closed - are undetermined as far as the amount or the date of occurrence are concerned. The provisions are identified when: The provisions are identified when: (i) the existence of a current, legal or implicit obligation deriving from a past event, is likely; (ii) the compliance with subject obligation is likely to be burdensome; (iii) the amount of the obligation can be reliably estimated.

The provisions to the funds represent the best estimate of the costs required to face compliance at the date of the Financial Statements (assuming there are sufficient elements to run such estimate) and they are actualized when the effect is significant, and the required information is available. In such cases, the provisions are determined by actualizing the future cash flows at a discount rate before taxes that reflects the current market assessment and take into account the risks connected to the company activity. When the actualization is performed, the increment of the provisions due to time is reported in the financial charges. If the liabilities are due to material activities (e.g.: revamping of sites) the fund is reported in counterpart to the activity it refers to and the identification of the charge in the Income Statement is performed through the depreciation process of the tangible asset the charge refers to. In case of redefinition of the liabilities, the methods provided for by IFRIC 1 are applied.

The explanatory notes also illustrate potential liabilities represented by; (i) potential - though not likely - obligations deriving from past events, whose existence shall only be confirmed upon occurrence of one or more uncertain future events that are not under the full control of the Company; (ii) current obligations deriving from past events, whose amount cannot be reliably estimated or whose compliance with is likely not to be onerous.

Benefits to the employees (Severance pay)

The liabilities relevant to the defined benefit programs (such as the Severance pay for the amount accrued before January 1st 2017 and the other benefits for the employees) are defined net to any activities at the service of the plan, on the basis of current assumptions and by competences, consistently with the working performance required to obtain such benefits; the assessment of the liabilities is performed with the support of independent actuaries. The value of the current profits and losses is reported into the other components of the total Income Statement. Further to Financial Law of December 27th 2006 n° 296, for companies having more than 50 employees, as related to shares accrued starting from January 1st 2007, the Severance Pay is configured as a plan with defined contributions.

Trade payables and other liabilities

Trade payables and other debts are initially reported at fair value, net of the accessory costs of direct computing, and they are then detected at the depreciated cost, where significant, applying the criteria of the actual interest rate.

The "Other liabilities" item includes current "bound revenues" share" determined by Ente d'Ambito Torinese no. 3 with Deliberation no. 483/2013 and reported to fiscal year 2012.

Costs and revenues

The costs and revenues are reported net of the amended items, i.e. returns, discounts, reductions and any estimate changes. They are identified at the moment the customer is transferred the control of the product sold, i.e. as related to the services, in the accounting period they are rendered.

In particular, as far as the revenues are concerned:

- The revenues for service performance are acknowledged at the date the performance is completed;
- Revenues for the sale of water acknowledged and counted at the time of delivery, including the allocation for deliveries made, but not yet invoiced (estimated according to historical analyses determined in relation to past consumption);
- Revenues for the sale of products are acknowledged at the moment the customer is transferred control of the product sold, generally corresponding to the delivery or shipment of the goods.

The costs are accounted for according to the accrual principle.

Grant for Plants

The grants for plants are reported in the accounts once there is the justification documentation of the imminent collection by the paying body. These concur to form the result of the fiscal year according to the rules of economic accrual, determined as related to the residual economic and technical lifespan of the assets they refer to.

Financial income and expenses

Financial proceeds and charges are calculated according to the accrual principle. The dividends of other companies are recorded in the Income Statement in the moment in which the right to receive payment has been established.

Income tax for year

Income tax for the year consists of the sum of current and deferred taxes. TIncome tax is based on profit for the year before taxes. Profit before taxes differs from the result entered in the Income Statement since it excludes positive and negative components that will be taxable or deductible in other fiscal years and - furthermore - it excludes items that will never be taxable or deductible. "Liabilities for current taxes" are calculated using the rates in force as at the date of the Financial Statements. In determining the income taxes, the Company has taken into due consideration the effects deriving from the last fiscal reform introduced by Law no. 244 of December 24th 2007 and - in particular - the strengthened principle of derivation established by art. 83 of TUIR, which requires the entity applying the international accounting principles to apply, even in exceptions to the provisions of the TUIR, "the criteria of qualification, temporary computing and classification of the Financial Statements according to said accounting principles".

Deferred taxes are calculated as related to the temporary differences in the taxation and are entered under "Deferred tax liabilities". Deferred tax credits are calculated to the extent in which it is deemed probable the existence, in the fiscal years during which the relevant temporary differences will spill over, of a taxable income at least equal to the amount of the differences which will be annulled. The deferred and anticipated taxes are determined on the basis of the tax rates expected to be applicable in the fiscal year in which the tax credit will be realized or the tax debt will be extinguished, on the basis of the tax rates defined by measures in force or substantially in force as at the reference date of the financial statement. Such changes are entered under either the Income Statement or under net equity, as related to the computing made at the origin of the reference difference.

Impairment test

The accounting values of the Group activities are assessed at every reference date of the statement of account, in order to determine whether there are indications of value reductions, in case you proceed to the estimate of the recoverable value of the activity A loss by value reduction (impairment) is recorded in the Income

Statement when the accounting value of an asset or of a unit that generates financial flows exceeds the recoverable value.

The recoverable value of the non-financial activities correspond to the greatest value between their "fair value" net to the sale cost and the value in present use. To determine the value in present use, the estimated future financial flows are actualized using a discount rate that reflects the market assessment of the money value and of the risks related to the type of activity. In case of activities that do not generate financial flows in input, that are widely independent, we proceed by calculating the recoverable value of the unit that generates financial flows to which the asset belongs.

When, subsequently, a loss on assets other than goodwill and other assets of indefinite useful lifespan, no longer exists or is reduced, the accounting value of the asset and of the asset that generates financial flows is increased until the new estimate of the recoverable value is calculated, which cannot exceed the value that would be determined if no loss were detected by impairment. The recovery of an impairment is immediately recorded in the Income Statement.

Use of estimations

The drafting of the statement of accounts and relevant explanatory notes requires the administration body to run estimates that impact the values of the balance sheet assets and liabilities and on the information relevant to the potential assets and liabilities to the date of the balance sheet.

The current status of generalized economic and financial crisis involves the need to make assumptions as related to the future trend, which can be characterized by uncertainty. Subsequently, we cannot exclude in the future different results from what has been estimated, that could therefore require amendments that cannot be estimated today or foresee them at the accounting value of the relevant balance sheet items.

The estimates are utilized in different areas, such as the credit write-down fund, the Risk Fund for Potential Liabilities, the depreciations, the assessment of the assets relevant to participating interest in related companies and subsidiaries, the sale revenues, the costs and changes relevant to the management of the Integrated Water Service, and the revenue taxes.

The estimates and assumptions are periodically reviewed by the Group on the basis of the better knowledge of the activity and of other factors that can be reasonably derived from the current circumstances, and the effects of any changes are immediately reflected in the Income Statement.

Other information

Corporate agreements outside the Statement of Assets and Liabilities

Bear in mind there are no agreements resulting from the Financial Statement that can have a significant impact on the equity and financial status, or on the economic result of the Company.

Amounts expressed in Notes to the Accounts

Unless otherwise indicated, the amounts reported in the Notes to the Accounts are expressed in Euro units with rounding up to the upper unit for hundredths equal to or greater than 50

Accounting principles, IFRS amendments and interpretations adopted from January 1st 2022

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Company starting as of 1 January 2022:

- On 14 May 2020, the IASB published the following amendments:
 - **Amendments to IFRS 3 Business Combinations:** the amendment will update the reference contained in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions set out in IFRS 3.
 - **Amendments to IAS 16 Property, Plant and Equipment:** it will no longer be possible to detract from the cost of tangible assets the amount obtained on disposal of assets during the testing stage of the asset itself. Such revenues from disposal and the relative costs will therefore be recorded in the income statement.
 - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment makes it clear that the charges that may arise from a contract must be estimated by taking into account all the costs directly attributable to the contract. Accordingly, besides incremental costs (e.g., the cost of direct materials processed), the evaluation of the possible charges associated with a contract must also

take into account all the costs that they company cannot avoid on account of having signed the contract (e.g., the proportions of personnel cost and depreciation of the machinery used to perform the contract).

- **Annual Improvements 2018-2020:** amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IAS 41 Agriculture, and to the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not produce any effects on the financial statement of the Company.

Accounting principles, amendments and interpretations IFRS authorized by the European Union, not yet mandatory and not adopted in advance by the Group on 31 December 2022

- On 18 May 2017, IASB published the principle **IFRS 17 – Insurance Contracts** which is destined to replace IFRS 4 – Insurance Contracts.

The objective of the new principle is to guarantee that an entity provides pertinent information that faithfully represents the rights and obligations derived from issued insurance contracts. The IASB has developed a standard for elimination of existing incongruities and weaknesses in accounting policies, providing a single principle-based framework for taking into account all types of insurance contracts, including reinsurance contracts held by the insurer.

The new principle also includes requirements for presentation and reporting to improve comparability among the entities in this sector.

The new principle measures an insurance contract based on a General Model or a simplified version of the same, called the *Premium Allocation Approach* (“PAA”).

The main characteristics of the *General Model* are:

- o the estimates and the hypotheses for future cash flows are always current;
- o the measurement reflects the temporal value of money;
- o the estimates foresee extensive use of observable information on the market;
- o there is current and explicit risk measurement;
- o the expected profile is differentiated and aggregated into groups of insurance contracts at the moment of initial reading;
- o the expected profit in the period of contractual coverage takes into account changes deriving from variations in the hypothesis relative to financial flows for each group of contracts.

The PAA approach includes measurement of liabilities for the residual coverage of a group of insurance contracts on the condition that, at the time of initial reading, the entity expects that this liability represents a reasonable approximation of the General Model. Contracts with a period of coverage of one year or less are automatically suitable for the PAA approach. Simplifications derived from the application of the PAA method are not applied to assessment of liability for claims in general, which are measured using the General Model. Nevertheless, it is not necessary to actualize those cash flows if it is expected that the balance to be paid or received is due within one year from the date of the claim.

The entity must apply the new principle to issued insurance contracts, including issued reinsurance contracts, held reinsurance contracts and investment contracts with a discretionary participation feature (DPF).

The principle applies starting from January 1st 2023, but an advanced application is allowed, only for those companies which apply IFRS 9 - *Financial Instruments* - and IFRS 15 - *Revenue from Contracts with Customers*. The Board Members do not expect a significant effect in the consolidated balance sheet from the adoption of this principle.

- On 09 December 2021, IASB published an amendment called **“Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information”**. The amendment is a transition option relating to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to prevent temporary accounting mismatches between financial assets and insurance contract liabilities and hence to enhance the usefulness of the comparative information provided in the financial statements. The changes will become effective on 1 January 2023, together with the application of IFRS 17. The Board Members do not expect a significant effect in the consolidated financial statement of the Group from the adoption of this amendment.

- On 12 February 2021, IASB published two amendments entitled **“Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2”** and **“Definition of Accounting Estimates-Amendments to IAS 8”**. The amendments are intended to improve disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements as well as to help companies distinguish between changes in accounting estimates and changes in accounting policies. The changes will be applied starting from January 1st 2023, but advance application is allowed. At present the administrators are assessing possible effects of introduction of this amendment into the financial statement of the Group.
- On 07 May 2021 IASB published an amendment called **“Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”**. The document clarifies how to recognise deferred taxes on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The changes will be applied starting from January 1st 2023, but advance application is allowed. At present the administrators are assessing possible effects of introduction of this amendment into the financial statement of the Group.

Accounting principles, IFRS amendments and interpretations not yet certified by the European Union

To the date of reference of this document, the competent bodies of the European Union have not yet concluded the certification process required for the adoption of the amendments and principles described hereinunder.

- On 23 January 2020, IASB published an amendment called **“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”** and, on 31 October 2022, published a document called **“Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”**. The purpose of such documents is to clarify how to classify debts and other short-term or long-term liabilities. The changes will be applied starting from January 1st 2024, but advance application is also allowed. At present the administrators are assessing possible effects of introduction of this amendment into the financial statement of the Group.
- On 22 September 2022 IASB published an amendment called **“Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”**. The amendment requires the seller-lessee to evaluate the lease liability arising from a sale & leaseback transaction so as not to recognise a gain or a loss relating to the right of use retained. The changes will be applied starting from January 1st 2024, but advance application is allowed. The Board Members do not expect a significant effect in the consolidated financial statement of the Group from the adoption of this amendment.
- On 30 January 2014, IASB published the principle **IFRS 14 – Regulatory Deferral Accounts** whereby only those who are using the IFRS standards for the first time can continue to recognise the amounts relating to rate-regulated activities under the accounting standards used previously. The Company/Group is not a first-time adopter and hence this standard is not applicable.

Remarks on the Financial Position and Results- Finance

REPORT FOR OPERATIVE CATEGORIES

Identification of service types and the information pertaining to each was based on the elements that the management uses to make its own operative decisions. In particular, internal accounting is audited and used periodically by the top decision-makers of the Group and it takes a single service type as a reference, and all the principal services supplied to customers converge within that service type inasmuch as the Company's business consists of managing the Integrated Water Service.

ASSETS

1. Tangible fixed assets

€ 139,762,438

The composition of the tangible fixed assets and the relevant movements occurring during the fiscal year are entered in the following table:

2021 Categories	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Leased assets	Assets under construction and payments on account	Grand total
Historical cost as at 31 December 2020	102,951,537	316,614,680	18,931,043	19,562,065	1,596,738	9,557,747	469,213,810
Depreciation fund as at 31 December 2020	(38,939,870)	(259,545,391)	(11,143,069)	(15,505,207)	(948,718)	0	(326,082,255)
Net value as at 31 December 2020	64,011,667	57,069,289	7,787,974	4,056,858	648,020	9,557,747	143,131,555
Reclassifications	0	0	4,001,653	1,222,897	0	0	5,224,550
Works in progress completed in 2021	84,044	1,430,297	0	0	0	(1,514,341)	0
Disinvestments in the fiscal year	0	0	(59,073)	(114,950)	(846,028)	0	(1,020,051)
Adjustments	(1,373)	(3,544)	0	0	0	0	(4,917)
Leasing increments	0	0	0	0	6,853,019	0	6,853,019
Increases in the fiscal year	1,094,499	383,076	588,597	1,173,173	0	4,258,675	7,498,020
Historical cost as at 31 December 2021	104,128,707	318,424,509	23,462,220	21,843,185	7,603,729	12,302,081	487,764,431
Reclassification/adjustment of amortization fund	0	0	(2,042,476)	(1,123,901)	0	0	(3,166,377)
Depreciation in the fiscal year	(3,640,979)	(9,499,307)	(1,464,675)	(1,427,583)	(731,026)	0	(16,763,570)
Use of funds	168	292	36,441	108,621	827,073	0	972,595
Depreciation fund as at 31 December 2021	(42,580,681)	(269,044,406)	(14,613,779)	(17,948,070)	(852,671)	0	(345,039,607)
Advances to suppliers	0	0	0	0	0	864,508	864,508
Net value as at 31 December 2021	61,548,026	49,380,103	8,848,441	3,895,115	6,751,058	13,166,589	143,589,332

2022 Categories	Land and buildings	Plants and machinery	Industrial and commercial equipment	Other assets	Leased assets	Assets under construction and payments on account	Grand total
Historical cost as at 31 December 2021	104,128,707	318,424,509	23,462,220	21,843,185	7,603,729	12,302,081	487,764,431
Advances to suppliers as 31 December 2021	0	0	0	0	0	864,508	864,508
Depreciation fund as at 31 December 2021	(42,580,681)	(269,044,406)	(14,613,779)	(17,948,070)	(852,671)	0	(345,039,607)
Net value as at 31 December 2021	61,548,026	49,380,103	8,848,441	3,895,115	6,751,058	13,166,589	143,589,332
Reclassifications Advances to suppliers	0	0	0	0	0	71,079	71,079
Works in progress completed in 2022	141,930	10,111	211,675	0	0	(363,716)	0
Disinvestments in the fiscal year	0	(19,264)	(318,673)	(303,051)	(200,710)	(39,000)	(880,698)
Adjustments	0	0	0	0	0	0	0
Storni Accounti a Fornitori 2021	0	0	0	0	0	(776,844)	(776,844)
Incrementi Accounti a Fornitori 2022	0	0	0	0	0	1,495,263	1,495,263
Increases in the fiscal year	571,336	152,393	2,682,695	1,251,245	257,234	5,523,053	10,437,956
Reclassification/adjustment of amortization fund			0	0			0
Depreciation in the fiscal year	(3,541,856)	(7,090,557)	(1,549,871)	(1,436,413)	(1,249,33)	0	(14,868,035)
Use of funds	0	19,264	192,626	289,319	193,176	0	694,385
Historical cost as at 31 December 2022	104,841,973	318,567,749	26,037,917	22,791,379	7,660,253	17,422,418	497,321,689
Advances to suppliers as 31 December 2022	0	0	0	0	0	1,654,006	1,654,006
Depreciation fund as at 31 December 2022	(46,122,537)	(276,115,699)	(15,971,024)	(19,095,164)	(1,908,83)	0	(359,213,257)
Net value as at 31 December 2022	58,719,436	42,452,050	10,066,893	3,696,215	5,751,420	19,076,424	139,762,438

As indicated in the valuation criteria, the tangible fixed assets also include the entry of the financial changes of direct imputation pertaining to large works in course of amortisation.

The sources of income owed by the Company as ownership have been amortized in the ordinary way in compliance with the criteria of itemized evaluation in the present Notes to the Accounts as well as a function of the rates representative of the estimated residual possibility of utilization as at the date of the present financial statement. On the increments developed in the fiscal year, rate reduced by 50% have been applied. "Plants and machinery" includes the cost of spare parts whose utility spreads over several years.

The item 'Industrial and commercial equipment' includes from 2021 the value of measuring instruments, previously classified under 'Assets under concession'.

"Other tangible fixed assets" include furniture and furnishings, ordinary office equipment, electromechanical and electronic equipment, hardware, cars, motor vehicles for transport and other vehicles. As from 2021, this item also includes the value of coal, previously classified under 'Assets under concession'.

Assets under construction and payments on account amounted to over EUR 19.0 million and included the value, according to the stage of progress, of the works being realised at year-end, as well as payments on account to suppliers.

Subsequent to the application of IFRIC 12, "Service Concession Arrangements", the revertible assets referred to the waterworks system of the City of Turin have been reclassified under intangible assets, as "Assets under concession".

"Leased assets" include leased assets in the statement assets, in alignment with the nature of the same assets, following the adoption of the new IFRS 16 principle *Leases* started on 01.01.2019.

The following details transactions in the "Leased assets" category:

Categories	Leasing – Rentals Hardware	Leasing- Rentals Cars	Leasing – Rentals Other vehicles	Leasing – Leased Buildings	Leasing – leased Land	LEASED ASSETS
Historical cost as at 31 December 2021	25,704	265,665	6,393,375	577,805	341,180	7,603,729
Depreciation fund as at 31 December 2021	(22,569)	(41,985)	(464,447)	(203,764)	(119,906)	(852,671)
Net value as at 31 December 2021	3,135	223,680	5,928,928	374,041	221,274	6,751,058
Reclassifications	0	0	0	0	0	0
Works in progress completed in 2022	0	0	0	0	0	0
Disinvestments in the fiscal year	(25,704)	(15,926)	(8,751)	(131,194)	(19,135)	(200,710)
Adjustments	0	0	0	0	0	0
Leasing increments	0	70,018	35,821	151,395	0	257,234
Depreciation in the fiscal year	(3,135)	(44,998)	(1,068,386)	(86,074)	(46,745)	(1,249,338)
Use of funds	25,704	15,927	1,216	131,194	19,135	193,176
Historical cost as at 31 December 2022	0	319,757	6,420,445	598,006	322,045	7,660,253
Depreciation fund as at 31 December 2022	0	(71,056)	(1,531,617)	(158,644)	(147,516)	(1,908,833)
Net value as at 31 December 2022	0	248,701	4,888,828	439,362	174,529	5,751,420

The item 'Leased Assets', amounting to about €5.7 million (€6.7 million in 2021), is mainly attributable to the signing of the long-term vehicle rental contract.

Intangible fixed assets
€ 816,198,926

The composition of the intangible assets and the relevant movements during the fiscal year are shown in the following table:

2021 Categories	Goodwill	Plant and expansion costs	Development costs	Industrial patent rights & intellectual property rights	Concessions, licenses, trademarks and similar rights	Assets under construction and payments on account	Other	Total Other intangible fixed assets	Assets under concession	Grand total
	A	B	C	D	E	F	G	H (B+C+D+E+F+G)	I	A+H+I
Historical cost as at 31 December 2020	5,928,005	60,807	249,266	210,060	24,144,746	1,510,485	561,108	26,736,472	1,153,466,180	1,186,130,657
Depreciation fund as at 31 December 2020	0	(60,807)	(249,266)	(210,060)	(22,333,043)	0	(203,969)	(23,057,145)	(420,501,303)	(443,558,448)
Net value as at 31 December 2020	5,928,005	0	0	0	1,811,703	1,510,485	357,139	3,679,327	732,964,877	742,572,209
Reclassifications	0	0	0	0	0	0	0	0	(5,224,551)	(5,224,551)
Works in progress completed in 2021	0	0	0	0	0	(1,305,189)		(1,305,189)	1,305,189	0
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0		0
Adjustments	0	0	0	0	0	0	0	0	(459,348)	(459,348)
Increases in the fiscal year	0	0	0	0	1,627,397	0	0	1,627,397	91,806,371	93,433,768
Historical cost as at 31 December 2021	5,928,005	60,807	249,266	210,060	25,772,143	205,296	561,108	27,058,680	1,240,893,841	1,273,880,526
Reclassification/ adjustment of amortization fund	0	0	0	0	0	0	0	0	3,166,377	3,166,377
Depreciation in the fiscal year	0	0	0	0	(1,887,835)	0	(11,943)	(1,899,778)	(57,547,888)	(59,447,666)
Use of funds	0	0	0	0	0	0	0	0	49,607	49,607
Depreciation fund as at 31 December 2021	0	(60,807)	(249,266)	(210,060)	(24,220,878)	0	(215,912)	(24,956,923)	(474,833,207)	(499,790,130)
Advances to suppliers	0	0	0	0	0	0	0	0	5,264,531	5,264,531
Net value as at 31 December 2021	5,928,005	0	0	0	1,551,265	205,296	345,196	2,101,757	771,325,165	779,354,927

2022 Categories	Goodwill	Plant and expansion costs	Development costs	Industrial patent rights & intellectual property rights	Concessions, licenses, trademarks and similar rights	Assets under construction and payments on account	Other	Total Other intangible fixed assets	Assets under concession	Grand total
	A	B	C	D	E	F	G	H (B+C+D+E+F+G)	I	A+H+I
Historical cost as at 31 December 2021	5,928,005	60,807	249,266	210,060	25,772,143	205,296	561,108	27,058,680	1,240,893,841	1,273,880,526
Advances to suppliers as 31 December 2021	0	0	0	0	0	0	0	0	5,264,531	5,264,531
Depreciation fund as at 31 December 2021	0	(60,807)	(249,266)	(210,060)	(24,220,878)	0	(215,912)	(24,956,923)	(474,833,207)	(499,790,130)
Net value as at 31 December 2021	5,928,005	0	0	0	1,551,265	205,296	345,196	2,101,757	771,325,165	779,354,927
Reclassifications Advances to Suppliers	0	0	0	0	0	0	0	0	(71,079)	(71,079)
Works in progress completed in 2022	0	0	0	0	0	(95,015)	0	(95,015)	95,015	0
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0	0	0
Reversals of 2021 Advances to Suppliers	0	0	0	0	0	0	0	0	(1,628,142)	(1,628,142)
Increases in 2022 Advances to Suppliers	0	0	0	0	0	0	0	0	1,270,293	1,270,293
Increases in the fiscal year	0	0	0	0	2,689,660	41,755	0	2,731,415	97,264,788	99,996,203
Reclassification/adjustment of amortization fund	0	0	0	0	0	0	0	0	0	0
Depreciation in the fiscal year	0	0	0	0	(1,905,352)	0	(11,945)	(1,917,297)	(60,805,979)	(62,723,276)
Use of funds	0	0	0	0	0	0	0	0	0	0
Historical cost as at 31 December 2022	5,928,005	60,807	249,266	210,060	28,461,803	152,036	561,108	29,695,080	1,338,253,644	1,373,876,729
Advances AS AT 31 December 2022	0	0	0	0	0	0	0	0	4,835,603	4,835,603
Depreciation fund as at 31 December 2022	0	(60,807)	(249,266)	(210,060)	(26,126,230)	0	(227,857)	(26,874,220)	(535,639,186)	(562,513,406)
Net value as at 31 December 2022	5,928,005	0	0	0	2,335,573	152,036	333,251	2,820,860	807,450,061	816,198,926

For detailed transactions in the category “Assets under concession” refer to the section of reference.

2. Goodwill

€ 5.928.005

The value of the goodwill to 31 December 2022 can be ascribed historically to the acquisition of the SAC business unit (January 1st 2014), amounting to EUR 96,000 and the SAP S.p.A. business unit (July 1st 2015) regarding the Municipalities of ATO 3 Torinese amounting to EUR 5,832,005, entered under the intangible assets with the approval of the Board of Auditors.

Goodwill, which had previously been allocated to the relevant Cash Generating Unit (CGU), also based on the management strategies introduced and the redefinition of the Economic-Financial Business Plan, was reallocated to the CGU corresponding to the Parent Company, in accordance with IAS 36 whereby the entire company is conceived as the cash-generating unit, i.e., the operating unit aimed at recovering the value recorded. It should be noted, however, that if the approach had been consistent with the previous year, no impairment would have emerged with regard to the recoverability of the value recorded.

Pursuant to IAS 36, effective 1 January 2015, goodwill is not subject to amortisation, but is tested for impairment annually, or more frequently if specific extraordinary events and circumstances occur. The impairment test performed by an independent expert was conducted by comparing enterprise value and net value of the assets as at 2022.

The enterprise value was determined by applying the Discounted Cash Flow ('DCF') method, including the residual value of the assets (terminal value), according to the “asset side” financial approach by discounting the operating cash flows related to the CGU arising from the 2020-2033 Business Plan, annexed to Industrial Plan 4.0 (2020-2024) approved by the Ordinary Shareholders' Meeting held on 26 June 2020, and the residual value of the assets as at 2033. The Economic and Financial Plan also highlights the results expected for the whole duration of the license and - even though it is drafted on a time horizon longer than 5 years - it constitutes the representative document to identify the prospect cash flows

The discount value utilized is represented by the WACC identified with reference to the sector the identified CGU operates within. The discount rate I(WACC) utilized reflects the market assessments on the cost of money and the specific risks of the sector of activities and of the reference geographic area.

In particular, in determining the actualization rate, the following parameters have been utilized:

- Free risk rate of 3,26%;
- Risk premiums at 5.94%
- Beta for the “water utilities” sector at 0.59;
- Cost of debt at 2.58%.

The estimated discount rate (WACC) is therefore 4.33%

The impairment test performed did not reveal any impairment of the goodwill recorded in the balance sheet.

3. Other intangible assets

€ 2,820,860

The intangible assets are entered amongst the statement of account assets, since they are part of the assets allocated to be durably used. No value adjustment has been applied to the cost of acquisition or production of the intangible assets.

“Concessions, licenses, trademarks and similar rights” includes the cost incurred for the acquisition of software licenses depreciated in three fiscal years, and for the deposit of trademarks, which are depreciated in ten fiscal years.

The item 'Assets under construction payments on Account’ includes the value of certain studies under completion.

4. Concessions

€ 807,450,061

2021 Categories	Usage rights assets granted by CIACT	Usage rights constituting the aqueduct system for the City of Turin	Improvements on SI assets of the City of Turin	Improvements on SI assets of for external municipalities in management	Ongoing improvement works and advance payments on improvements on SI assets Of the City of Turin	Ongoing improvement works and advance payments Improvements on SI assets of for external municipalities in management	Revertible assets	Assets under concession
Historical cost as at 31 December 2020	3,834,635	50,871,004	207,661,970	728,183,300	35,578,637	121,930,270	5,406,364	1,153,466,180
Depreciation fund as at 31 December 2020	(2.771.425)	(37.729.328)	(91.337.850)	(283.725.279)	0	0	(4.937.421)	(420.501.303)
Net value as at 31 December 2020	1,063,210	13,141,676	116,324,120	444,458,021	35,578,637	121,930,270	468,943	732,964,877
Reclassifications	0	0	0	(5.224.551)	0	0	0	(5.224.551)
Works in progress completed in 2021	0	0	8,103,624	47,579,475	(7.894.454)	(46.483.456)	0	1,305,189
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0
Adjustments	0	0	0	(243.610)	(27.419)	(188.319)	0	(459.348)
Increases in the fiscal year	0	0	6,871,052	17,528,826	19,383,934	48,022,559	0	91,806,371
Historical cost as at 31 December 2021	3,834,635	50,871,004	222,636,646	787,823,440	47,040,698	123,281,054	5,406,364	1,240,893,841
Reclassification/adjustment of amortization fund	0	0	0	3,166,377	0	0	0	3,166,377
Depreciation in the fiscal year	(81.939)	(1.010.898)	(10.003.452)	(46.235.980)	0	0	(215.619)	(57.547.888)
Use of funds	0	0	0	49,607	0	0	0	49,607
Depreciation fund as at 31 December 2021	(2.853.364)	(38.740.226)	(101.341.302)	(326.745.275)	0	0	(5.153.040)	(474.833.207)
Advances to suppliers	0	0	0	0	369,634	4,894,897	0	5,264,531
Net value as at 31 December 2021	981,271	12,130,778	121,295,344	461,078,165	47,410,332	128,175,951	253,324	771,325,165

2022 Categories	Usage rights assets granted by CIACT	Usage rights constituting the aqueduct system for the City of Turin	Improvements on SII assets of the City of Turin	Improvements on SII assets of for external municipalities in management	Ongoing improvement works and advance payments on improvements on SII assets of the City of Turin	Ongoing improvement works and advance payments Improvements on SII assets of external municipalities in management	Revertible assets	Assets under concession
Historical cost as at 31 December 2021	3,834,635	50,871,004	222,636,646	787,823,440	47,040,698	123,281,054	5,406,364	1,240,893,841
Advances to suppliers as 31 December 2021					369,634	4,894,897		5,264,531
Depreciation fund as at 31 December 2021	(2.853.364)	(38.740.226)	(101.341.302)	(326.745.275)	0	0	(5.153.040)	(474.833.207)
Net value as at 31 December 2021	981,271	12,130,778	121,295,344	461,078,165	47,410,332	128,175,951	253,324	771,325,165
Reclassifications Advances to suppliers	0	0	0	0	2,144,716	(2.215.795)	0	(71.079)
Works in progress completed in 2022	0	0	7,725,376	30,500,574	(7.724.543)	(30.406.392)	0	95,015
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0
Reversals of 2021 Advances to Suppliers					(491.758)	(1.136.384)		(1.628.142)
Increases in 2022 Advances to Suppliers					673,294	596,999		1,270,293
Increases in the fiscal year	0	0	6,356,190	18,476,292	21,262,607	51,169,699	0	97,264,788
Reclassification/adjustment of amortization fund	0	0	0	0	0	0	0	0
Depreciation in the fiscal year	(81.939)	(1.010.898)	(10.533.007)	(49.071.491)	0	0	(108.644)	(60.805.979)
Use of funds	0	0	0	0	0	0	0	0
Historical cost as at 31 December 2022	3,834,635	50,871,004	236,718,212	836,800,306	60,578,762	144,044,361	5,406,364	1,338,253,644
Advances to suppliers as 31 December 2022	0	0	0	0	2,695,886	2,139,717	0	4,835,603
Depreciation fund as at 31 December 2022	(2.935.303)	(39.751.124)	(111.874.309)	(375.816.766)	0	0	(5.261.684)	(535.639.186)
Net value as at 31 December 2022	899,332	11,119,880	124,843,903	460,983,540	63,274,648	146,184,078	144,680	807,450,061

Subsequent to the adoption of IFRIC 12, such category includes the improvements for the enhancement of the assets received in use by the City of Turin as well as the system of the well water systems entrusted in direct management to the Company and depreciated on the basis of the estimated residual economic and technical lifespan.

The item "Ongoing improvement works and advance payments" includes the value of works in progress at year-end, as well as the value of advance payments to suppliers for the construction of integrated water service works for the external municipalities and the City of Turin.

The entry "Assets under concession" also refers to "Revertible assets" which show the values of the extensions, realized by the former Shareholder AAM Torino S.p.A., to add to the aqueduct system of the City of Turin and received by the same in provision, for which the constraint for free transmission at the end of the relative lease was stipulated.

Moreover, it includes the value of the "Right of use of the assets that constitute the waterworks system", which is mandatory and already acknowledged by the City of Turin when they are given to the former Shareholder AAM Torino S.p.A. and then given by the latter to SMAT Torino S.p.A. The item also includes the value of the right to use the the waterworks system transferred to January 1st 2003 by C.I.A.C.T. in liquidation. The values are represented in compliance with the expert appraisals drafted for the purposes of the conferrals and amortized as a function of the new expiration date of the pact between Ente d'Ambito n. 3 Torinese and SMAT S.p.A.

The value of usage rights is amortized based on the relative agreement deed. Amortizations on improvements and revertible assets were determined with reference to the estimated economic-technical lifespan.

5. Investments

€ 11,649,593

The table below shows the carrying values of investments held in associated companies and other companies as at 31 December 2022. The stakes held in associated companies, which are recognised under equity, were subjected to impairment test by an independent consultant, who also carried out an equity or earnings valuation of the investments in other companies.

Categories	Associates	Other enterprises	Grand total
Historical cost as at 31 December 2021	43,102,340	3,566,923	46,669,263
Value adjustment as at 31 December 2021	(35.012.388)	(78.126)	(35.090.514)
Net value as at 31 December 2021	8,089,952	3,488,797	11,578,749
Increases in 2022			
Decreases in 2022			
Value adjustment in 2022	70,844		70,844
Historical cost as at 31 December 2022	43,102,340	3,566,923	46,669,263
Value adjustment as at 31 December 2022	(34.941.544)	(78.126)	(35.019.670)
Net value as at 31 December 2022	8,160,796	3,488,797	11,649,593

In general terms, the statement of account values do not significantly exceed the ones that correspond to the fractions of Net Equity reported in the statements of account to 31 December 2022 of the related companies.

Pursuant to art. 2427, paragraph 1, no. 5 of the Italian Civil Code, the shareholding in subsidiaries, existing as at 31 December 2022, refers to:

- Shareholding in **Risorse Idriche S.p.A under liquidation** (from June 1st 2021) registered office in Turin, Corso XI Febbraio n. 22, with the following characteristics:

Shareholding in Risorse Idriche S.p.A. under liquidation (from June 1st 2021)

a) Share capital of the investee	€	7,633,096
b) Shares held	Qty.	3,429,125
c) Nominal value per share	€	N/A
d) Purchase cost	€	43,102,341
e) Stake held	%	47.55
f) Consolidated Book Value	€	8,160,796
g) Consolidated Net Equity	K/€	17,164
h) Result of previous fiscal year	K/€	311

The value of the equity investment in Acque Potabili S.p.A. in liquidazione, equal to €8.2 million, was adjusted to the corresponding fraction of shareholders' equity, deemed recoverable by the liquidation process, with a value adjustment of €71 thousand.

The Extraordinary Shareholders' Meeting of company Società Acque Potabili held on 29 April 2021 resolved on the early dissolution of the Company pursuant to art. 2484(1) no. 6) of the Civil Code and its ensuing winding up. The deed was registered and recorded in the Trade Register of Turin on 31 May 2021. As from that date, the resolution for the liquidation of Società Acque Potabili came into full effect.

The Extraordinary Meeting of the Shareholders of the Acque Potabili S.p.A. of 31 May 2021 amended Article 5 of the Articles of Association, eliminating the unit value of the shares. Given the unchanged share capital (equal to EUR 7,633,096), following the cancellation of 420,939 shares, SMAT saw its shareholding increase from 44.92% to 47.546%.

The Ordinary Shareholders' Meeting of Società Acque Potabili S.p.A in liquidation since 29 April 2022 approved the financial statements for the period from 1 June to 31 December 2021 (first intermediate liquidation financial statements) that ended with a positive result of EUR 158,000, transposes the negative result of the period from 1 January to 31 May 2021 had ended with a negative result of EUR – 196,000, as recorded in the statement of accounts handed over to the liquidators on 16 September 2021.

The shareholding in Acque Potabili Siciliane S.p.A. after the filing of the Extraordinary Administration Procedure of February 7th, 2012, in bankruptcy since October 10th 2013, has been reclassified as "Other companies" instead of shareholding in related companies, even though it was fully depreciated nel bilancio in chiusura. As it is better entered in the Management Report, it is completely out of SMAT Group consolidation area.

The independent expert used the equity method to value companies Acque Potabili S.p.A., under liquidation, Nos S.p.A. and Environment Park S.p.A.; to value the other investees, the expert used the revenue method, based on the weighted average cost of capital, (WACC) of 4.33%.

The fair value valuation of the other shares determined a value that is substantially aligned with the cost of investment, already recorded on 31 December 2021, at 3.5 million Euros. Even though the profitability of some investees in the medium term results positive, the values were not changed because they were not considered significant.

On July 19th 2016, a specific Notary Deed defined the establishment of the Water Alliance – Acque del Piemonte (now Utility Alliance del Piemonte) network of enterprise, whose registered office is in Turin– Viale Maestri del Lavoro n. 4.

As at 31 December 2022 the Equity Fund amounted to Euro 95,000 in which SMAT holds a 5.56% interest.

This network of enterprises as at 31 December 2022 as a result of changes during the financial year 2022 is established by 18 Piedmontese water service companies, that signed a "network agreement" aimed at upgrading their competitive capacity through a shared representation of interests on behalf of institutional stakeholders and associations, as well as shared decision-making processes.

6. Deferred tax assets

€ 22,503,513

This item (€18,052,836 in the previous fiscal year) includes the credit deriving from the active deferred taxes calculated on the allocations for costs with future deductibility and on revenues for which taxes were paid in advance.

The entry shows an increase of over EUR 4,450,677 from the previous fiscal year, due to the combined effect of: deductibility of costs accrued in the fiscal year in progress, future fiscal years and deduction of the costs recorded in previous fiscal years, in the present fiscal year.

Such effects are reported in the following detail table:

Description	Multiannual Deferred income	Provision for risk and charges	Allocation of Provision for Bad Debts Receivables	Goodwill and brands amort.	Inventory depreciation	Maintenance expense exceeding the deductible share	ACE and carry-forward losses	Interest receivable on late payments	Other local Income Taxes, directors emoluments	Intragroup Tax effects	TOTAL
Taxable base As at 31 December 2021	9,555,993	10,891,213	50,951,056	17,333		12,866		43,148	11,347		71,482,958
Deferred tax credit as at 31 December 2021	2,694,792	3,070,798	12,228,256	4,888		3,088		10,355	2,723	37,937	18,052,837
Base allocation	(577,402)	(2,136,079)				(4,059)		(37,316)	(11,347)		(2,766,203)
Tax uses 2022	(162,827)	(601,849)				(974)		(8,956)	(2,723)	(12,141)	(789,471)
Base Adjustments 2022											
Tax adjustments 2022											
Base allocation 2022		8,204,247	12,012,802		220,000		83,163	6,508	10,200		20,536,920
Tax provisions 2022		2,280,308	2,883,073		52,800		19,959	1,562	2,448		5,240,149
Taxable base as at 31 December 2022	8,978,591	16,959,381	62,963,860	17,333	220,000	8,807	83,163	12,339	10,200		89,253,675
Deferred tax credit as at 31 December 2022	2,531,964	4,749,255	15,111,327	4,888	52,800	2,114	19,959	2,962	2,448	25,796	22,503,513

7. Non-current financial assets

€ 1,369,572

		31 December 2022	31 December 2021
– Receivable caution money	€	1,282,659	1,197,112
– Customers		86,913	109,891
Total	€	1,369,572	1,307,003

The non-current financial assets towards Customers are represented by credits registered following the under-signing of an agreement for governing the use of land in the Municipalities of Scalenghe and Airasca, for the years 2011 - 2018 with a payable plan up to 2031.

The receivables are recorded in the financial statement, as required by IFRS 9 – Financial Instruments, at the amortized cost.

CURRENT ASSETS

8. Inventory € 8,242,024

The item includes:

		31 December 2022	31 December 2021
- Raw, subsidiary materials and consumables	€	7,918,909	7,416,171
- Finished products and goods	€	41,145	41,145
- Advances	€	281,970	0
Total	€	8,242,024	7,457,316

The total increase in inventory from the previous fiscal year amounted to € 784,708.

The Inventory consists of materials whose use does not contain features of multi-year usefulness. It is assessed in the financial statement at the lowest price between the average weighted price and the market price. The value of the inventory is adjusted by a depreciation fund regarding slow turnover materials for an amount of € 990,000, (€ 770,000 in the previous year.) Also to be noted is the recognition in 2022 of advances to suppliers for € 281,970.

No financial charges were attributed to the inventory value.

9. Trade and other receivables € 250,768,315

The book value of the trade receivables breaks down as follows:

		31 December 2022	31 December 2021
Due from customers			
• Bills and invoices issued	€	239,207,549	219,897,225
• Bills and invoices to be issued	€	74,570,468	56,043,785
• Provision for bad debts	€	(64.938.326)	(52.336.280)
Total due from customers	€	248,839,691	223,604,730
Due from associates	€	40,357	24,521
Due from holding companies	€	1,248,548	1,191,616
Due from other	€	639,719	317,432
Net book value	€	250,768,315	225,138,299

DUE FROM CUSTOMERS € 248,839,691

The net value of trade receivables increased by about € 25 million over the previous year, mainly generated by the increase in rates and the economic crisis context. The parent company collected about € 69.8 million of the total receivables recognised during the early months of FY 2023. Receivables are subject to a careful assessment of the risk of arrears and are recognised at their presumed realisable value by taking into account future losses estimated on the basis of the historical series, and therefore, in accordance with IFRS 9 - Financial Instruments, the overall value of the prudential write-down of receivables was determined to amount to € 65 million.

DUE FROM ASSOCIATES € 40,367

The item (€ 24,521 in the previous fiscal year) is represented by receivables due to SAP under liquidation.

DUE FROM HOLDING COMPANIES € 1,248,548

This item (€ 1,191,615 in the previous fiscal year) includes receivables from the City of Turin deriving from normal trade transactions executed at market conditions for water supply, rentals and accessory jobs.

DUE FROM OTHER € 639.719

These consist of residual trade receivables. The increase of € 322,287 over the previous year is correlated to the advances to suppliers under Article 35 of the Contract Code.

10. Current tax assets **€ 3,331,172**

This item (€ 570,080 in the previous year) mainly includes the net tax credit recognised by the Revenue Agency for the purchase of electricity and gas amounting to euro 2,818,036, as well as that for investments in capital goods pursuant to Article 1, paragraphs 184/197 of Law no. 160/2019 and Article 1, paragraphs 1054 and 1055 of Law no. 178/2020 for € 256,403, tax credits (IRES and IRAP) awaiting reimbursement for € 97,568 and the tax credit for art-bonus (Law 106/2014) for € 22,750.

11. Current financial assets **€ 84,741**

		31 December 2022	31 December 2021
- Towards clients	€	84,741	58,690
Total	€	84,741	58,690

The financial receivables due from customers refer to the share, expiring within 12 months, of the credit for which details are set forth in the comment of the specific section of non-current financial receivables.

12. Other current assets **€ 25,148,425**

		31 December 2022	31 December 2021
• Accrued income	€	0	0
• Deferred charges	€	786,827	631,011
• Other assets	€	24,361,598	4,830,224
• <i>Due from employees for amounts to be recovered through the holding</i>	€	117,179	99,228
• <i>Due from other</i>	€	24,244,419	4,730,996
Total	€	25,148,425	5,461,235

Other deferrals include accrued amounts of subsequent fiscal years of other costs liquidated in the fiscal year. "Other assets – due from others" is mostly comprised of Receivables from Cassa per i Servizi Energetici e Ambientali (CSEA) for payments to users entitled to the water bonus, estimated to amount to € 17,664,000, and the security deposit for the supply of electricity, of € 3,400,000, as well as credit notes to be received and sundry receivables amounting to approximately € 3,180,000.

13. Cash and cash equivalents **€ 125,075,278**

The liquid assets include:

		31 December .2022.	31 December .2021.
- Bank and Post Office deposits	€	125,048,043	46,993,604
- Short term deposits	€	0	0
- Checks	€	9,701	1,178
- Cash and cash equivalents	€	17,534	15,007
Total	€	125,075,278	47,009,789

The increase over the previous year stems from the receipt of the first tranche of € 100 million disbursed by the EIB in November 2022 for the realisation of the investments planned. All the aforementioned remainders are liquid and fully available as at the date of the Financial Statements without any constraints whatsoever, except for the usual subject to collection clause on checks.

NET EQUITY AND LIABILITIES

The value in the Financial Statements takes into account the deliberations taken by the Ordinary Assembly of Shareholders of June 29th 2022 as related to the destination of the Parent Company results of fiscal year 2021.

14. Net Equity **€ 729,149,206****Net Equity belonging to the Group** **€ 728,679,435**

The book value takes into account the determinations assumed by the Ordinary Meeting of Shareholders of June 29th 2022 as related to the destination of the Parent Company results of fiscal year 2021.

SHARE CAPITAL **€ 345,533,762**

The Share Capital is fully subscribed, paid and recorded in the Register of Enterprises in compliance with the law and is made, as at the date of the Financial Statements, of 5,352,963 ordinary shares of the nominal value of EUR 64.55 each, owned by the Associates.

No movements regarding the shares and share capital have occurred during the fiscal year.

LEGAL RESERVE **€ 25,808,344**

The Legal reserve of Euro 24,098,579 as of 12/31/2021 increased by Euro 1,709,765 during the year as per the resolution of the Shareholder Meeting of 06/29/2022.

RESERVE RESTRICTED TO IMPLEMENTATION PEF **€ 313,340,899**

This reserve, which amounted to €287,352,460 as at 31 December 2021, increased during the financial year by €25,988,439 as a result of the appropriation of profit resolved by the Ordinary Shareholders' Meeting of 29.06.2022.

FTA RESERVE **€ (2,845,993)**

This reserve includes the effects of FTA on the Net Equity deriving from the adoption of the international accounting principles.

OTHER RESERVE AND RETAINED EARNINGS **€ 5,165,025**

Other Reserves include:

		31 December 2022	31 December 2021
• Optional reserve	€	34,342,561	34,342,561
• Consolidation reserve	€	5,026,588	5,026,588
• Severance pay discount reserve	€	1,472,207	(619,887)
• Negative reserve of own shares in portfolio	€	(32,993,211)	(32,993,211)
• Reserve for rounding up	€	(4)	5
• Retained earnings	€	(2,683,116)	(3,011,900)
Total	€	5,165,025	2,744,156

The reserve for the actualization of the Severance Pay includes the profits/losses for the Group that result from the actuarial assessments performed in application of IAS 19 to the Severance Pay and pensions accrued as at 12/31/2022.

The negative reserve for own shares in portfolio as at 12/31/2022 equal to € 32,993,211 refers to 492,963 own share purchased according to conforming authorization of the Ordinary Meeting of Shareholders

Profits carried forward increased in the fiscal year by EUR 328,784.

PROFIT FOR THE YEAR **€ 41,677,398**

		31 December 2022	31 December 2021
Profit for the year	€	41,677,398	34,546,044

It corresponds to the balance of the Income Statement as the difference between the total revenues and costs and it has been fully submitted to ordinary and deferred taxation for IRES and IRAP purposes.

NET EQUITY BELONGING TO NON-CONTROLLING INTERESTS **€ 469,771**

This item refers to non-controlling interests in the Net Equity in the subsidiaries in the consolidation and includes:

		31 December 2022	31 December 2021
- Capital & reserves of non-controlling interests	€	404,998	330,483
- Profit for the year	€	64,773	19,260
Total	€	469,771	349,743

**SCHEDULE OF CORRELATION BETWEEN NET EQUITY AND OPREATING INCOME
OF PARENT COMPANY AND CONSOLIDATED NET EQUITY AND PROFIT FOR THE YEAR**

	31/12/2022		31/12/2021	
	Net Equity	of which: the Profit for the year	Net Equity	of which: the Profit for the year
Net equity and Profit for the year as entered in the fiscal year statement of accounts of the Parent Company	727,718,890	41,584,175	690,818,881	34,195,314
<i>From elimination of load value of the consolidated</i>				
- Effect of consolidation operations	447,643	(137,069)	258,962	16
Pro-quota results obtained from the investees	159,448	159,448	68,553	68,553
From net equity method evaluation of non-consolidated companies:	353,455	70,844	282,612	282,161
Net equity and Profit for the year of the Group	728,679,435	41,677,398	691,429,008	34,546,044
Net equity and fiscal year results of competence of third parties	469,771	64,773	349,743	19,260
Net equity and Profit for the year as entered in the consolidated accounts	729,149,206	41,742,171	691,778,751	34,565,304
LIABILITIES				€ 674,985,331

15. Current and non-current fiscal liabilities **€ 365,905,281**

Financial debts on 31 December 2022 are presented in detail by type in the following table:

	31 December 2022	31 December 2021
Non-current financial liabilities		
Bonds	€ 134,644,716	134,476,259
Payable loans	€ 199,865,929	110,125,690
Debts for leased assets	€ 4,486,881	5,459,874
Other financial debts	€ 6,363,558	0
Total	€ 345,361,084	250,061,823
Current financial liabilities		
Short-term payable loans	€ 10,192,308	44,300,281
Due to banks and accrued financial payables	€ 2,644,532	6,229,949
Debts for short term leased assets	€ 1,343,799	1,329,857
Other short term debts	€ 6,363,558	0
Total	€ 20,544,197	51,860,087
Total financial liabilities	€ 365,905,281	301,921,910

Total financial liabilities are made up of:

- loans (bonds and mortgages) with total value amounting to Euro 344,702,953, net of the amortized residual cost of Euro 355,284 for the debenture loan of Euro 134,071 for payable loans;
- the entry "Due to banks and financial charges" amounting to EUR 2,644,532 which includes other short term operations for EUR 79,659 and accrued financial charges amounting to EUR 2,564,873, which mainly refer to interest on the debenture loan in the accrued amount;
- debts for leased assets, of which the total value amounts to 5,830,680 Euros, net of the residual amortized cost 310,849;
- other debts amounting to EUR 12,727,116, arising from the advance introduced with ARERA resolution 229/2022/R/idr and connected with the raising of funds to meet part of the expenses incurred for the purchase of electric energy, disbursed by Cassa per i Servizi Energetici e Ambientali (CSEA).

Movement of financial liabilities during the fiscal year is the following:

		Bonds	Amortized cost	Total
Balance as at 31 December 2021	€	134,476,259	154,425,971	288,902,230
New loans	€	0	100,000,000	100,000,000
amortized cost	€	0	(85.200)	(85.200)
Amortized cost reduction	€	168,457	17,747	186,204
Repayments in the period	€	0	(44,300,281)	(44,300,281)
Balance as at 31 December 2022	€	134,644,716	210,058,237	344,702,953

The debt for medium to long term funding, gross to the depreciated cost, is detailed in the following table:

Funding	Debt to 31 December 2022	
Bonds	€	135,000,000
Payable loans		
Cassa Depositi e Prestiti	€	2,500,000
European Investment Bank III	€	7,692,308
European Investment Bank IV	€	50,000,000
European Investment Bank V	€	50,000,000
European Investment Bank VI	€	100,000,000
Total Payable loans		210,192,308
Total	€	345,192,308

The table below shows the liabilities broken down according to type as at 31 December 2021, with an indication of the instalments due within the next fiscal year, due between the 2nd and 5th year and due after the 5th year, gross of amortized cost.

Type	Residual amount	Due within next fiscal year	Due between the 2nd and 5th year	Due after the 5 th year
Bonds	135,000,000		135,000,000	
Payable loans	210,192,308	10,192,308	37,981,859	162,018,141
Due to banks and accrued financial payables	2,644,532	2,644,532		
Debts for leased assets	6,141,529	1,343,799	4,731,146	66,584
Other financial debts	12,727,116	6,363,558	6,363,558	
Total	366,708,485	20,544,197	184,076,563	162,084,725

Below are the major contractual conditions.

Funding	Value line of funding	Duration in years	Due date	Instalment	Rate
Ordinary non-convertible loans	135,000,000	7	13/04/2024	annual	fixed
Cassa Depositi e Prestiti	50,000,000	15	30/06/2023	six months, constant principal	Variable (Euribor 6m + spread)
European Investment Bank III	100,000,000	9	30/06/2023	six months, constant principal	fixed
European Investment Bank IV	50,000,000	13	14/12/2033	six months, constant principal	fixed
European Investment Bank V	50,000,000	13	19/07/2034	six months, constant principal	fixed
European Investment Bank VI	150,000,000	16	18/11/2038	three months, constant (1st tranche; principal (1st tranche)	fixed (1st tranche)

The ordinary nonconvertible debenture loan was issued on April 13th 2017.

The bonds are assisted by a rating released by Standard & Poor's Senior Unsecured "BBB+" (for details see the Directors' Report), and have a duration of seven years with a coupon of 1.95% and they are quoted on the

regulated Dublin Stock Market (ISE – Irish Stock Exchange), rating raised from Senior Unsecured to “BBB+ on 29/11/2022.

Activation of the loan from financial institutions, to finance the investments in expansion and upgrading of the networks, water production, distribution, collection and treatment plants envisaged in the Investment Plan of ATO3, did not require any guarantee by the shareholders and envisages for its entire duration maintenance of the following financial parameter calculated based on the data of the Consolidated Financial Statement closed as of 12/31 of the previous year and according to the definitions in the contractual stipulations:

- Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.

The loan taken with Cassa Depositi and Prestiti S.p.A for the provision of EUR 50 million, as an integration of the EIB loan of 2014 for the total coverage of the needs connected to large infrastructures, is assisted by the assignment of receivables that can be claimed at the Ente d’Ambito and the third parties as related to the execution of the agreement that awards the management of the Integrated Water Service in Ambito 3 Torinese.

Such loan involves the obligation to keep - throughout its duration - the following financial parameters, which are calculated on the data of the Company’s Financial Statement for the fiscal year closed as at 31 December of the previous year and in compliance with the definitions included in the contract provisions.

- Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
- Net Financial Position/Net Equity: lower than or equal to 1.

The loans obtained from the European Investment Bank to acquire the resources required by the investment plan included in the Area Plan, with the exception of the one expiring in 2023, are not secured.

These credit lines, with the exception of the one granted this year, have been fully utilised as a function of the progress of the works for which they were obtained.

More specifically:

- As related to the EUR 100 million loan of 2014 maturing in 2023 , taken for the development of works included in the investment plan for small and medium-sized infrastructures, the following financial parameters apply for the whole duration of the loans, calculated on the data of the Fiscal Year Statement of Accounts of the Company that was closed on 31 December of last year and in compliance with the definitions included in the contract agreements.

- Net Financial Debt/MOL (EBIT+depreciations): lower than or equal to 5.
- Net Financial Debt/Net Equity: lower than or equal to 1.
- EBITDA (EBIT+ Depreciation)/Net financial expenses (excluding the value adjustment of financial assets) greater than 5;
- Residual value/Gross Financial Debt ratio greater than or 1.30 where the residual value calculated on the net accounting value, star-up expenses excluded.

The guarantee released is remunerated by a commission calculated on the guaranteed amount.

- for the EUR 50 million loan obtained in 2020 and the 50 million loan stipulated in 2021 for the construction of the works envisaged in the 2020-2024 investment programme, as well as for the new credit line of EUR 150 million granted in 2022 (a first tranche of which, of EUR 100 million was disbursed on 18 November 2022) for the construction of the works contemplated in the 2022-2027 investment programme, in addition to the financial parameters of the above-mentioned EUR 100 million contract, the following additional ratio is envisaged in accordance with the definitions included in the contractual agreements:

- Gross Financial Debt/MOL (EBIT+depreciations): lower than or equal to 4.5.

In cases of noncompliance with even only one of said financial parameters, the delivering institutions have the right to terminate the contract in advance.

It is worth highlighting that - as at 31 December 2022 - all the aforementioned financial parameters are complied with.

16. Provisions for employee benefits

€ 10,251,580

The Provisions for employee benefits as at 31 December 2022 reflects the indemnity accrued by the employees up as at 31 December 2006, which will be exhausted by the payments to be made at the end of the work relations, or of any advance in compliance with the law.

The movements of the fund (which is not influence by the shared accrued during the fiscal year in favor of the employees throughout the year) has been as follows:

Employee Severance Provision

- Balance as at 31 December 2021	€	11,936,541
- Social security costs	€	61,909
- Utilizations, adjustments, indemnities and advances paid out in the period	€	(832,326)
- Interest cost deriving from IAS 19	€	50,689
- Profits (losses) actuarial	€	(1,848,921)
Balance as at 31 December 2022	€	9,367,892

Other benefits refer to the estimated quantification of the seniority bonuses potentially due to employees that accrue the relevant requirements stipulated in in the company regulations entered below

Pension fund

- Balance as at 31 December 2021	€	1,160,203
- Social security costs	€	66,437
- Utilizations, adjustments, indemnities and advances paid out in the period	€	(99,780)
- Interest cost deriving from IAS 19	€	0
- Profits (losses) actuarial	€	(243,172)
Balance as at 31 December 2022	€	883,688

The following tables illustrate, respectively, the economic, financial and demographic assumptions made for the actuarial assessment of the liabilities in exam.

Economic-financial assumption

- Yearly actualization rate	3.63%
- Yearly inflation rate	2.30%
- Yearly Severance Provision increase rate	3.225%

Demographic assumptions

- Mortality	Tables RG 48
- Disability	INPS tables by age and sex
- Retirement age	Attainment of the requirements
- % of advance payment frequency	1.50%
- Turn-over	0.50%

17. Provisions for risks € 22,383,106

These provisions are made up of:

A) Provisions for litigations and charges € 17,254,364

The provisions for litigations and charges reflect the assessment - on the basis of valuation elements available - of the potential additional liabilities due to judicial and extra-judicial litigations which are currently in progress, as well as of other charges of various kinds which are certain or likely to occur in the future.

- Balance as at 31 December 2021	€	11,646,034
- Provisions of the fiscal year	€	6,241,645
- Use in the fiscal year	€	(424,996)
- Estimate adjustment	€	(208,319)
Balance as at 31 December 2022	€	17,254,364

The balance of the provisions for litigations and charges as at 12/31/2022 is considered to be congruous to cover the following estimated potential liabilities:

B) Provisions for routine maintenance charges

€ 1,049,844

The provisions for charges of routine maintenance reflects the valuation of the charge that was technically accrued but not yet liquidated as at the date of the Financial Statements because of the routine maintenance programs repeated over several years. Such program cannot be planned with certainty since they concern systems in continuous production cycle.

The provisions for 2022 have not varied from the previous fiscal year, since it has been considered to be congruous:

- Balance as at 31 December 2021	€	1,049,844
- Provisions of the fiscal year	€	0
- Use in the fiscal year	€	0
Balance as at 31 December 2022	€	1,049,844

C) Allocations Regione Piemonte Law No. 61 of 12/29/2000

€ 451,362

These reflect the destination of the administrative sanctions applied pursuant to art. 54 Legislative Decree 152/99 to be applied to fund the development of actions aimed at preventing and reducing the pollution of the bodies of water. The provisions have not varied from the previous fiscal year.

- Balance as at 31 December 2021	€	451,362
- Provisions of the fiscal year	€	0
Balance as at 31 December 2022	€	451,362

D) Provisions for Ambito management charges

€ 2,977,536

The amount reflects the best estimate of the charges and of the potential risks connected to the Ambito management activities.

The provision includes euro 72,434 to the fund tied to the financing for investment expenditure of the penalty for the year 2018 determined by ARERA resolution no. 183/2022/R/idr of 26/04/2022 for the regulation of the technical quality of the integrated water service (RQTI).

Movement during the fiscal year is the following:

- Balance as at 31 December 2021	€	2,389,507
- Provisions of the fiscal year	€	2,181,102
- Use in the fiscal year	€	(144,163)
- Adjustment of estimate in the fiscal year	€	(1,448,910)
Balance as at 31 December 2022	€	2,977,536

E) Provisions for charges to other companies

€ 650,000

The provisions reflect the potential charges deriving from the commitments made by the shareholders for patronage of the Dexia-BIIS loan to APS S.p.A. in bankruptcy since 2013. The provisions were not subject to any movements during the current fiscal year,

- Balance as at 31 December 2021	€	650,000
- Provisions of the fiscal year	€	0
- Adjustment of estimate in the fiscal year	€	0
Balance as at 31 December 2022	€	650,000

18. Deferred tax liabilities

€ 293,039

The amount includes the deferred charges for income taxes (IRES and IRAP), which are computed at the rates in force on revenues with deferred taxation and on the advanced deduction costs.

The entry (EUR 906,158 in the previous fiscal year) shows a decrease from the previous fiscal year, due to the combined effect of de-taxation of significant taxable revenues in future fiscal years, taxation of revenues that were computed in previous fiscal years and taxed in the current fiscal year.

These effects are itemized in the table below:

Description	Early Depreciation	Receivable interest in arrears	FTA financial liabilities depreciated cost	TOTAL
Taxable base as at 31 December 2021	1,037,341	2,543,654	13,132	3,594,127
Deferred tax as at 31 December 2021	292,530	610,477	3,151	906,158
Base allocation 2022		(2,543,654)	(11,009)	(2,554,663)
Tax uses 2022		(610,477)	(2,642)	(613,119)
Base adjustments 2022				
Tax adjustments 2022				
Base allocation 2022				
Tax provisions 2022				
Taxable base as at 31 December 2022	1,037,341	0	2,123	1,039,464
Deferred tax provision as at 31 December 2022	292,530	0	509	293,039

19. Other non-current liabilities

€ 82,046,731

This item is made up as follows:

		31 December 2022	31 December 2021
• Acquapoint caution money	€	549,264	556,653
• Contributions to pay out	€	20,747	20,747
• Multiannual deferred income	€	81,476,720	52,064,870
Total	€	82,046,731	52,642,270

“Multiannual deferred income” also includes the share of “tied up revenue” to be used for investments amounting to EUR 8,978,591, and the share carried forward of the contributions on capital goods recognised by the Revenue Agency pursuant to art. 1(184/197 of law 160/2019, amounting to EUR 376,667, once charged to the income statement in correlation with the amortisation of the items they refer to. During the year, this item was seen to increase due to contributions related to the Orco Valley project financed by the NRRP.

20. Trade payables

€ 101,978,584

PREPAYMENTS

€ 135,534

The entry (EUR 167,855 in the previous fiscal year) includes the amounts advanced for customer inspections for works still to be completed as at closing date of the financial statement

DUE TO SUPPLIERS

€ 77,832,028

Due to suppliers refers to:

		31 December 2022	31 December 2021
• Italian suppliers	€	34,269,738	28,016,168
• Foreign suppliers	€	41,491	9,022
• Invoices to be received	€	43,520,799	32,332,855
Total	€	77,832,028	60,358,045

All payables to suppliers fall due within the end of one year and in no case are they assisted by guarantees, in addition to the withholding amount of 0.5% on the jobs.

DUE TO ASSOCIATES

€ 16,380

		31 December 2022	31 December 2021
• Due to associates	€	16,380	18,045

The entry itemized in the section dedicated to it in the Directors’ Report, includes the payables to the SAP Company under liquidation deriving from the residual trade transactions operated at normal market conditions.

DUE TO HOLDING COMPANIES		€ 594,411	
		31 December 2022	31 December 2021
• Due to holding companies	€	594,411	1,166,098

The entry referred to the section dedicated to it in the Directors' Report refers to trade payables to the City of Turin, and none of them is assisted by a real guarantee on the corporate assets.

DUE TO OTHER		€ 23,400,231	
		31 December 2022	31 December 2021
• Due to others	€	23,400,231	20,764,119

This item consists mainly of trade payables to the Operative Management Subjects for invoices to be received for contractual obligations undertaken with the same.

21. Current tax liabilities		€ 8,096,857	
		31 December 2022	31 December 2021
• Withholding taxes held from employees and third parties as tax substitute according to the law	€	2,039,930	2,366,961
• VAT account for tax agency	€	1,134,575	1,749,728
• IRAP/IRES	€	4,922,352	2,466,736
Total	€	8,096,857	6,583,425

These liabilities primarily consist of IRAP and IRES tax payables for the year and VAT payable by the parent company for the 4th quarter 2022, net of the advance paid. The tax due in application of the VAT split payment system extended to subsidiaries by Public Entities from 07/01/2017, has been paid regularly by the due date established by current law.

Current fiscal liabilities are also entered under payables for Withholding tax held for employees and third parties in the amount of approximately EUR 2 million, this to paid on the due date.

22. Other current liabilities **€ 84,030,153**

The other payables include:

		31 December 2022	31 December 2021
• Due to Social Security Administration	€	3,833,843	7,955,073
• Accrued charges	€	0	0
• Deferred income	€	70,390	80,093
• From other:	€	80,125,920	65,952,923
o <i>Locals Authority fees</i>	€	3,144,717	4,504,890
o <i>Contributions to Comunità Montane</i>	€	42,632,162	43,573,886
o <i>Due to Municipalities for accessory services</i>	€	419,942	386,492
o <i>Other payables to entities/municipalities</i>	€	4,726,135	3,222,115
o <i>Accruals to liquidate to employees</i>	€	4,635,038	5,995,790
o <i>Other payables</i>	€	24,567,926	8,269,750
Total	€	84,030,153	73,988,089

Payables to social security institutions all accrue by the end of one year and in no case are they assisted by guarantee or encumbered with interest.

The decrease in the balance of payables to pension and social security institutions as at 31 December 2022 is a consequence of the effect determined the previous year by the application of the expansion contract.

At the time of drawing up the present financial statement these payables were paid on their due date.

As a whole, payables for Local Authority Fees and contributions to the Unioni Montane decreased by ca. EUR 2.3 million.

In particular, Local Authority Fees primarily refer to the amounts due for 2022 for the instalments of the repayment plan of the loans taken out by the Municipalities based on the determinations made by the Ente d'Ambito No. 3 Torinese in the first months of the year 2023.

With reference to debts for the contributions to the Comunità Montane, these are paid on the basis of ad hoc communications by the Ente d'Ambito.

Payables to Municipalities for accessory services represent the best estimate of the amounts due on the basis of specific service contracts for operational activity in the relevant territory.

“Other payables to Entities and Municipalities” mostly consists of payables to CSEA for the equalising tariff components (UI), paid on a two-monthly basis., debts for IIS service fees to be paid to the managing entities and debts for various services.

The liability for accruals to be paid to personnel relates to accrued and untaken holiday leave, performance bonus and redundancy incentive recorded on an accrual basis in the financial year 2022.

Other payables mainly consist of payments for the water and supplementary social bonus, amounting to just under EUR 18 million, to be disbursed in 2023 in accordance with the provisions of the Sole Buyer, payables for security deposits (primarily to users), and smat card debits to be transferred to the insurance company.

Notes of commentary to the entries of the Income Statement

Revenues

23. Revenues € 360,708,294

Revenues are made up as follows:

		2022	2021
– Aqueduct service	€	151,078,695	136,108,303
– Sewer service	€	49,252,760	45,805,377
– Water treatment service	€	143,730,137	134,443,870
– Hydrants	€	4,807,859	4,449,788
– Tied revenues "FoNi"	€	-1,232,870	-1,330,026
– Other revenues	€	13,071,713	12,130,406
Total	€	360,708,294	331,607,718

All the revenues inherent to corporate business were obtained in the reference territory ATO 3 Torinese, as determined by the Piemonte Regional Law no. 13 of 01/20/1997 and include the best estimate of revenues accrued in the fiscal year for aqueduct, sewers, water treatment services and hydrants provided in the 290 Municipalities acquired by effect of the reunification process, and the municipalities of Burolo and Bruzolo where the water treatment service is provided.

They arise from the new rate structure applied as communicated by the Turin Area Authority following ATO Resolution no. 825 of 3 November 2022 and ARERA Resolution no. 644/2022/R/idr of 29 November 2022, which approved the update of the rate proposal for the years 2022-2023.

Accordingly, the 2022 rates show an increase of 8.4% over the previous year.

During the period in question, there was an average reduction in consumption of about 0.62%, mainly attributable to civil water users (about - 0.52%) and industrial users under Title 4 of the TICSI (about - 8%).

Following the additions to the tariff proposal, approved by the above-mentioned ATO Resolution the item 'Revenues' was netted of the depreciation fund tariff component.

The revenues from the aqueduct, sewer and water treatment services are represented net of the 50% rate reduction for public municipal and provincial users for a total of Euro 5,793,936.

"Other revenues" mainly includes accessory revenues from users, industrial waterworks, invoices issued for works performed on behalf of users and third parties, in particular in connection with changes to the water and sewerage networks, revenues from biomass analysis and treatment, Water Points, sale of energy products such as biomethane collection, revenues from for no-core activities performed on the free market and adjustment of provisions.

The positive variation over the previous year was determined in particular by the sale of energy products, this increase was offset by a decrease in revenues from works on behalf of third parties and users, and a lower adjustment of the provision for risks and charges.

The item "Revenues" thus shows an overall increase of 8.78%.

24. Revenues for planning and construction activities € 97,264,788

		2022	2021
– Revenues for planning and construction activities	€	97,264,788	91,806,372

This item refers to the "planning and construction" of assets under concession, which, as envisaged by IFRIC 12, is entered under revenues; the corresponding costs, net of the capitalized costs for internal increases, are entered under the entry "Costs for planning and construction".

25. Other revenues

€ 23,478,206

The other operational revenues are composed as follows:

		2022	2021
– Grants for current expenses	(A) €	9,640,771	4,348,863
– Other			
▪ Contribution shares in production facilities	€	6,096,159	6,077,317
▪ Other revenues	€	4,858,846	4,154,351
▪ Contingent assets and non-existent liabilities	€	1,225,201	1,874,796
▪ Adjustments/allocations to provisions for liabilities and other charges	€	1,657,229	1,728,429
	(B) €	13,837,435	13,834,893
Total other revenues (A+B)	€	23,478,206	18,183,756

“Grants for current expenses” primarily refers to the tax credit for the purchase of electricity and gas, the incentive for the production of biomethane, for the production of energy from photovoltaic panels and the former Green Certificates incentive rate.

“Other” includes the economic accrual amount of contributions into the plants accounts, already commented on under the entry “multiannual deferred income” have these notes to the accounts, in addition to the other revenues (among which receivable lease payments, reimbursements for stamps and other reimbursements), contingent assets and non-existent liabilities in addition to the adjustments made to the provision of liabilities, as already commented in the dedicated section of Liabilities in these notes to the accounts.

The positive change is mainly attributable to the item “Grants for current expenses” determined by the combined effect of the introduction of the tax credit for the purchase of electricity and gas and the decrease relating to biomethane production activities.

Operating costs

26. Consumption of raw materials and consumables

€ 15,024,266

This entry includes:

		2022	2021
– Materials for maintenance net of changes in stock	€	6,941,766	7,160,056
– Chemicals	€	6,223,386	4,568,982
– Other materials	€	2,227,665	2,229,787
– Increases for in-house jobs	€	(368,551)	(268,568)
Total	€	15,024,266	13,690,257

This item shows an increase over the previous year, mainly due to the increase in costs for chemical products due to the rising price trend.

27. Costs for leased assets and services

€ 140,802,926

This entry includes:

		2022	2021
– Electricity:	(A) €	43,759,987	29,714,622
– Maintenance, works and services & industrial	(B) €	73,481,754	63,667,093
– General services:			
▪ Services	€	11,950,310	11,746,991
▪ Allocation to Provision for liabilities and other charges	€	1,618,527	1,338,007
	(C) €	13,568,837	13,084,998
– Rentals to local entities	(D) €	5,944,633	5,937,715
– Rentals and payable concessions, leases and hires	(E) €	4,047,715	4,176,147
Total costs for leased assets and services (A+B+C+D+E)	€	140,802,926	116,580,575

A significant change in costs was recorded due to the increase in raw material prices brought about by the ongoing Russian-Ukrainian conflict, which particularly affected the growth dynamics of the cost of electricity, leading to a significant increase in 2022 compared to 2021, despite the fact that SMAT, through the Utility Alliance network, was able to procure its electricity at a fixed price and at values lower than the average for the sector.

As regards the consumption of electricity, bear in mind that the energy recovery technologies operating at the water treatment plants have allowed an 1.60% total savings on consumption

The energy balance of the Parent company shows the following data:

	2022		2021	
	MWh	%	MWh	%
- Heat				
▪ Self-produced by gas engines	526	1.44	2,548	5.55
▪ Self-produced by boilers	2,160	5.90	3,933	8.56
▪ Produced by methane	33,930	92.66	39,455	85.89
Total	36,616	100.00	45,936	100.00
- Electricity:				
▪ Self-produced by gas engines	598	0.25	2,895	1.24
▪ Self-produced by solar cells	1,084	0.46	1,110	0.48
▪ Total uptake from external suppliers	235,486	99.29	229,481	98.28
Total	237,168	100.00	233,486	100.00
Total consumption	273,784	100.00	279,422	100.00
Total recovery	4,368	1.60	10,486	3.75
- Self-produced and sold electricity (Balme hydroelectric power station)	8,707		5,978	
Total self-production	13,075		16,464	
Total self-produced electricity	10,389		9,983	
- Self-produced electricity in relation to total electricity consumed	4.38		4.28	

The change in costs incurred for “Maintenance, works and & industrial services” is mainly due to the increase in costs for maintenance works, also due to the effect of the price adjustment brought about by the so-called “Aid Decree” (L.D. 50/2022) of 17/05/2022 and to the costs of gas utilities following the increase in expenditure for the procurement of the raw material due to the conflict in Ukraine. The year also saw an increase in costs for the water emergency following the declaration of the state of calamity, as commented in the Report on Operations, and a decrease in costs of works for third parties and maintenance of green areas.

In the area of “General services”, the costs of “Services” decreased due to lower insurance costs and lower software and laboratory equipment maintenance costs.

Item “Rentals to local entities”, determined by the amortisation schedules of the loans taken out by the municipalities and communicated by ATO 3 Torinese, are in line with last year.

The decrease in costs for “Rentals and payable concessions, leases and hires” is due to combined effect of lower costs for rentals and higher costs for water subtraction fees and administrative concessions.

28. Payroll costs € 62,512,960

The payroll cost composition is the following:

		2022	2021
- Wages and salaries	€	42,302,938	43,511,940
- Social charges	€	13,299,559	14,012,116
- Severance package	€	2,907,951	2,902,208
- Pension and similar funds	€	66,438	64,046
- Other costs	€	3,936,074	7,123,697
Total	€	62,512,960	67,614,007

Relative to the accounting period, the average staff was composed as follows:

	Top Managers	Middle Managers	Office workers	Laborers	Apprentices	Total
Position as at 12/31/2021	10	21	612	284	90	1,017
Position as at 12/31/2022	11	21	637	271	117	1,057
Change	1	0	25	-13	27	40

Relative to the accounting period, the average staff was composed as follows:

- Top Managers	11 ⁵
- Middle Managers	23
- Office workers	614
- Laborers	273
- Apprentices	96

Payroll cost shows a decrease of about EUR 5.10 million over the previous year, mainly attributable to the extraordinary benefit component including contributions linked to the application of the expansion contracts pertaining to 2021.

The other negative changes are attributable to the increase in apprenticeship contracts, additional contribution relief measures, personnel movements as well as new rules that led to a greater use of holiday leaves.

On the other hand, this item shows higher costs due to increases under both the previous CCNL and the renewed CCNL that came into effect on 1 October 2022, remuneration policies and a provision for charges related to the expansion contract as per Article 41 of Legislative Decree 148/2015, as subsequently amended, and correlated items under the heading of redundancy incentives and general novation agreements.

As at 31 December 2022, 18 temporary employment contracts were active in the Parent Company.

29. Other operating expenses € 22,711,291

This entry includes:

		2022	2021
- Other tax charges	€	944,543	934,581
- Ambito fees	€	16,741,814	16,842,437
- Other charges	€	1,955,824	2,521,497
- Allocation to provisions for liabilities and charges	€	2,974,220	1,114,364
- Integrated water bonus		94,890	158,895
Total	€	22,711,291	21,571,774

"Other tax charges" mainly includes charges for stamp fees, IMU, government concession taxes and other local taxes.

The item "Territory fees" includes over 15.12 million Euros for the contributions to the Mountain Unions (calculated as indicated by the Territory Authority on revenues for the year 2020) and the operational costs of the Territory Authority and the contributions to the ARERA, depending on the resolutions passed and communications sent.

The item "Other fees" includes fees for association dues, reimbursement of damages and indemnity, and contingent and non-existent assets.

"Allocations to Provisions for Liabilities and Charges" cover liabilities and costs involving taxation, administration and other that are certain or probable but whose exact amount or date of occurrence are not yet determinable at this moment.

The cost of the "Supplemental water bonus" introduced with ARERA resolution 897/2017/R/IDR and ATO resolution 697/2018 shows a decrease over the previous year, due to the smaller number of applications received .

⁵ including a manager on leave of absence art. 15 of National Collective Labour Agreement for Public Utility Company Managers 16 October 2019

30. Costs for planning and construction activities € 93,719,326

		2022	2021
– Costs for planning and construction activities	€	93,719,326	88,240,913

This item refers to “Costs for planning and construction” of assets under construction, net of capitalized costs for internal increases that, according to IFRIC 12, is entered under costs; the corresponding revenues are entered under the entry “Revenues for planning and construction”..

31. Amortization, depreciation and write-downs € 91,177,788

The composition of this entry is as follows:

		2022	2021
– Depreciation tangible fixed assets	€	14,868,035	16,763,570
– Depreciation other intangible fixed assets	€	1,917,297	1,899,778
– Depreciation assets under concession	€	60,805,979	57,547,888
– Credits write-downs	€	13,586,477	10,262,396
– Other provisions	€	0	0
Total	€	91,177,788	86,473,632

Taking into account the presentation regarding valuation criteria, and the systematicity criterion, for calculating depreciation in the fiscal year the following ordinary rates were used:

Intangible fixed assets:	
– Assets under concession (improvement of third-party's assets and revertible assets)	Depending on the estimated technical economic-profit life of various types of reference assets
– Assets under concession (use rights)	As a function of the durations of the ATO3 and SMAT S.p.A. service convention (2.033)
– Software licenses of use	33.33%
– Patents	50.00%
– Expansion and development costs	20.00%
– Trademarks	10 years
– Surface rights	As a function of the estimated profit life equivalent to the durations of the Company from the date of the Articles of Association
Tangible fixed assets:	
– Buildings and fences	3.50%
– Solar power plants	9.00%
– Light constructions	10.00%
– Specific plants and filtering plants	8.00%
– Metering devices	10.00%
– Laboratory and other equipment	10.00%
– Furniture and furnishings	12.00%
– Office equipments	12.00%
• Electronic machinery	20.00%
• Hardware	20.00%
• Cars	25.00%
• Motor vehicles for transport and other vehicles	20.00%
• Carbon assets	20.00%
• Polarite	11.00%
– Tanks	4.00%
– Fixed waterworks	2.50%
– Sewers	5.00%
– Water treatment plants	15.00%
– Machinery	12.00%
– Leased assets	Based on the contract duration

To the Increases of 2022 of tangible fixed assets the rates applied amount to 50% of the ones shown above, representing with the best estimate average rates as a function of the months of use.

The increase compared to 2021 results from the effect of the implementation of investments made in the financial year and works carried out in previous years.

The item also includes allocations to the Provision for Bad Debts of about EUR 13.59 million, calculated in accordance with IFRS 9 – Financial Instruments, as already reported under the relevante Asset entry in these Notes to the Financial Statements.

Financial income and expenses

32. Financial income € 3,926,140

This entry includes:

		2022	2021
– Revaluations of shareholdings	€	70,844	282,161
– Receivable interest and other proceeds	€	3,855,296	3,358,921
Total	€	3,926,140	3,641,082

The revaluation of shareholdings refers to Acque Potabili S.p.A. Under liquidation, determined following the valuation using the equity method.

“Receivable interests and other financial proceeds” include receivable interest on current accounts in banks and post offices, interest arrears and other financial proceeds and dividends from other companies.

The increase was mostly due to higher interest receivable on late from users and bank interest income.

33. Financial expense € 4,306,979

The entry includes:

		2022	2021
– Payable interest and commissions on loans	€	4,104,594	3,885,170
– Other interest payable and charges	€	202,385	76,631
Total	€	4,306,979	3,961,801

Payable interest and commissions on loans include the charges on loans in addition to the amount pertaining to interest on the debenture loan. The entry also includes adjustment of the charges as a function of the amortized cost method.

The increase over the previous year stems from the higher incidence of interest on the EIB loans disbursed in July 2021 and November 2022, mitigated by lower interest and fees on earlier loans being repaid.

“Other interest payable and charges” include, in particular, financial charges on leased assets arising from the application of IFRS 16, financial charges related to the discounting of the provision for severance indemnities in application of IAS 19, and interest on the CSEA financial advance recognised in December.

34. Income taxes € 13,379,721

This entry includes:

		2022	2021
– IRAP	€	2,933,290	2,435,780
– IRES	€	15,689,156	11,306,218
– Taxes relative to previous fiscal year	€	(178,929)	(280,844)
– Change in payable deferred taxes	€	(613,119)	286,946
– Change in receivable deferred taxes	€	(4,450,676)	(1,207,435)
Total	€	13,379,721	12,540,665

In the scope of current taxes, IRES and IRAP increased following an increase in the “profit before tax”, as well as in the relative base taxable income.

The taxes relative to the previous fiscal year (lesser taxes) are mainly referred to the additional Financial Statements SC and IRAP related to previous year, from which the increased deductible costs in respect to the previous transmission emerged.

Changes in deferred taxes are commented on in balance sheet items 'Deferred Tax Liabilities' and 'Deferred Tax Assets', respectively.

Other information

Below is the information regarding the commitments undertaken by the Company (I), to determine “Fair value” (II), to manage financial risks (III), to fees to the Directors and Auditors (IV), to the fees paid to the Auditing Firm (V), to the relationships with related parties (VI) and to the significant events occurring after 31 December 2022 (VII).

I. Commitments undertaken by the Group

To carry on the Acque Potabili operation, on 24 February 2020, the company entered into an agreement with associate company IRETI whereby it was agreed that the joint ownership of the interest in Acque Potabili would be maintained after the shareholders’ withdrawal, and all decisions would be taken jointly, even after the liquidation procedure.

II. Determination of the “fair value”: supplementary information

In regard to the valuation at fair value of the financial instruments in conformity with the requirements of IFRS7 we specify the following:

Assets

- Non-current financial assets – receivables:	Book value in financial statement is the “fair value” of the same
- Cash and cash equivalents:	Book value in financial statement is the “fair value” of the same
- Shareholdings available for sale:	Book value in financial statement is the “fair value” of the same

Liabilities

- Loans at variable rate:	Book value in financial statement is the “fair value” of the same
- Trade payables:	Book value in financial statement is the “fair value” of the same

III. Financial risk management

In conformity with the aforesaid IFRS 7, we specify that SMAT S.p.A., in the ordinary development of own operating assets, is potentially exposed to financial liabilities already commented on in the Directors’ Report.

IV. Fees to Directors and Auditors

Below is the itemization of fees to the Directors and Auditors of SMAT Torino S.p.A.: for the financial statements closed as at 31 December 2022 and 2021.

		2022	2021
Directors	€	287,456	275,758
Auditors	€	124,904	124,911

The fees correspond to the amounts deliberated by the Meetings of Shareholders and the obligatory contribution.

V. Fees to the Auditing Firm

The fees owed to the Auditing Firm Deloitte & Touche S.p.A. for its services of accounting audit of the financial statement and consolidated financial statement as of 31 December 2022 amounts to Euro 86,000 for the statutory audit.

VI. Operations with related parties

The relations between the companies of the Group are regulated at market conditions. The relations between SMAT Torino S.p.A. and its subsidiaries and associates, and among these companies, are mainly of a business and financial nature.

Below is the itemization of the capital and economic balances inherent to operations with related parties for the fiscal year closed as at 31 December 2022.

	Fiscal year 2022			
	Total revenues	Total operating costs	Receivables receivables and current other assets	Trade payables and current other liabilities
CITY OF TURIN	4,026,586	1,526,353	1,248,548	594,411
SAP SPA IN LIQUIDAZIONE	41,401	962	40,357	16,380
Total related parties	4,067,987	1,527,315	1,288,905	610,791
Total balance position	481,451,288	334,770,769	275,916,740	186,008,737
Weight % on total balance position	0.84%	0.46%	0.47%	0.33%

VII. Contributions pursuant to Law 4 August 2017 no. 124, art. 1, section 125

Over the course of the fiscal year now concluding, SMAT collected the following contributions from Public Administrations, net of contributions for private hook-ups collected from users.

Collection data	Dispensing subject	Memo	Amount	Grants for current expenses	Grant for Plants
12/01/2022	CITY OF ORBASSANO	COMMITMENT OF EXPENDITURE FOR FLASKS	2,000	2,000	
18/01/2022	CITY OF GRUGLIASCO	COMMITMENT OF EXPENDITURE FOR FLASKS	3,040	3,040	
24/01/2022	CITY OF CICONIO	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	2,000	2,000	
25/01/2022	CITY OF CAVOUR	COMMITMENT OF EXPENDITURE FOR FLASKS	500	500	
27/01/2022	CITY OF SANT'ANTONINO DI SUSÀ	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	1,000	1,000	
28/01/2022	CITY OF MEZZENILE	COMMITMENT OF EXPENDITURE FOR FLASKS	320	320	
31/01/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	62,634	62,634	
31/01/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	23,199	23,199	
17/02/2022	CITY OF ALBIANO D'IVREA	COMMITMENT OF EXPENDITURE FOR FLASKS	320	320	
28/02/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	51,864	51,864	
28/02/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	43,331	43,331	
21/03/2022	CITY OF BUTTIGLIERA ALTA	COMMITMENT OF EXPENDITURE FOR FLASKS	1,480	1,480	
29/03/2022	CITY OF REANO	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	500	500	
31/03/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	18,915	18,915	
31/03/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,740	22,740	
07/04/2022	CITY OF VILAFRANCA PIEMONTE	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	2,000	2,000	
29/04/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	335,625	335,625	
29/04/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	13,431	13,431	
02/05/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,740	22,740	
06/05/2022	SERCO ITALIA S.P.A	CALLISTO PROJECT	4,971	4,971	
24/05/2022	FONSERVIZI	CFA OF TRAINING PLAN "HUMAN RESOURCES, ENVIRONMENT AND IT SYSTEMS AREAS"	39,445	39,445	
24/05/2022	FONSERVIZI	CFA OF THE TRAINING PLAN "SVILUPPO DELLE COMPETENZE SPECIALISTICHE"	25,439	25,439	
31/05/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	313,875	313,875	
31/05/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	11,944	11,944	
31/05/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,740	22,740	
10/06/2022	FINPIEMONTE S.P.A	PROJECT BIOPRO4TO	11,354	11,354	
27/06/2022	CSEA	CONSTRUCTION OF RIVOLI-ROSTA HYDRAULIC INTERCONNECTION	2,880,000		2,880,000
30/06/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	273,750	273,750	

Collection data	Dispensing subject	Memo	Amount	Grants for current expenses	Grant for Plants
30/06/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	8,675	8,675	
30/06/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,949	22,949	
11/07/2022	TERRITORY AUTHORITY No. 3	PROJECT EU-WOP PROGRAMME - GWOPA	122,283	122,283	
11/07/2022	SERCO ITALIA S.P.A	CALLISTO PROJECT	16,842	16,842	
29/07/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	315,000	315,000	
29/07/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	24,310	24,310	
01/08/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,949	22,949	
05/08/2022	CITY OF ALPIGNANO	SEWER CONSTRUCTION	16,192		16,192
05/08/2022	FONSERVIZI	CFA OF TRAINING PLAN "COMMUNICATION, PRIVACY, IT SYSTEMS AND AQUEDUCT AUTOMATIC VALVES"	37,448	37,448	
23/08/2022	MINISTERO DELLE INFRASTRUTTURE E DEI TRASPORTI	ORCO VALLEY AQUEDUCT (LOT A)	9,967,190		9,967,190
23/08/2022	MINISTERO DELLE INFRASTRUTTURE E DEI TRASPORTI	ORCO VALLEY AQUEDUCT (LOT B)	17,932,810		17,932,810
31/08/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	264,375	264,375	
31/08/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	33,121	33,121	
31/08/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,949	22,949	
30/09/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	191,625	191,625	
30/09/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	27,825	27,825	
30/09/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	21,259	21,259	
05/10/2022	REGIONE PIEMONTE	2020 FLOOD CONTRIBUTION	87,911		87,911
31/10/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	168,750	168,750	
31/10/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	21,259	21,259	
01/11/2022	VALLE DORA ENERGIA SRL	SMAT - ATO3 - VALLE DORA ENERGIA SRL AGREEMENT	890,000		890,000
10/11/2022	TERRITORY AUTHORITY No. 3	TREATMENT PLANT DECOMMISSIONING	353,623		353,623
10/11/2022	TERRITORY AUTHORITY No. 3	TREATMENT PLANT DISCHARGE CHANNEL MODIFICATION	140,556		140,556
10/11/2022	REGIONE PIEMONTE	UPGRADE OF TREATMENT PLANT	65,009		65,009
10/11/2022	REGIONE PIEMONTE	CONSTRUCTION OF TREATMENT PLANT WITH ION EXCHANGE RESINS	14,000		14,000
23/11/2022	CITY OF VVIGONE	CONSTRUCTION DUALISATION AND RELOCATION OF SEWER NETWORK SPILLWAY	29,998		29,998
28/11/2022	CITY OF BORGOMASINO	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	2,000	2,000	
30/11/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	162,750	162,750	
30/11/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	21,259	21,259	
21/12/2022	TERRITORY AUTHORITY No. 3	DISTRICTUALISATION FOR WATER LOSS DETECTION	51,297		51,297
21/12/2022	TERRITORY AUTHORITY No. 3	WATER NETWORK DISTRICTUALISATION	53,822		53,822
21/12/2022	TERRITORY AUTHORITY No. 3	INSTALLATION OF PRESSURE RELIEF DEVICES	59,923		59,923
21/12/2022	TERRITORY AUTHORITY No. 3	INSTALLATION OF CONTROL ROOMS	156,485		156,485
21/12/2022	TERRITORY AUTHORITY No. 3	RECONSTRUCTION OF CONTROL ASSEMBLIES	47,102		47,102
21/12/2022	TERRITORY AUTHORITY No. 3	REPLACEMENT OF CONTROL ASSEMBLIES	31,372		31,372
28/12/2022	TERRITORY AUTHORITY No. 3	COMMITMENT OF EXPENDITURE FOR FLASKS	34,435	34,435	
30/12/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	185,250	185,250	
30/12/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	59,886	59,886	
		TOTAL	35,875,646	3,098,356	32,777,290

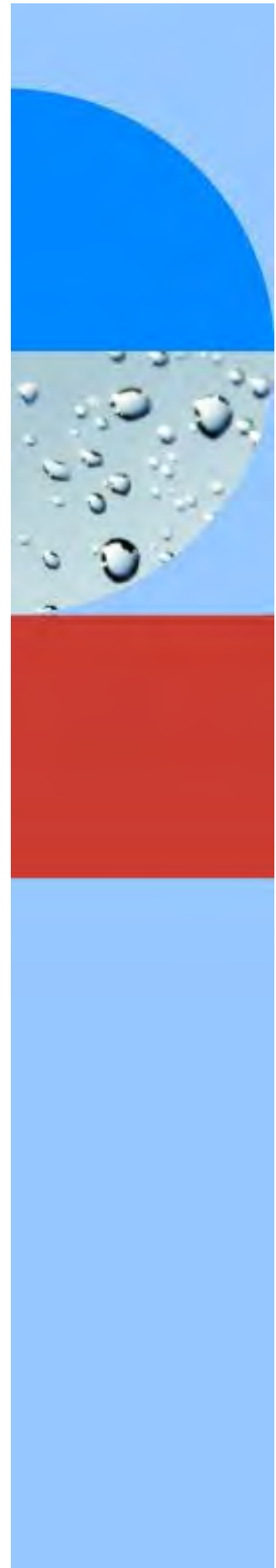
The company benefited from a tax credit of EUR 3,157,416 for the purchase of electric energy and gas for the second and third quarters of 2022, and a tax credit of EUR 193,399 for investments in capital goods pursuant to art. 1(1054) (1055) of Law no. 178/2020.

VIII. Significant events occurring after 31 December 2022

Significant events occurring after 12/31/2022, are itemized in the dedicated section of the Directors' Report.

**FINANCIAL
STATEMENT
FOR FISCAL
YEAR
SMAT S.P.A.**

**IAS/IFRS FRAMEWORKS
NOTES TO THE ACCOUNTS**



STATEMENT OF FINANCIAL POSITION

Euro	Remarks	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Tangible fixed assets	1	139,655,640	143,509,181
Goodwill	2	5,928,005	5,928,005
Other intangible assets	3	2,810,322	2,097,380
Assets under concession	4	807,450,061	771,325,165
Shareholdings	5	11,715,845	11,715,845
Deferred tax assets	6	22,454,856	17,962,797
Non-current financial assets	7	1,369,497	1,306,928
Other non-current assets		0	0
Total non-current assets		991,384,226	953,845,301
Current assets			
Inventory	8	8,242,024	7,457,316
Trade receivables	9	251,006,321	225,371,544
Current tax assets	10	3,241,693	505,362
Current financial assets	11	2,981,033	2,438,530
Other current assets	12	25,072,993	5,392,621
Cash and cash equivalents	13	124,100,269	46,709,175
Total current assets		414,644,333	287,874,548
Assets intended for sale		0	0
TOTAL ASSETS		1,406,028,559	1,241,719,849

STATEMENT OF FINANCIAL POSITION

Euro	Remarks	31/12/2022	31/12/2021
NET EQUITY AND LIABILITIES			
NET EQUITY			
Share capital		345,533,762	345,533,762
Legal reserve		25,808,344	24,098,579
Reserve restricted for PEF implementation		313,340,899	287,352,460
FTA reserve		(2,677,452)	(2,677,452)
Other reserves and retained earnings		4,129,162	2,316,218
Profit for the year		41,584,175	34,195,314
TOTAL NET EQUITY	14	727,718,890	690,818,881
LIABILITIES			
Non-current liabilities			
Non-current financial liabilities	15	345,351,257	250,061,824
Provisions for employee benefits	16	9,241,138	11,839,107
Provisions for risks	17	22,283,106	16,148,094
Deferred tax liabilities	18	293,039	906,158
Other non-current liabilities	19	82,041,993	52,639,344
Total non-current liabilities		459,210,533	331,594,527
Current liabilities			
Current financial liabilities	15	20,540,730	51,859,854
Trade payables	20	107,039,043	87,677,891
Current tax liabilities	21	7,976,921	6,489,000
Other current liabilities	22	83,542,442	73,279,696
Other current financial liabilities		0	0
Total current liabilities		219,099,136	219,306,441
Liabilities intended for sale		0	0
TOTAL LIABILITIES		678,309,669	550,900,968
TOTAL NET EQUITY AND LIABILITIES		1,406,028,559	1,241,719,849

INCOME STATEMENT

	Remarks	2022	2021
REVENUES			
Revenues	23	360,936,670	331,722,738
Revenues for planning and construction activities	24	97,264,788	91,806,372
Other revenues	25	20,660,454	15,571,582
Total revenues		478,861,912	439,100,692
COSTS			
Consumption of raw materials and consumables	26	14,879,246	13,576,498
Costs for leased assets and services	27	140,392,614	116,582,644
Payroll costs	28	60,745,887	65,414,922
Other operating expenses	29	22,686,435	21,547,344
Costs for planning and construction activities	30	93,719,326	88,240,913
Total operating costs		332,423,508	305,362,321
Gross operating margin		146,438,404	133,738,371
Depreciation, provisions and write-downs	31	(91,151,725)	(86,424,766)
Operating income (EBIT)		55,286,679	47,313,605
Financial income	32	3,864,207	3,358,792
Financial expense	33	(4,301,398)	(3,961,193)
Total financial management		(437,191)	(602,401)
Result before taxes		54,849,488	46,711,204
Income Taxes	34	(13,265,313)	(12,515,890)
PROFIT (LOSS) FOR THE YEAR		41,584,175	34,195,314

COMPREHENSIVE INCOME STATEMENT

	Remarks	2022	2021
A. Profit for the year		41,584,175	34,195,314
Current profit (loss) on Severance Fund		1,779,639	(207,034)
Fiscal effect on Profits/(losses) that will not later be reclassified in the Income Statement		0	0
B. Profits/(losses) entered directly under Net Equity and that will not later be reclassified in the Income Statement		1,779,639	(207,034)
Share of other profits/(losses) by the Enterprises assessed by the Net Equity method			0
Fiscal effect on profits/(losses) that will later be reclassified in the Income Statement when certain conditions will be met		0	0
Profits/(losses) entered directly under Net Equity that will not later be reclassified in the Income Statement		0	0
D. Total profit for the year (A + B + C)		43,363,814	33,988,280

CASH-FLOW STATEMENT FOR THE FISCAL YEAR

Euro	Remarks	2022	2021
A Financial flows of operating assets		130,434,130	112,589,853
Net Profit (loss) for the year		41,584,175	34,195,314
Adjustments for non-monetary costs and revenues			
Amortization of intangible assets		1,913,709	1,898,970
Depreciation of tangible assets		14,845,560	16,715,512
Depreciation of assets under concession		60,805,979	57,547,888
Change in provisions for liabilities and charges		6,135,012	(968,995)
Change in provisions for benefits to employees		(2,597,969)	(2,179,634)
Change in advance deferred taxes		(5,105,178)	(931,245)
Change in other non current assets/liabilities		29,340,079	1,415,686
Change in Net Equity reserves			
Difference in conversion		0	0
Actuarial profit and loss		0	0
Other movements		1,779,635	(216,266)
Change in net working capital			
(Increase)/Decrease in trade receivables		(25,634,777)	(2,455,449)
(Increase)/Decrease in other assets		(22,959,206)	(1,754,362)
(Increase)/Decrease in inventory		(784,708)	896,363
(Increase)/Decrease of the trade payables		19,361,152	4,361,022
Increase/(Decrease) in other liabilities		11,750,667	4,065,049
B. Financial flows of investment assets		(110,549,545)	(113,438,725)
Disinvestments /(investments) of intangible fixed assets		(2,626,651)	(321,708)
Disinvestments/(investments) of tangible fixed assets		(10,992,019)	(17,208,841)
Disinvestments /(investments) of assets under concession		(96,930,875)	(95,908,176)
Changes in the investments		0	0
Changes in the consolidation area			
C. Financial flows of financial assets		57,506,509	10,360,557
Cash from the issue of share capital		0	0
(Purchase)/Release of shares		0	0
Change of the financial payables		67,555,742	10,727,946
Other changes in financial liabilities		(3,585,433)	4,103,811
(Dividends paid)		(6,463,800)	(4,471,200)
D. Net flow generated by the management (A ± B ± C)		77,391,094	9,511,685
E. Initial liquid assets		46,709,175	37,197,490
F. Final liquid assets (D ± E)		124,100,269	46,709,175

CHANGES IN NET EQUITY

(Units in Euro)	31/12/2020	Allocation of result	Distribution of dividends	Other movements	Result for the year	31/12/2021
Share capital	345,533,762					345,533,762
Legal reserve	22,914,362	1,184,217				24,098,579
Reserve restricted for PEF implementation	269,352,368	18,000,092				287,352,460
FTA reserve	(2,677,452)			0		(2,677,452)
Other reserves and retained earnings:						
• <i>Optional reserve</i>	34,342,562			0		34,342,562
• <i>Severance actualization reserve</i>	(260,327)			0	(207,034)	(467,361)
• <i>Negative reserve for own shares in portfolio</i>	(32,993,340)			129		(32,993,211)
• <i>Reserve for rounding up</i>	(7)	(1)		7		(1)
• <i>Retained earnings</i>	1,414,773	4,500,023	(4,471,200)	(9,367)		1,434,229
Total other reserves and retained earnings	2,503,661	4,500,023	(4,471,200)	(9,231)	(207,034)	2,316,218
Operating income	23,684,331	(23,684,331)			34,195,314	34,195,314
TOTAL NET EQUITY	661,311,032	0	(4,471,200)	(9,231)	33,988,280	690,818,881

(Units in Euro)	31/12/2021	Allocation of result	Distribution of dividends	Other movements	Result for the year	31/12/2022
Share capital	345,533,762					345,533,762
Legal reserve	24,098,579	1,709,765				25,808,344
Reserve restricted for PEF implementation	287,352,460	25,988,439				313,340,899
FTA reserve	(2,677,452)			0		(2,677,452)
Other reserves and retained earnings:						
• <i>Optional reserve</i>	34,342,562			0		34,342,562
• <i>Severance actualization reserve</i>	(467,361)			0	1,779,639	1,312,278
• <i>Negative reserve for own shares in portfolio</i>	(32,993,211)			0		(32,993,211)
• <i>Reserve for rounding up</i>	(1)			(4)		(5)
• <i>Retained earnings</i>	1,434,229	6,497,110	(6,463,800)	(1)		1,467,538
Total other reserves and retained earnings	2,316,218	6,497,110	(6,463,800)	(5)	1,779,639	4,129,162
Operating income	34,195,314	(34,195,314)			41,584,175	41,584,175
TOTAL NET EQUITY	690,818,881	0	(6,463,800)	(5)	43,363,814	727,718,890

SMA TORINO S.P.A. NOTES TO THE ACCOUNTS

Application of IAS/IFRS and its effects

European (CE) Regulations no. 1606/2002 of July 19th 2002 introduced the obligation, starting from fiscal year 2005, to apply the International Financial Reporting Standards ("IFRS"), as amended by the International Accounting Standards Board ("IASB"), and adopted by the European Union ("IFRS" or "International Accounting Principles") for the drafting of the statements of account of the companies holding capital and/or debt shares quoted in one of the markets regulated by the European Community. On April 13th 2017, SMAT issued a bond loan for a rated amount of a Euro 135 million subscribed by institutional investors and it provided for quotation at the Irish Stock Exchange. In compliance with the aforementioned legislative provisions, SMAT is therefore supposed to draft the consolidated and fiscal year financial statement in compliance with the IFRS starting from the fiscal year closed on 31 December 2016.

This statement of account is therefore drafted in compliance with the IFRS in force at the date of its approval. IFRS means the new International Financial Reporting Standards, the reviewed international accounting principles ("IAS"), all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly named Standing Interpretations Committee ("SIC"), certified and adopted by the European Union.

The Financial Statements schedules and the accounting information reported in the Explanatory Notes comply with the book entries they directly derive from. The IFRS were applied in coherence to all the periods presented in this document.

The statement of account prospectus, as provided for in IAS 1, reports by appropriate comparison the indication of the previous year values. Where required, the data of the previous fiscal year have been suitably adapted in order to ensure the appropriate comparison.

This Financial Statements has been set in the perspective of corporate continuity and on the bases of the contractual criteria of the historical cost, with the exception of some book entries, which are calculated at the fair value, in compliance with the provisions of the International Accounting Principles.

Structure and contents of the financial statement

The diagram used for the profit and loss account is in scale with the different items analyzed according to their type. We believe this presentation, which is aligned with international procedure, is the one that best represents the company results. The total Income Statement is presented, as allowed by the revised IAS 1, in a document separate from net equity, and distinguishes between the components that can be reclassified in the Income Statement and those that cannot. The other components of the total Income Statement are highlighted separately also in the schedule of the net equity changes. The diagram of the equity and financial positions highlights the separation between the current and non-current assets and liabilities. The financial reporting is drafted according to the indirect method, as allowed by IAS7.

The statement of accounts diagrams report separately any costs and revenues of non-recurrent nature. The general principle adopted in setting up this financial statement is the cost one, with the exception of the financial assets and liabilities (including the derivative instruments) which are assessed at fair value. The preparation of the Financial Statements has required the use of estimates by the management; the main areas characterized by particularly significant assessments and assumptions, together with those that have remarkable effects on the situations presented, are reported in section "Use of Estimates". All the accounting prospects of the equity and financial status and of the Income Statement are expressed in Euro unit, as are the data entered in the explanatory comments, except when it is otherwise indicated.

Valuation criteria

The valuation of the financial sheet items was drawn up based on the general criteria of prudence and accrual, in the prospect of continuation of the business. For the purposes of accounting determinations, priority is given to the economic substance of operations rather than to the legal status.

As regards the economic aspect, we specify that the costs and revenues shown include the figures of the end of the year that match the contra items of the Financial Position. In relation to this, profits are included only if realized by the date of closure in the fiscal year, while the risks and losses were taken into account even if known after that date.

Tangible fixed assets

The tangible assets are identified at the purchase or production cost including the accessory charges, or at the value based on appraisals of the company equity, in case of acquisitions of companies, net to the relevant depreciation fund and to any losses of value. The production cost included the direct and indirect costs for the share that can be reasonably ascribed to the assets (e.g.: personnel costs, transport, customs duties, expenses for the preparation of the area of installation, testing costs, notary and land register expenses) The cost includes any professional fees and - for some goods, the financial charges capitalized up to the coming into service of the good. The cost includes any cost for site reclaiming, on which the tangible asset lays, complies with the provisions of IAS 37.

The expenses for the ordinary maintenance are fully charged to the Income Statement. The costs for improvements, modernization and transformation of incremental nature are computed to the capital assets. The accounting value of the tangible assets is submitted to verification to identify any losses of value, in particular when events or changes of condition identify that the charged value cannot be recovered.

The tangible assets are entered gross to the system revenue grants which are identified in the Income Statement throughout the period of time required to refer them to the relevant costs; they are represented in the equity and financial status by reporting the grant as deferred revenue.

The depreciation starts when the assets enter the production cycle and - for the new acquisitions – it is calculated at 50% of the full rate part, since it is considered as representative of the actual use of the goods. The current assets include the costs relevant to intangible assets whose economic utilization process has not started yet. The tangible assets are systematically depreciated every fiscal year based on economic and technical rate parts that are considered as representative of the residual potential of use of the assets. We report herein under the tables with the depreciation rate parts that have been taken into account for the depreciation of the assets.

“Assets under construction and payments on account” includes payments to suppliers for advances concerning the acquisition of tangible fixed assets.

As required by IAS 16, the estimated useful lifespan of the tangible assets are reviewed every fiscal year, in order to assess the need of an overhaul. In case it is ascertained that the estimated useful lifespan does not represent as appropriate the future expected benefits, the relevant depreciation plans must be redefined based on the new assumptions. Such changes are reported in a prospect to the Income Statement.

During the fiscal year that has been closed, no change was entered under the depreciation plans for any of the categories of tangible assets.

The land is not depreciated,

Pursuant to accounting principle IFRS 16 - Leases, since 1 January 2019, for leases previously classified as operational, the Company recognises:

- financial liability, equal to the current value of future residual payments on the date of transition, implemented using the applicable incremental borrowing rate on the date of transition for each contract;
- usage right equal to the value of financial liability on the date of the transition, net of any accruals and deferrals in the statement of assets and liabilities on the date of closure for this balance sheet.

The profits or losses that derive from the alienation or dismissals of a tangible asset are identified as the difference between the sale revenue and the net accounting value of the asset and they are identified in the Income Statement at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Goodwill and other Intangible fixed assets

The identifiable controllable intangible assets are identified in the accounting; their cost can be reliably determined provided that such activities generate economic benefits in the future. Such assets are identified at cost value in compliance with the criteria indicated for the tangible assets and - if their useful lifespan is

defined - they are depreciated throughout the period of such estimated lifespan. The depreciation starts at the moment the asset is ready to be used or - in any case - it starts producing economic benefits for the enterprise. The current assets include the costs relevant to intangible assets for which the economic utilization process as not started yet.

The intangible assets with defined useful lifespan are systematically depreciated starting from when the asset is available for use throughout the period of expected usefulness. The intangible assets with defined useful lifespan are systematically depreciated starting from when the asset is available for use throughout the period of expected usefulness. The goodwill and the other activities whose useful lifespan is not defined are not subject to systematic depreciation, but they are subject to yearly verifications of recoverability (the so-called impairment test) rung at the level of the individual Cash Generating Unit (CGU) or groups of CGU's whose indefinite useful lifespan assets can be reasonably allocated. The test is described hereinafter in "Reduction of the value of the assets". Any write-down ascribed to goodwill cannot be subject to subsequent return to default values.

The goodwill acquired against payment at the time of the disposal of company branches SAC (1 January 2014) and SAP (1 July 2015) was reallocated during the year, also as a result of the management strategies introduced and the redefinition of the Business Plan (PEF), whereby the entire company is conceived as the cash-generating unit, i.e., the operating unit aimed at recovering the value recorded. This goodwill is not amortised, but it is submitted every year to the so-called impairment test.

The intangible assets identified as a result to an aggregation of companies are reported separately from the goodwill, if their fair value is reliably determined.

The profits or losses that derive from the alienation of an intangible asset are identified as the difference between the dismissal value and the loading value of the asset and they are identified in the Income Statement at the moment the buyer is transferred the risks and benefits connected to the ownership of said asset.

Assets under concession

The concessions mainly consist of rights relevant to networks, systems and other equipment relevant to the Integrated Water Service given under license to SMAT Spa and which are functional to the management of such service. Such licenses are classified in a purposely-allocated item according to the interpretation IFRIC 12 – Service Concession Arrangements. As far as the depreciation is concerned, IFRIC provides that the latter is calculated on the basis of what is stated in the agreement and - in particular - in a constant measure for the shorter period of time between the technical and economic lift of the assets given in license and the duration of the license itself, until the takeover value provided for in the license agreement is achieved.

In particular, the value of the right of use of the public assets of the waterworks of the City of Turin and of C.I.A.C.T., which are defined in compliance with the expert appraisal of transfer, have been reported in this Financial Statements on the basis of the duration of the relevant agreement deed extended by Ente d'Ambito Torinese n. 3. The depreciation of the improvements made to said assets after the transfer date have been determined based on the estimated economic and technical useful lifespan. The depreciations on the improvements made to the well systems entrusted in direct management to the Company have been determined with reference to the estimated economic and technical useful life of the improvements made.

The extension of the waterworks system of the City of Turin, received under a license agreement and for which it was established in the previous license contract by the City of Turin to AAM Torino S.p.A. (now liquidated) to be devolved free of charge at the end of the license have been depreciated on the basis of the estimated economic and technical life of said extension.

The extension includes the rights on networks, systems and other equipment relevant to the Integrated Water Service and connected to services managed by SMAT S.p.A. The implementation of IFRIC 12 has required the application to the same infrastructures - of IAS 11, since, if the licensee builds or upgrades an infrastructure it does not control, the relevant services of building and upgrading developed on behalf of the licensor are considered as actual activities developed against purchase order. Since a large part of the activities is sub-contracted and that the margin of benefit acknowledged in the remuneration of the service rate cannot be identified separately on the building activities that were developed in-house, such infrastructures are identified based on the cost that was actually sustained.

The item "Assets under construction and payments on account" includes costs incurred for the acquisition or in-house production of intangible assets, mainly works realised on the concession network that have not yet

entered into operation, and includes payments to suppliers for advances concerning the acquisition of intangible assets.

Shareholdings

The Investment in subsidiaries and related companies is identified at cost, adjusted in case of losses of value to adapt it to the relevant recoverable value, in compliance with the provisions of IAS 36 – Reduction of the asset value. When the losses no longer exist or reduces, the accounting value is incremented up to the new estimate of the recoverable values, which cannot in any case exceed the original cost. The resuming of the value is entered under the Income Statement.

Shares in other companies are valued at fair value in accordance with the other components in the comprehensive financial statement. Shares held exclusively for the purpose of subsequent alienation are excluded from this approach, and their fair value is inserted in the profits (losses) of the fiscal year. The risk deriving from any losses exceeding accounting value of the shareholding is identified in a purposely-allocated fund insofar the parent company is committed to comply with the legal obligations or in those that are implicit to the subsidiary or in any case to cover its losses.

To ensure the correctness of the recorded value, the shares in partner companies and other companies were subjected to the impairment test. Operationally, for the purpose of this test, the accounted value of reference for these shares was determined and then compared with the recoverable value identified through valuation performed by an external independent expert.

In case the share of competence of the Company of the losses in the participating interest exceeds the accounting value of the participating interest, the value of the participating interest is zeroed and the share of any further losses is identified as a liability fund in case the Company is obliged to respond to it.

The dividends received are recognized in the Income Statement once the right to receive the relevant payment is established. In case the related company has distributed dividends, also the following aspects are considered as potential indicators of loss of value:

- The reported value of the participating interest exceeds the accounting value in the consolidated balance sheet of the net assets of the related company, including the relevant goodwill;
- The dividend exceeds the overall value of the profit and loss account in the period of time the dividend refers to.

The financial assets the Company intends to and can keep until the expiry are reported at the cost represented by the fair value of the initial amount given in exchange, incremented by the transaction cost. As a result of the initial identification, the financial assets are assessed through the criteria of depreciated cost, using the method of the actual interest rate.

Non-current financial assets

Such category includes those assets that are not represented by derivate instruments and are not quoted in an active market, of which fixed or identifiable payments are expected. Such assets are assessed at the depreciated cost based on the actual interest rate method. If there is objective evidence of the value loss indicators, the value of the assets is reduced in such a measure to result equal to the discounted value of the flows that can be obtained in the future: the losses of value determined through the impairment test are reported in the Income Statement. If the reasons of the previous write-downs no longer stand in subsequent periods, the value of the assets is resumed until it reaches the value that would derive from the application of the depreciated cost if the impairment had not been performed. Such assets are classified as current assets, except the shares whose expiry is longer than 1 month, which are included amongst the noncurrent assets.

Inventory

The stocks are assessed at the lowest value between the average weighed cost for the movement and the corresponding market value, in order to reflect any conditions of technical obsolescence or low turnover, is reported in the purposely-allocated devaluation fund taken to direct reduction of the stocks to take the cost back of the expected realisable value.

Receivables

The credits are initially computed at the "fair value" and - then - at the depreciated cost, where it is significant, using the actual interest rate, reduced for losses of value. The losses of value of the credits are reported in the Income Statement when objective evidence is detected that the Group shall not be able to recover such credit.

The amount of the write-down is measured as the difference between the accounting value and the current value of the expected future financial flows. The value of the credits is reported in the financial statement net of the credit write-down fund.

With reference to the impairment model, the IFRS 9 principle – Financial Instruments: recognition and measurement - of the year 2018 requires that the estimate of the losses on credits is performed on the basis of the expected losses model (instead of on the model of the incurred losses utilized by IAS 39) using supportable information, available without charges or unreasonable efforts that required historical, current and perspective data; The principle foresees that the impairment model is applied to all financial instruments, or to financial activities valued at the amortized cost, to those valued at fair value , to credits derived from rental contracts and commercial credits. The Company has developed a credit analysis model whereby it also takes into account receivables not yet overdue in establishing the provision for bad debts, and determines the write-downs to be applied to the different types of receivables past due.

Financial assets and other current assets

They are initially reported at the “fair value” (including the costs incurred for the acquisition/emission) at the date of the transaction. Then, they are assessed at the depreciated cost, using the actual interest rate criteria, wherever it is significant and assimilating any losses of value into the Income Statement.

Industry information

The information relevant to the sectors of activity was arranged in compliance with the provisions of IFRS 8 “Operational sectors”, which include the submittal of the information in compliance with the modes adopted by the management for the operational decision-making.

Therefore, the identification of the sectors of operation and the information submitted are defined based on the internal reporting used by the management for the allocation of the resources to the different segments and for the analysis of the relevant performance.

A sector of operations is defined by IFRS 8 as a component of a body that : I) undertakes entrepreneurial activities that generate cost and revenue (including the revenues and costs concerning operations with other components of the same body); II) whose operational results are regularly reviewed at the highest operational decision-making level of the body for the purposes of the adoption of decisions as related to the resources to be allocated to the sectors and of the assessment of the results; III) for which separate information is available in the financial statement.

The management has identified only one operational sector, into which all the main services and products supplied to the customers flow, since the activity of the company consists of the management of the Integrated Water Service which is no further broken down at the level of the internal strategic reporting.

Cash and cash equivalents

The liquidity includes the cash on hand, also in the form of checks, and on demand bank deposits. The equivalent means consist of financial investments with a three-month expiry or lower (as from the date of their purchase), which can be promptly converted into liquidity and with an insignificant risk of variation in their value.

Such items are calculated at fair value; profits or losses deriving from any changes in the fair value are reported in the Income Statement.

Own shares

Own shares are entered as a reduction of the Net Equity. Also the counter value deriving from their release is reported with net equity counterpart, with no computing into the Income Statement.

Provisions for liabilities and charges, benefits to the employees

The provisions for contingencies and charges concern charges of a determined nature and whose certain or likely existence that - at the date the Financial Statements is being closed - are undetermined as far as the amount or the date of occurrence are concerned. The provisions are identified when: The provisions are identified when: (i) the existence of a current, legal or implicit obligation deriving from a past event, is likely; (ii) the compliance with subject obligation is likely to be burdensome; (iii) the amount of the obligation can be reliably estimated.

The provisions to the funds represent the best estimate of the costs required to face compliance at the date of the Financial Statements (assuming there are sufficient elements to run such estimate) and they are actualized when the effect is significant, and the required information is available. In such cases, the provisions

are determined by actualizing the future cash flows at a discount rate before taxes that reflects the current market assessment and take into account the risks connected to the company activity. When the actualization is performed, the increment of the provisions due to time is reported in the financial charges. If the liabilities are due to material activities (e.g.: revamping of sites) the fund is reported in counterpart to the activity it refers to and the identification of the charge in the Income Statement is performed through the depreciation process of the tangible asset the charge refers to. In case of redefinition of the liabilities, the methods provided for by IFRIC 1 are applied.

The explanatory notes also illustrate potential liabilities represented by; (i) potential - though not likely - obligations deriving from past events, whose existence shall only be confirmed upon occurrence of one or more uncertain future events that are not under the full control of the Company; (ii) current obligations deriving from past events, whose amount cannot be reliably estimated or whose compliance with is likely not to be onerous.

Benefits to the employees (Severance pay)

The liabilities relevant to the defined benefit programs (such as the Severance pay for the amount accrued before January 1st 2017 and the other benefits for the employees) are defined net to any activities at the service of the plan, on the basis of current assumptions and by competences, consistently with the working performance required to obtain such benefits; the assessment of the liabilities is performed with the support of independent actuaries. The value of the current profits and losses as required by JAS19, is reported into the other components of the total Income Statement. Further to Financial Law of December 27th 2006 n° 296, for companies having more than 50 employees, as related to shares accrued starting from January 1st 2007, the Severance Pay is configured as a plan with defined contributions.

Trade payables and other liabilities

Trade payables and other debts are initially reported at fair value, net of the accessory costs of direct computing, and they are then detected at the depreciated cost, where significant, applying the criteria of the actual interest rate.

The item includes current "bound revenues" share determined by Ente d'Ambito Torinese no. 3 with Deliberation no. 483/2013 and reported to fiscal year 2012.

Costs and revenues

The costs and revenues are reported net of the amended items, i.e. returns, discounts, reductions and any estimate changes. They are identified at the moment the customer is transferred the control of the product sold, i.e. as related to the services, in the accounting period they are rendered.

In particular, as far as the revenues are concerned:

- The revenues for service performance are acknowledged at the date the performance is completed;
- Revenues for the sale of water acknowledged and counted at the time of delivery, including the allocation for deliveries made, but not yet invoiced (estimated according to historical analyses determined in relation to past consumption);
- Revenues for the sale of products are acknowledged at the moment the customer is transferred control of the product sold, generally corresponding to the delivery or shipment of the goods.

The costs are accounted for according to the accrual principle.

Grant for Plants

The grants for plants are reported in the accounts once there is the justification documentation of the imminent collection by the paying body. These concur to form the result of the fiscal year according to the rules of economic accrual, determined as related to the residual economic and technical lifespan of the assets they refer to.

Financial income and expenses

Financial proceeds and charges are calculated according to the accrual principle. The dividends of other companies are recorded in the Income Statement in the moment in which the right to receive payment has been established.

Income taxes for the year

Income tax for the year consists of the sum of current and deferred taxes. Income tax is based on profit for the year before taxes. Profit before taxes differs from the result entered in the Income Statement since it excludes positive and negative components that will be taxable or deductible in other fiscal years and - furthermore - it excludes items that will never be taxable or deductible. "Liabilities for current taxes" are calculated using the rates in force as at the date of the Financial Statements. In determining the income taxes, the Company has taken into due consideration the effects deriving from the last fiscal reform introduced by Law no. 244 of December 24th 2007 and - in particular - the strengthened principle of derivation established by art. 83 of TUIR, which requires the entity applying the international accounting principles to apply, even in exceptions to the provisions of the TUIR, "the criteria of qualification, temporary computing and classification of the Financial Statements according to said accounting principles".

Deferred taxes are calculated as related to the temporary differences in the taxation and are entered under "Deferred tax liabilities". Deferred tax credits are calculated to the extent in which it is deemed probable the existence, in the fiscal years during which the relevant temporary differences will spill over, of a taxable income at least equal to the amount of the differences which will be annulled. The deferred and anticipated taxes are determined on the basis of the tax rates expected to be applicable in the fiscal year in which the tax credit will be realized or the tax debt will be extinguished, on the basis of the tax rates defined by measures in force or substantially in force as at the reference date of the financial statement. Such changes are entered under either the Income Statement or under net equity, as related to the computing made at the origin of the reference difference.

Impairment test

The accounting values of the Company assets are assessed at every reference data of the Financial Statements, in order to determine whether there are indications of impairment, in case you proceed to the estimate of the recoverable value of the asset. A loss by value reduction (impairment) is recorded in the Income Statement when the accounting value of an asset or of a unit that generates financial flows exceeds the recoverable value.

The recoverable value of the non-financial activities corresponds to the greatest value between their "fair value" net to the sale cost and the value in present use. To determine the value in present use, the estimated future financial flows are actualized using a discount rate that reflects the market assessment of the money value and of the risks related to the type of activity. In case of activities that do not generate financial flows in input, that are widely independent, we proceed by calculating the recoverable value of the unit that generates financial flows to which the asset belongs.

When, subsequently, a loss on assets other than goodwill and other assets of indefinite useful lifespan, no longer exists or is reduced, the accounting value of the asset and of the asset that generates financial flows is increased until the new estimate of the recoverable value is calculated, which cannot exceed the value that would be determined if no loss were detected by impairment. The recovery of an impairment is immediately recorded in the Income Statement.

Use of estimations

The drafting of the Financial Statements and relevant Notes to the Accounts requires the administration body to run estimates that influence the values of the financial statement assets and liabilities and on the information regarding the potential assets and liabilities as at the date of the financial statement.

The status of generalized economic and financial crisis involves the need to make assumptions as related to the future trend, which can be characterized by uncertainty. Subsequently, we cannot exclude in the future different results from what has been estimated, that could therefore require amendments that cannot be estimated today or forecast at the accounting value of the relevant financial statement items.

Estimates are used in different areas, such as the credit depreciation Fund, the provisions for contingencies and charges, the depreciations, the assessment of the assets regarding shareholding in related companies and subsidiaries the sale revenues, the cost and charges regarding the management of the Integrated Water Service and the income taxes.

The estimates and assumptions are periodically reviewed by the Group based on the better knowledge of the activity and of other factors that can be reasonably derived from the current circumstances, and the effects of any changes are immediately reflected in the Income Statement.

Other information

Corporate agreements outside the Statement of Assets and Liabilities

Bear in mind there are no agreements resulting from the Financial Statement that can have a significant impact on the equity and financial status, or on the economic result of the Company.

Amounts expressed in Notes to the Accounts

Unless otherwise indicated, the amounts reported in the Notes to the Accounts are expressed in Euro units with rounding up to the upper unit for hundredths equal to or greater than 50

Accounting principles, IFRS amendments and interpretations adopted from January 1st 2022

The following IFRS accounting principles, amendments and interpretations were applied for the first time by the Company starting as of 1 January 2022:

- On 14 May 2020, the IASB published the following amendments:
 - **Amendments to IFRS 3 Business Combinations:** the amendment will update the reference contained in IFRS 3 to the Conceptual Framework in the revised version, without this entailing changes to the provisions set out in IFRS 3.
 - **Amendments to IAS 16 Property, Plant and Equipment:** it will no longer be possible to detract from the cost of tangible assets the amount obtained on disposal of assets during the testing stage of the asset itself. Such revenues from disposal and the relative costs will therefore be recorded in the income statement.
 - **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** the amendment makes it clear that the charges that may arise from a contract must be estimated by taking into account all the costs directly attributable to the contract. Accordingly, besides incremental costs (e.g., the cost of direct materials processed), the evaluation of the possible charges associated with a contract must also take into account all the costs that they company cannot avoid on account of having signed the contract (e.g., the proportions of personnel cost and depreciation of the machinery used to perform the contract).
 - **Annual Improvements 2018-2020:** amendments were made to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, and IAS 41 Agriculture, and to the Illustrative Examples of IFRS 16 Leases.

The adoption of these amendments did not produce any effects on the financial statement of the Company.

Accounting principles, amendments and interpretations IFRS authorized by the European Union, not yet mandatory and not adopted in advance by the company on 31 December 2022

- On 18 May 2017, IASB published the principle **IFRS 17 – Insurance Contracts** which is destined to replace IFRS 4 – Insurance Contracts.

The objective of the new principle is to guarantee that an entity provides pertinent information that faithfully represents the rights and obligations derived from issued insurance contracts. The IASB has developed a standard for elimination of existing incongruities and weaknesses in accounting policies, providing a single principle-based framework for taking into account all types of insurance contracts, including reinsurance contracts held by the insurer.

The new principle also includes requirements for presentation and reporting to improve comparability among the entities in this sector.

The new principle measures an insurance contract based on a General Model or a simplified version of the same, called the *Premium Allocation Approach* (“PAA”).

The main characteristics of the *General Model* are:

- the estimates and the hypotheses for future cash flows are always current;
- the measurement reflects the temporal value of money;
- the estimates foresee extensive use of observable information on the market;
- there is current and explicit risk measurement;

- the expected profile is differentiated and aggregated into groups of insurance contracts at the moment of initial reading;
- the expected profit in the period of contractual coverage takes into account changes deriving from variations in the hypothesis relative to financial flows for each group of contracts.

The PAA approach includes measurement of liabilities for the residual coverage of a group of insurance contracts on the condition that, at the time of initial reading, the entity expects that this liability represents a reasonable approximation of the General Model. Contracts with a period of coverage of one year or less are automatically suitable for the PAA approach. Simplifications derived from the application of the PAA method are not applied to assessment of liability for claims in general, which are measured using the General Model. Nevertheless, it is not necessary to actualize those cash flows if it is expected that the balance to be paid or received is due within one year from the date of the claim.

The entity must apply the new principle to issued insurance contracts, including issued reinsurance contracts, held reinsurance contracts and investment contracts with a discretionary participation feature (DPF).

The principle applies starting from January 1st 2023, but an advanced application is allowed, only for those companies which apply IFRS 9 - *Financial Instruments* - and IFRS 15 - *Revenue from Contracts with Customers*. The Board Members do not expect a significant effect in the balance sheet of the Company from the adoption of this principle.

- On 9 December 2021, IASB published an amendment called ***“Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information”***. L'emendamento è un'opzione di transizione relativa alle informazioni comparative sulle attività finanziarie presentate alla data di applicazione iniziale dell'IFRS 17. The amendment is designed to prevent temporary accounting mismatches between financial assets and insurance contract liabilities and hence to enhance the usefulness of the comparative information provided in the financial statements. The changes will become effective on 1 January 2023, together with the application of IFRS 17. The Board Members do not expect a significant effect in the balance sheet of the Company from the adoption of this amendment.
- On 12 February 2021 IASB published two amendments called ***“Disclosure of Accounting Policies—Amendments to IAS 1 and IFRS Practice Statement 2”*** and ***“Definition of Accounting Estimates—Amendments to IAS 8”***. The amendments are intended to improve disclosure of accounting policies so as to provide more useful information to investors and other primary users of the financial statements as well as to help companies distinguish between changes in accounting estimates and changes in accounting policies. The changes will be applied starting from January 1st 2023, but advance application is allowed. At present the administrators are assessing possible effects of introduction of these amendments into the financial statement of the Company.
- On 07 May 2021 IASB published an amendment called ***“Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction”***. The document clarifies how to recognise deferred taxes on certain transactions that can generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. The changes will be applied starting from January 1st 2023, but advance application is allowed. At present the administrators are assessing possible effects of introduction of this amendment into the financial statement of the Company.

Accounting principles, IFRS amendments and interpretations not yet certified by the European Union

To the date of reference of this document, the competent bodies of the European Union have not yet concluded the certification process required for the adoption of the amendments and principles described hereinunder.

- On 23 January 2020, IASB published an amendment called ***“Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current”*** and on 31 October 2022 published an amendment called ***“Amendments to IAS 1 Presentation of Financial Statements: Non-Current Liabilities with Covenants”***. I documenti hanno l'obiettivo di chiarire come classificare i debiti e le altre passività a breve o lungo termine. The changes will be applied starting from January 1st 2024, but advance application is also allowed. At present the administrators are assessing possible effects of introduction of this amendment into the financial statement of the Company.

- On 22 September 2022 IASB published an amendment called ***“Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback”***. The amendment requires the seller-lessee to evaluate the lease liability arising from a sale & leaseback transaction so as not to recognise a gain or a loss relating to the right of use retained. The changes will be applied starting from January 1st 2024, but advance application is allowed. The Board Members do not expect a significant effect in the balance sheet of the Company from the adoption of this amendment.
- On 30 January 2014, IASB published the principle ***IFRS 14 – Regulatory Deferral Accounts*** whereby only those who are using the IFRS standards for the first time can continue to recognise the amounts relating to rate-regulated activities under the accounting standards used previously. The Company/Group is not a first-time adopter and hence this standard does not apply.

Remarks on the Financial Position and Results

NON-CURRENT ASSETS

1. Tangible fixed assets

€ 139,655,640

The composition of the tangible fixed assets and the relevant movements occurring during the fiscal year are entered in the following table:

2021 Categories	Land and buildings	Plants and machinery	Commercial & industrial equipment	Other assets	Leased assets (see detail)	Assets under construction and payments on account	Total Total
Historical cost as at 31 December 2020	102,947,218	316,605,687	18,732,809	19,355,868	1,482,832	9,557,747	468,682,161
Depreciation fund as at 31 December 2020	(38,935,551)	(259,544,380)	(10,983,919)	(15,339,254)	(863,205)	0	(325,666,309)
Net value as at 31 December 2020	64,011,667	57,061,307	7,748,890	4,016,614	619,627	9,557,747	143,015,852
Reclassifications	0	0	4,001,653	1,222,897	0	0	5,224,550
Works in progress completed in 2021	84,044	1,430,297	0	0	0	(1,514,341)	0
Disinvestments in the fiscal year	0	0	(59,073)	(114,950)	(732,122)	0	(906,145)
Adjustments	(1,373)	(3,544)	0	0	0	0	(4,917)
Leasing increments	0	0	0	0	6,853,019	0	6,853,019
Increases in the fiscal year	1,094,499	383,076	585,680	1,163,584	0	4,258,675	7,485,514
Historical cost as at 31 December 2021	104,124,388	318,415,516	23,261,069	21,627,399	7,603,729	12,302,081	487,334,182
Reclassification/adjustment of amortization fund	0	0	(2,042,476)	(1,123,901)	0	0	(3,166,377)
Depreciation in the fiscal year	(3,640,979)	(9,499,083)	(1,457,056)	(1,415,761)	(702,633)	0	(16,715,512)
Use of funds	168	292	36,441	108,621	713,167	0	858,689
Depreciation fund as at 31 December 2021	(42,576,362)	(269,043,171)	(14,447,010)	(17,770,295)	(852,671)	0	(344,689,509)
Advances to suppliers						864,508	864,508
Net value as at 31 December 2021	61,548,026	49,372,345	8,814,059	3,857,104	6,751,058	13,166,589	143,509,181

2022 Categories	Land and buildings	Plants and machinery	Commercial & industrial equipment	Other assets	Leased assets (see detail)	Assets under construction and payments on account	Total Total
Historical cost as at 31 December 2021	104,124,388	318,415,516	23,261,069	21,627,399	7,603,729	12,302,081	487,334,182
Advances to suppliers as 31 December 2021						864,508	864,508
Depreciation fund as at 31 December 2021	(42,576,362)	(269,043,171)	(14,447,010)	(17,770,295)	(852,671)	0	(344,689,509)
Net value as at 31 December 2021	61,548,026	49,372,345	8,814,059	3,857,104	6,751,058	13,166,589	143,509,181
Reclassifications Advances to suppliers	0	0	0	0	0	71,079	71,079
Works in progress completed in 2022	141,930	10,111	211,675	0	0	(363,716)	0
Disinvestments in the fiscal year	0	(19,264)	(310,196)	(293,502)	(200,710)	(39,000)	(862,672)
Adjustments	0	0	0	0	0	0	0
Reversals of 2021 Advances to Suppliers						(776,844)	(776,844)
Increases in 2022 Advances to Suppliers						1,495,263	1,495,263
Increases in the fiscal year	571,336	152,393	2,664,040	1,233,634	241,984	5,523,053	10,386,440
Reclassification/adjustment of amortization fund	0	0	0	0	0	0	0
Depreciation in the fiscal year	(3,541,856)	(7,090,332)	(1,542,448)	(1,423,874)	(1,247,050)	0	(14,845,560)
Use of funds	0	19,264	186,094	280,219	193,176	0	678,753
Historical cost as at 31 December 2022	104,837,654	318,558,756	25,826,588	22,567,531	7,645,003	17,422,418	496,857,950
Advances to suppliers as 31 December 2022						1,654,006	1,654,006
Depreciation fund as at 31 December 2022	(46,118,218)	(276,114,239)	(15,803,364)	(18,913,950)	(1,906,545)	0	(358,856,316)
Net value as at 31 December 2022	58,719,436	42,444,517	10,023,224	3,653,581	5,738,458	19,076,424	139,655,640

As indicated in the valuation criteria, the tangible fixed assets also include the entry of the financial changes of direct imputation pertaining to large works in course of amortisation.

The sources of income owed by the Company as ownership have been amortized in the ordinary way in compliance with the criteria of itemized evaluation in the present Notes to the Accounts as well as a function of the rates representative of the estimated residual possibility of utilization as at the date of the present financial statement. On the increments developed in the fiscal year, rate reduced by 50% have been applied. "Plants and machinery" includes the cost of spare parts whose utility spreads over several years.

The item 'Industrial and commercial equipment' includes from 2021 the value of measuring instruments, previously classified under 'Assets under concession'.

"Other tangible fixed assets" include furniture and furnishings, ordinary office equipment, electromechanical and electronic equipment, hardware, cars, motor vehicles for transport and other vehicles. As from 2021, this item also includes the value of coal, previously classified under 'Assets under concession'.

Assets under construction and payments on account amounted to over EUR 19.0 million and included the value, according to the stage of progress, of the works being realised at year-end, as well as payments on account to suppliers.

Subsequent to the application of IFRIC 12, "Service Concession Arrangements", the revertible assets referred to the waterworks system of the City of Turin have been reclassified under intangible assets, as "Assets under concession".

"Leased assets" include leased assets in the statement assets, in alignment with the nature of the same assets, following the adoption of the new IFRS 16 principle *Leases* started on 01.01.2019.

The following details transactions in the "Leased assets" category:

Categories	Leasing - Hardware rentals	Leasing- Rentals Cars	Leasing – Rentals Other vehicles	Leasing – Real estate rentals	Leasing – Land rentals	LEASED ASSETS
Historical cost as at 31 December 2021	25,704	265,665	6,393,375	577,805	341,180	7,603,729
Depreciation fund as at 31 December 2021	(22,569)	(41,985)	(464,448)	(203,763)	(119,906)	(852,671)
Net value as at 31 December 2021	3,135	223,680	5,928,927	374,042	221,274	6,751,058
Reclassifications	0	0	0	0	0	0
Works in progress completed in 2022	0	0	0	0	0	0
Disinvestments in the fiscal year	(25,704)	(15,926)	(8,751)	(131,194)	(19,135)	(200,710)
Adjustments	0	0	0	0	0	0
Leasing increments	0	70,018	20,571	151,395	0	241,984
Depreciation in the fiscal year	(3,135)	(44,998)	(1,066,098)	(86,074)	(46,745)	(1,247,050)
Use of funds	25,704	15,927	1,216	131,194	19,135	193,176
Historical cost as at 31 December 2022	0	319,757	6,405,195	598,006	322,045	7,645,003
Depreciation fund as at 31 December 2022	0	(71,056)	(1,529,330)	(158,643)	(147,516)	(1,906,545)
Net value as at 31 December 2022	0	248,701	4,875,865	439,363	174,529	5,738,458

The item 'Leased Assets', amounting to about €5.7 million (€6.7 million in 2021), is mainly attributable to the signing of the long-term vehicle rental contract

The intangible assets are summarized in the following table:

2021 Categories	Goodwill	Plant and expansion costs	Development costs	Industrial patent rights & intellectual property rights	Concessions, licenses, trademarks and similar rights	Assets under construction and payments on account	Other	Total Other intangible assets	Assets under concession (see detailed transactions)	Grand total
	A	B	C	D	E	F	G	H (B+C+D+E+F+G)	I	A+H+I
Historical cost as at 31 December 2020	5,928,005	39,142	249,266	154,000	24,121,620	1,510,485	510,210	26,584,723	1,153,466,180	1,185,978,908
Depreciation fund as at 31 December 2020	0	(39,142)	(249,266)	(154,000)	(22,310,388)	0	(157,285)	(22,910,081)	(420,501,303)	(443,411,384)
Net value as at 31 December 2020	5,928,005	0	0	0	1,811,232	1,510,485	352,925	3,674,642	732,964,877	742,567,524
Reclassifications	0	0	0	0	0	0	0	0	(5,224,551)	-5,224,551
Works in progress completed in 2021	0	0	0	0	0	(1,305,189)	0	(1,305,189)	1,305,189	0
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0	(459,348)	(459,348)
Increases in the fiscal year	0	0	0	0	1,626,897	0	0	1,626,897	91,806,371	93,433,268
Historical cost as at 31 December 2021	5,928,005	39,142	249,266	154,000	25,748,517	205,296	510,210	26,906,431	1,240,893,841	1,273,728,277
Reclassification/ adjustment of amortization fund	0	0	0	0	0	0	0	0	3,166,377	3,166,377
Depreciation in the fiscal year	0	0	0	0	(1,887,197)	0	(11,773)	(1,898,970)	(57,547,888)	(59,446,858)
Use of funds	0	0	0	0	0	0	0	0	49,607	49,607
Depreciation fund as at 31 December 2021	0	(39,142)	(249,266)	(154,000)	(24,197,585)	0	(169,058)	(24,809,051)	(474,833,207)	(499,642,258)
Advances to suppliers									5,264,531	5,264,531
Net value as at 31 December 2021	5,928,005	0	0	0	1,550,932	205,296	341,152	2,097,380	771,325,165	779,350,550

2022 Categories	Goodwill	Plant and expansion costs	Development costs	Industrial patent rights & intellectual property rights	Concessions, licenses, trademarks and similar rights	Assets under construction and payments on account	Other	Total Other intangible assets	Assets under concession (see detailed transactions)	Grand total
	A	B	C	D	E	F	G	H (B+C+D+E+F+G)	I	A+H+I
Historical cost as at 31 December 2021	5,928,005	39,142	249,266	154,000	25,748,517	205,296	510,210	26,906,431	1,240,893,841	1,273,728,277
Advances to suppliers as 31 December 2021									5,264,531	5,264,531
Depreciation fund as at 31 December 2021	0	(39,142)	(249,266)	(154,000)	(24,197,585)	0	(169,058)	(24,809,051)	(474,833,207)	(499,642,258)
Net value as at 31 December 2021	5,928,005	0	0	0	1,550,932	205,296	341,152	2,097,380	771,325,165	779,350,550
Reclassifications Advances to suppliers	0	0	0	0	0	0	0	0	(71,079)	(71,079)
Works in progress completed in 2022	0	0	0	0	0	(95,015)	0	(95,015)	95,015	0
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0	0	0
Transfer of advance payments to suppliers 2021									(1,628,142)	(1,628,142)
Increase in advance payments to suppliers 2022									1,270,293	1,270,293
Increases in the fiscal year	0	0	0	0	2,679,911	41,755	0	2,721,666	97,264,788	99,986,454
Reclassification/ adjustment of amortization fund	0	0	0	0	0	0	0	0	0	0
Depreciation in the fiscal year	0	0	0	0	(1,901,937)	0	(11,772)	(1,913,709)	(60,805,979)	(62,719,688)
Use of funds	0	0	0	0	0	0	0	0	0	0
Historical cost as at 31 December 2022	5,928,005	39,142	249,266	154,000	28,428,428	152,036	510,210	29,533,082	1,338,253,644	1,373,714,731
Advances to suppliers as 31 December 2022									4,835,603	4,835,603
Depreciation fund as at 31 December 2022	0	(39,142)	(249,266)	(154,000)	(26,099,522)	0	(180,830)	(26,722,760)	(535,639,186)	(562,361,946)
Net value as at 31 December 2022	5,928,005	0	0	0	2,328,906	152,036	329,380	2,810,322	807,450,061	816,188,388

For detailed transactions in the category “Assets under concession” refer to the section of reference.

2. Goodwill

€ 5,928,005

The value of the goodwill to 31 December 2022 can be ascribed historically to the acquisition of the SAC business unit (January 1st 2014), amounting to EUR 96,000 and the SAP S.p.A. business unit (July 1st 2015) regarding the Municipalities of ATO 3 Torinese amounting to EUR 5,832,005, entered under the intangible assets with the approval of the Board of Auditors.

Goodwill, which had previously been allocated to the relevant Cash Generating Unit (CGU), also based on the management strategies introduced and the redefinition of the Economic-Financial Business Plan, was reallocated to the CGU corresponding to the Parent Company, in accordance with IAS 36, whereby the entire company is conceived as the cash-generating unit, i.e., the operating unit aimed at recovering the value recorded. It should be noted, however, that if the approach had been consistent with the previous year, no impairment would have emerged with regard to the recoverability of the value recorded.

Pursuant to IAS 36, effective 1 January 2015, goodwill is not subject to amortisation, but is tested for impairment annually, or more frequently if specific extraordinary events and circumstances occur. The impairment test performed by an independent expert was conducted by comparing enterprise value and net value of the assets as at 2022.

The enterprise value was determined by applying the Discounted Cash Flow (“DCF”) method, including the residual value of the assets (terminal value), according to the “asset side” financial approach by discounting the operating cash flows related to the CGU arising from the 2020-2033 Business Plan, annexed to Industrial Plan 4.0 (2020-2024) approved by the Ordinary Shareholders' Meeting held on 26 June 2020, and the residual value of the assets as at 2033. The Economic and Financial Plan also highlights the results expected for the whole duration of the license and - even though it is drafted on a time horizon longer than 5 years - it constitutes the representative document to identify the prospect cash flows

The discount value utilized is represented by the WACC identified with reference to the sector the identified CGU operates within. The discount rate (WACC) utilized reflects the market assessments on the cost of money and the specific risks of the sector of activities and of the reference geographic area.

In particular, in determining the actualization rate, the following parameters have been utilized:

- Free risk rate of 3,26%;
- Risk premiums at 5.94%
- Beta for the “water utilities” sector at 0.59;
- Cost of debt at 2.58%.

The estimated discount rate (WACC) is therefore 4.33%

The impairment test performed did not reveal any impairment of the goodwill recorded in the balance sheet.

3. Other Intangible assets

€ 2,810,322

The intangible assets are entered amongst the statement of account assets, since they are part of the assets allocated to be durably used. No value adjustment has been applied to the cost of acquisition or production of the intangible assets.

“Concessions, licenses, trademarks and similar rights” includes the cost incurred for the acquisition of software licenses depreciated in three fiscal years, and for the deposit of trademarks, which are depreciated in ten fiscal years.

The item “Assets under construction payments on Account” includes the value of certain studies under completion.

4. Concessions

€ 807,450,061

The item Assets under concession progressed as follows:

2021 Categories	Usage rights granted by CIACT	Usage rights constituting the aqueduct system for the City of Turin	Improvements on SI assets of the City of Turin	Improvements on SI assets of external municipalities in management	Ongoing improvement works and advance payments for the improvements on SI assets of the City of Turin	Ongoing improvement works and advance payments on SI assets of external municipalities in management	Revertible assets	Assets under concession
Historical cost as at 31 December 2020	3,834,635	50,871,004	207,661,970	728,183,300	35,578,637	121,930,270	5,406,364	1,153,466,180
Depreciation fund as at 31 December 2020	(2.771.425)	(37.729.328)	(91.337.850)	(283.725.279)	0	0	(4.937.421)	(420.501.303)
Net value as at 31 December 2020	1,063,210	13,141,676	116,324,120	444,458,021	35,578,637	121,930,270	468,943	732,964,877
Reclassifications	0	0	0	(5.224.551)	0	0	0	(5.224.551)
Works in progress completed in 2021	0	0	8,103,624	47,579,475	(7.894.454)	(46.483.456)	0	1,305,189
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0
Adjustments	0	0	0	(243.610)	(27.419)	(188.319)	0	(459.348)
Increases in the fiscal year	0	0	6,871,052	17,528,826	19,383,934	48,022,559	0	91,806,371
Historical cost as at 31 December 2021	3,834,635	50,871,004	222,636,646	787,823,440	47,040,698	123,281,054	5,406,364	1,240,893,841
Reclassification/adjustment of amortization fund	0	0	0	3,166,377	0	0	0	3,166,377
Depreciation in the fiscal year	(81.939)	(1.010.898)	(10.003.452)	(46.235.980)	0	0	(215.619)	(57.547.888)
Use of funds	0	0	0	49,607	0	0	0	49,607
Depreciation fund as at 31 December 2021	(2.853.364)	(38.740.226)	(101.341.302)	(326.745.275)	0	0	(5.153.040)	(474.833.207)
Advances to suppliers	0	0	0	0	369,634	4,894,897	0	5,264,531
Net value as at 31 December 2021	981,271	12,130,778	121,295,344	461,078,165	47,410,332	128,175,951	253,324	771,325,165

2022 Categories	Usage rights granted by CIACT	Usage rights constituting the aqueduct system for the City of Turin	Improvements on SII assets of the City of Turin	Improvements on SII assets of external municipalities in management	Ongoing improvement works and advance payments for the improvements on SII assets of the City of Turin	Ongoing improvement works and advance payments on SII assets of external municipalities in management	Revertible assets	Assets under concession
	Historical cost as at 31 December 2021	3,834,635	50,871,004	222,636,646	787,823,440	47,040,698	123,281,054	5,406,364
Advances to suppliers as 31 December 2021					369,634	4,894,897		5,264,531
Depreciation fund as at 31 December 2021	(2.853.364)	(38.740.226)	(101.341.302)	(326.745.275)	0	0	(5.153.040)	(474.833.207)
Net value as at 31 December 2021	981,271	12,130,778	121,295,344	461,078,165	47,410,332	128,175,951	253,324	771,325,165
Reclassifications Advances to suppliers	0	0	0	0	2,144,716	(2.215.795)	0	(71.079)
Works in progress completed in 2022	0	0	7,725,376	30,500,574	(7.724.543)	(30.406.392)	0	95,015
Disinvestments in the fiscal year	0	0	0	0	0	0	0	0
Adjustments	0	0	0	0	0	0	0	0
Transfer of advance payments to suppliers 2021					(491.758)	(1.136.384)		(1.628.142)
Increase in advance payments to suppliers 2022					673,294	596,999		1,270,293
Increases in the fiscal year	0	0	6,356,190	18,476,292	21,262,607	51,169,699	0	97,264,788
Reclassification/adjustment of amortization fund	0	0	0	0	0	0	0	0
Depreciation in the fiscal year	(81.939)	(1.010.898)	(10.533.007)	(49.071.491)	0	0	(108.644)	(60.805.979)
Use of funds	0	0	0	0	0	0	0	0
Historical cost as at 31 December 2022	3,834,635	50,871,004	236,718,212	836,800,306	60,578,762	144,044,361	5,406,364	1,338,253,644
Advances to suppliers as 31 December 2022	0	0	0	0	2,695,886	2,139,717	0	4,835,603
Depreciation fund as at 31 December 2022	(2.935.303)	(39.751.124)	(111.874.309)	(375.816.766)	0	0	(5.261.684)	(535.639.186)
Net value as at 31 December 2022	899,332	11,119,880	124,843,903	460,983,540	63,274,648	146,184,078	144,680	807,450,061

Subsequent to the adoption of IFRIC 12, such category includes the improvements for the enhancement of the assets received in use by the City of Turin as well as the system of the well water systems entrusted in direct management to the Company and depreciated on the basis of the estimated residual economic and technical lifespan.

The item "Ongoing improvement works and advance payments" includes the value of works in progress at year-end, as well as the value of advance payments to suppliers for the construction of integrated water service works for the external municipalities and the City of Turin.

The entry "Assets under concession" also refers to "Revertible assets" which show the values of the extensions, realized by the former Shareholder AAM Torino S.p.A., to add to the aqueduct system of the City of Turin and received by the same in provision, for which the constraint for free transmission at the end of the relative lease was stipulated.

Moreover, it includes the value of the "Right of use of the assets that constitute the waterworks system", which is mandatory and already acknowledged by the City of Turin when they are given to the former Shareholder AAM Torino S.p.A. and then given by the latter to SMAT Torino S.p.A. The item also includes the value of the right to use the the waterworks system transferred to January 1st 2003 by C.I.A.C.T. in liquidation. The values are represented in compliance with the expert appraisals drafter to transfer them and depreciated as a function of the new agreement between Ente d'Ambito n. 3 Torinese and SMAT S.p.A. the new agreement between Ente d'Ambito n. 3 Torinese and SMAT S.p.A.

The value of usage rights is amortized based on the relative agreement deed.

Amortizations on improvements and revertible assets were determined with reference to the estimated economic-technical lifespan.

5. Investments

€ 11,715,845

The table below shows the carrying values of stakes held in subsidiaries, associated companies and other companies as at 31 December 2022. The stakes held in associated companies, recorded at cost and possibly adjusted for impairment losses, and investments in other companies were subjected to impairment test by an independent consultant, who also carried out an equity or earnings valuation of investments in other companies.

Categories	Subsidiaries	Associates	Other enterprises	Grand total
Historical cost as at 31 December	1,491,322	43,102,341	3,566,923	48,160,586
Value adjustment as at 31	(1.071.615)	(35.295.000)	(78.126)	-36,444,741
Net value as at 31 December 2021	419,707	7,807,341	3,488,797	11,715,845
Extraordinary Operations in 2022				
Subscriptions/acquisitions in 2022				
Payments in capital account 2022				
Disposals/reductions in 2022				
Value adjustment in 2022				
Historical cost as at 31 December	1,491,322	43,102,341	3,566,923	48,160,586
Value adjustment as at 31	(1.071.615)	(35.295.000)	(78.126)	(36.444.741)
Net value as at 31 December 2022	419,707	7,807,341	3,488,797	11,715,845

In general terms, the statement of account values do not significantly exceed the ones that correspond to the fractions of Net Equity reported in the statements of account to 31 December 2022 of the related companies. In compliance with art. 2427, comma 1, no. 5 of the Italian Civil Code, the participating interest in subsidiaries related companies in force to 31 December 2022, respectively consists of:

- Shareholding in **Risorse Idriche S.p.A.**, having its registered office in Torino, Corso XI Febbraio 14 and having the following characteristics:

[Shareholding in Risorse Idriche S.p.A.](#)

a) Share capital of the investee	(€)	412,769
b) Shares held	(Qty.)	727,305
c) Nominal value per share	(€)	0.52
d) Purchase cost	(€)	1,440,322
e) Stake held	(%)	91.62
f) Book value	(€)	368,707
g) Net Equity of the investee	(€)	718,020
h) Result of previous fiscal year	(€)	20,998

- Shareholding in **AIDA Ambiente S.r.l.**, having its registered office in Pianezza, via Collegno 60, and having the following characteristics:

[Shareholding in AIDA Ambiente S.r.l.](#)

a) Share capital of the investee	(€)	100,000
b) Shares held	(Qty.)	N/A
c) Nominal value per share	(€)	N/A
d) Purchase cost	(€)	51,000
e) Stake held	(%)	51.00
f) Book value	(€)	51,000
g) Net Equity of the investee	(€)	819,335
h) Result of previous fiscal year	(€)	104,228

- Shareholding in **Acque Potabili S.p.A., under liquidation**, having its registered office in Turin, Corso XI Febbraio 22, and having the following characteristics:

[Shareholding in Risorse Idriche S.p.A. under liquidation \(from June 1st 2021\)](#)

a) Share capital of the investee	(€)	7,633,096
b) Shares held	(Qty.)	3,429,125
c) Nominal value per share	(€)	N/A
d) Purchase cost	(€)	43,102,341
e) Stake held	(%)	47.55
f) Book value	(€)	7,807,341
g) Net Equity of the investee	K/€	17,164
h) Result of previous fiscal year	K/€	311

The shareholding in Acque Potabili S.p.A. under liquidation has been assessed to Euro 7.8 million, unchanged from the previous year.

The Extraordinary Shareholders' Meeting of company Società Acque Potabili held on 29 April 2021 resolved on the early dissolution of the Company pursuant to art. 2484(1) no. 6) of the Civil Code and its ensuing winding up. The deed was registered and recorded in the Trade Register of Turin on 31 May 2021. As from that date, the resolution for the liquidation of Società Acque Potabili came into full effect.

The Extraordinary Meeting of the Shareholders of the Acque Potabili of 31 May 2021 amended Article 5 of the Articles of Association, eliminating the unit value of the shares. Given the unchanged share capital (equal to EUR 7,633,096), following the cancellation of 420,939 shares, SMAT saw its shareholding increase from 44.92% to 47.546%.

The Ordinary Shareholders' Meeting of company SAP S.p.A. Under liquidation since 29 April 2022 approved the financial statements for the period from 1 June to 31 December 2021 (first intermediate liquidation financial statements) that ended with a positive result of EUR 158,000, and takes the negative result of EUR – 196,000 for the period from 1 January to 31 May 2021 as recorded in the statement of accounts handed over to the liquidators on 16 September 2021.

The Ordinary Shareholders' Meeting of SAP S.p.A. in liquidation since 27 April 2022 approved the financial statements for the period from 1 January 2022 to 31 December 2021 (second intermediate liquidation financial statements) that ended with a positive result of EUR 311,000. At the end of 2022, net worth came to EUR 17,164,000 (IAS/IFRS criteria), whereas Consolidated Net Worth as at 31 December 2021 amounted to EUR 17,015,000.

The shareholding in Acque Potabili Siciliane S.p.A. after the filing of the Extraordinary Administration Procedure of February 7th, 2012, in bankruptcy since October 10th 2013, has been reclassified as "Other companies" instead of shareholding in related companies, even though it was fully depreciated nel bilancio in chiusura As it is better entered in the Management Report, it is completely out of SMAT Group consolidation area.

The independent expert used the equity method to value companies Acque Potabili S.p.A. under liquidation, Nos S.p.A. and Environment Park S.p.A.; to value the other investees, the expert used the revenue method, based on the weighted average cost of capital, WACC) of 4.33%.

The fair value valuation of the other shares determined a value that is substantially aligned with the cost of investment, already recorded on 31 December 2021, at 3.5 million Euros. Even though the profitability of some investees in the medium term results positive, the values were not changed because they were not considered significant.

On July 19th .2016, a specific Notary Deed defined the establishment of the Water Alliance – Acque del Piemonte (now Utility Alliance del Piemonte) network of enterprise, whose registered office is in Turin– Viale Maestri del Lavoro n. 4.

As at 31 December 2022 the Equity Fund amounted to Euro 95,000 in which SMAT holds a 5.56% interest.

This network of enterprises as at 31 December 2022 as a result of changes during the financial year 2022 is established by 18 Piedmontese water service companies, that signed a "network agreement" aimed at upgrading their competitive capacity through a shared representation of interests on behalf of institutional stakeholders and associations, as well as shared decision-making processes.

6. Deferred tax assets

€ 22,454,856

This item (€ 17,962,797 On the previous fiscal year) includes the credit deriving from the active deferred taxes mainly calculated on the provisions for costs to be deducted in the future and t the revenues for anticipated taxation.

The entry shows an increase of over EUR 4,492,059 from the previous fiscal year, due to the combined effect of: deductibility of costs accrued in the fiscal year in progress, future fiscal years and deduction of the costs recorded in previous fiscal years, in the present fiscal year.

Such effects are reported in the following detail table:

Description	Multiannual Deferred income	Provision for risks and charges	Provision for write-downs of Receivables	Goodwill and brands amort.	Income Taxes Local	Inventory Interest	Depreciation of Receivables on late payments	TOTAL
Taxable base as at 31 December 2021	9,555,993	10,716,213	50,950,295	17,333	11,347		43,127	71,294,308
Receivables for deferred tax as at 31 December 2022	2,694,791	3,021,972	12,228,073	4,888	2,723		10,350	17,962,797
Base allocation 2022	(577.402)	(1.961.079)			(11.347)		(37.316)	(2.587.144)
Tax uses 2022	(162.827)	(553.024)			(2.723)		(8.956)	(727.531)
Base adjustments 2022								
Tax adjustments 2022								
Base allocation 2022		8,204,247	12,012,802		7,700	220,000	6,508	20,451,257
Tax provisions 2022		2,280,308	2,883,073		1,848	52,800	1,562	5,219,590
Taxable base as at 31 December 2022	8,978,591	16,959,382	62,963,097	17,333	7,700	220,000	12,318	89,158,421
credito imposte anticipate al 31 December 2022	2,531,963	4,749,255	15,111,146	4,888	1,848	52,800	2,956	22,454,856

7. Non-current financial assets € 1,369,497

		31 December 2022	31 December 2021
• Receivable caution money	€	1,282,584	1,197,037
• Customers	€	86,913	109,891
Total	€	1,369,497	1,306,928

The non-current financial assets towards Customers are represented by credits registered following the under-signing of an agreement for governing the use of land in the Municipalities of Scalenghe and Airasca, for the years 2011 - 2018 with a payable plan up to 2031.

The receivables are recorded in the financial statement, as required by IFRS 9 – Financial Instruments, at the amortized cost.

CURRENT ASSETS

8. Inventory € 8,242,024

The item includes:

		31 December 2022	31 December 2021
• Raw, subsidiary materials and consumables	€	7,918,909	7,416,171
• Finished products and goods	€	41,145	41,145
• Advances	€	281,970	0
Total	€	8,242,024	7,457,316

The total increase in inventory from the previous fiscal year amounted to € 784,708.

The Inventory consists of materials whose use does not contain features of multi-year usefulness. It is assessed in the financial statement at the lowest price between the average weighted price and the market price. The value of the inventory is adjusted by a depreciation fund regarding slow turnover materials for an amount of € 990.000, (€ 770.000 in the previous year). Is also present in 2022 the recognition of €281,970 in advance payments to suppliers.

No financial charges were attributed to the inventory value.

9. Trade receivables

€ 251,006,321

The book value of the trade receivables breaks down as follows:

		31 December 2022	31 December 2021
Due from customers			
• Bills and invoices issued	€	239,085,747	219,893,029
• Bills and invoices to be issued	€	74,570,233	56,031,597
• Provision for bad debts	€	(64,937,455)	(52,335,409)
Total due from customers	€	248,718,525	223,589,217
Due from subsidiaries	€	359,172	248,758
Due from associates	€	40,357	24,522
Due from holding companies	€	1,248,548	1,191,615
Due from other	€	639,719	317,432
Net book value	€	251,006,321	225,371,544

DUE FROM CUSTOMERS

€ 248,718,525

The net value of trade receivables increased by about € 25 million over the previous year, mainly due to the increase in rates and the economic crisis context. Of the total receivables recorded, approximately EUR 69.8 million were collected during the early months of FY 2023. Receivables are subject to a careful assessment of the risk of arrears and are recognised at their presumed realisable value by taking into account future losses estimated on the basis of the historical series, and therefore, in accordance with IFRS 9 - Financial Instruments, the overall value of the prudential write-down of receivables was determined to amount to € 65 million.

DUE FROM SUBSIDIARIE

€ 359,172

The item (€ 248,758 in the previous fiscal year) is represented by the credit towards subsidiaries Risorse Idriche S.p.A. and AIDA Ambiente S.r.l as highlighted in the present note.

DUE FROM ASSOCIATES

€ 40,367

The item (€ 24,522 in the previous fiscal year) is represented by receivables due to SAP under liquidation.

DUE FROM HOLDING COMPANIES

€ 1,248,548

This item (€ 1,191,615 in the previous fiscal year) includes receivables from the City of Turin deriving from normal trade transactions executed at market conditions for water supply, rentals and accessory jobs.

DUE FROM OTHER

€ 639,719

These consist of residual trade receivables. Compared to the previous year, the increase of €322,287 is related to advances to suppliers under Article 35 of the public Procurement code.

10. Current tax assets

€ 3,241,693

This item (€ 570,080 in the previous year) mainly includes the net tax credit recognised by the Revenue Agency for the purchase of electricity and gas amounting to euro 2,796,524, as well as that for investments in capital goods pursuant to Article 1, paragraphs 184/197 of Law no. 160/2019 and Article 1, paragraphs 1054 and 1055 of Law no. 178/2020 for € 256,403, tax credits (IRES and IRAP) awaiting reimbursement for € 97,568 and the tax credit for art-bonus (Law 106/2014) for € 22,750.

11. Current financial assets

€ 2,981,033

		31 December 2022	31 December 2021
• Towards clients	€	84,741	58,690
• Due from subsidiaries	€	2,896,292	2,379,840
Total	€	2,981,033	2,438,530

The financial receivables due from customers refer to the share, expiring within 12 months, of the credit for which details are set forth in the comment of the specific section of non-current financial receivables.

The receivables due from subsidiaries are represented by debts to Risorse Idriche S.p.A., based on cash pooling contracts stipulated between the parent company and the subsidiary on 30.01.2015 to optimise financial demands. The increase is due to the development of financial flows between the two companies.

12. Other current assets**€ 25,072,993**

The credits to others refer to:

		31 December 2022	31 December 2021
• Accrued income	€	0	0
• Deferred charges	€	732,834	588,077
• Other assets	€	24,340,159	4,804,544
• <i>Due from employees for amounts to be recovered through With holding</i>	€	115,800	99,004
• <i>Due from other</i>	€	24,224,359	4,705,540
Total	€	25,072,993	5,392,621

Other deferrals include accrued amounts of subsequent fiscal years of other costs liquidated in the fiscal year. "Other assets – due from others" is mostly comprised of Receivables from Cassa per i Servizi Energetici e Ambientali (CSEA) for payments to users entitled to the water bonus, estimated to amount to € 17,664,000, and the security deposit for the supply of electricity, of € 3,400,000, as well as credit notes to be received and sundry receivables amounting to approximately € 3,160,000.

13. Cash and cash equivalents**€ 124,100,269**

The liquid assets include:

		31 December 2022	31 December 2021
• Bank and Post Office deposits	€	124,073,179	46,693,770
• Short term deposits	€	0	0
• Checks	€	9,701	1,178
• Cash and cash equivalents	€	17,389	14,227
Total	€	124,100,269	46,709,175

The increase over the previous year is due to the receipt of the first tranche of EUR 100 million disbursed by the EIB in November 2022 for the realisation of planned investments. All the aforementioned remainders are liquid and fully available as at the date of the Financial Statements without any constraints whatsoever, except for the usual subject to collection clause on checks.

NET EQUITY AND LIABILITIES**14. Net Equity****€ 727,718,890**

The composition of the value of Shareholders' Equity at the balance sheet date is shown in the following table.

COMPOSITION OF THE NET EQUITY			
Nature/Description	31/12/2022	POSSIBILITY OF UTILIZATION	AVAILABLE AMOUNT
Share capital	345,533,762		
Legal reserve	25,808,344	X	
Reserve restricted for PEF implementation	313,340,899		
FTA reserve	(2,677,452)		
Other reserves and retained earnings:			
• <i>Optional reserve</i>	34,342,562	X	(1,328,101)
• <i>Severance actualization reserve</i>	1,312,278		
• <i>Negative reserve for own shares in portfolio</i>	(32,993,211)		
• <i>Reserve for rounding up</i>	(5)		
• <i>Retained earnings</i>	1,467,538	X	1,467,538
<i>Total other Reserves and retained earnings</i>	4,129,162		
Operating income	41,584,175		
Total Net Equity	727,718,890		139,437

SHARE CAPITAL **€ 345,533,762**

The Share Capital is fully subscribed, paid and recorded in the Register of Enterprises in compliance with the law and is made, as at the date of the Financial Statements, of 5,352,963 ordinary shares of the nominal value of EUR 64.55 each, owned by the Associates.

No movements regarding the share capital have occurred during the fiscal year.

LEGAL RESERVE **25.808.344**

The Legal reserve of EUR 24,098,579 as at 12/31/2021 increased by EUR 1,709,766 during the year as per the resolution of the Meeting of Shareholders of 29 June 2022.

RESERVE RESTRICTED TO IMPLEMENTATION PEF **€ 313,340,899**

This reserve, which amounted to €287,352,460 as at 31 December 2021, increased during the financial year by €25,988,439 as a result of the appropriation of profit resolved by the Ordinary Shareholders' Meeting of 29.06.2022.

FTA RESERVE **€ (2,677,452)**

This reserve includes the effects of FTA on the Net Equity deriving from the adoption of the international accounting principles.

OTHER RESERVE AND RETAINED EARNINGS **€ 4,129,162**

Other Reserves include:

		31 December 2022	31 December 2021
• Optional reserve	€	34,342,562	34,342,562
• Severance pay discount reserve	€	1,312,278	(467,361)
• Negative reserve of own shares in portfolio	€	(32,993,211)	(32,993,211)
• Reserve for rounding up	€	(5)	(1)
• Retained earnings	€	1,467,538	1,434,229
Total	€	4,129,162	2,316,218

The reserve for the actualization of the Severance Pay includes the profits/losses that result from the actuarial assessments performed in application of IAS 19 to the Severance Pay and pensions accrued as at 12/31/2022.

The negative reserve for own shares in portfolio as at 12/31/2022 equal to € 32,993,211 refers to 492,963 own shares purchased according to conforming authorization of the Ordinary Meeting of Shareholders

Profits carried forward were increased in the fiscal year by EUR 33,309, as per resolution of the Meeting of Shareholders of 29 June 2022, by effect of destination of the result to the fiscal year 2021.

The available reserves in the Financial Statement 2022 amount to EUR 139,437

PROFIT FOR THE YEAR **€ 41,584,175**

		31 December 2022	31 December 2021
Profit for the year	€	41,584,175	34,195,314

It corresponds to the balance of the Income Statement as the difference between the total revenues and costs and it has been fully submitted to ordinary and deferred taxation for IRES and IRAP purposes.

15. Current and non-current fiscal liabilities

€ 365,891,987

Financial debts on 31 December 2022 are presented in detail by type in the following table:

		31 December 2022	31 December 2021
Non-current financial liabilities			
Bonds	€	134,644,716	134,476,259
Payable loans	€	199,865,929	110,125,691
Debts for leased assets	€	4,477,054	5,459,874
Other financial debts	€	6,363,558	0
Total	€	345,351,257	250,061,824
Current financial liabilities			
Short-term payable loans	€	10,192,308	44,300,281
Due to banks and accrued financial payables	€	2,644,283	6,229,716
Debts for short term leased assets	€	1,340,581	1,329,857
Other short term debts	€	6,363,558	0
Total	€	20,540,730	51,859,854
Total financial liabilities	€	365,891,987	301,921,678

Total financial liabilities are made up of:

- loans (bonds and mortgages) with total value amounting to Euro 344,702,953, net of the amortized residual cost of Euro 355,284 for the debenture loan of Euro 134,071 for payable loans;
- the entry “Due to banks and financial charges” amounting to EUR 2,644,283 which includes other short term operations for EUR 79,410 and accrued financial charges amounting to EUR 2,564,873, which mainly refer to interest on the debenture loan in the accrued amount;
- debts for leased assets, of which the total value amounts to 5,817,635 Euros, net of the residual amortized cost 310,218;
- other debts amounting to EUR 12,727,116, arising from the advance introduced with ARERA resolution 229/2022/R/idr and connected with the raising of funds to meet part of the expenses incurred for the purchase of electric energy, disbursed by Cassa per i Servizi Energetici e Ambientali (CSEA).

Movement of financial liabilities during the fiscal year is the following:

		Bonds	Amortized cost	Total
Balance as at 31 December 2021	€	134,476,259	154,425,972	288,902,231
New loans	€	0	100,000,000	100,000,000
amortized cost	€	0	(85,200)	(85,200)
Amortized cost reduction	€	168,457	17,746	186,203
Repayments in the period	€	0	(44,300,281)	(44,300,281)
Balance as at 31 December 2022	€	134,644,716	210,058,237	344,702,953

The debt for medium to long term funding, gross to the depreciated cost, is detailed in the following table:

Funding		Debt to 31 December 2022
Bonds	€	135,000,000
Payable loans		
Cassa Depositi e Prestiti	€	2,500,000
European Investment Bank III	€	7,692,308
European Investment Bank IV	€	50,000,000
European Investment Bank V	€	50,000,000
European Investment Bank VI	€	100,000,000
Total Payable loans	€	210,192,308
Total	€	345,192,308

The table below shows the liabilities broken down according to type as at 31 December 2022, with an indication of the instalments due within the next fiscal year, due between the 2nd and 5th year and due after the 5th year, gross of amortized cost.

Type	Residual amount	Due within next fiscal year	Due between the 5 th year	Due after the 5 th year
Bonds	135,000,000		135,000,000	
Payable loans	210,192,308	10,192,308	37,981,859	162,018,141
Due to banks and accrued financial payables	2,644,283	2,644,283		
Debts for leased assets	6,127,853	1,340,581	4,720,688	66,584
Other financial debts	12,727,116	6,363,558	6,363,558	
Total	366,691,560	20,540,730	184,066,105	162,084,725

Below are the major contractual conditions.

Funding	Value line of funding	Duration in years	Due date	Instalment	Rate
Ordinary non-convertible loans	135,000,000	7	13/04/2024	annual	fixed
Cassa Depositi e Prestiti	50,000,000	15	30/06/2023	six months, constant principal	Variable (Euribor 6m + spread)
European Investment Bank III	100,000,000	9	30/06/2023	six months, constant principal	fixed
European Investment Bank IV	50,000,000	13	14/12/2033	six months, constant principal	fixed
European Investment Bank V	50,000,000	13	19/07/2034	six months, constant principal	fixed
European Investment Bank VI	150,000,000	16	18/11/2038 (1st tranche)	three months, constant principal (1st tranche)	fixed (1st tranche)

The ordinary nonconvertible debenture loan was issued on April 13th 2017.

The bonds are assisted by a rating released by Standard & Poor's Senior Unsecured "BBB+" (for details see the Directors' Report), and have a duration of seven years with a coupon of 1.95% and they are quoted on the regulated Dublin Stock Market (ISE – Irish Stock Exchange), rating raised from Senior Unsecured to "BBB+" on 29/11/2022.

Activation of the loan from financial institutions, to finance the investments in expansion and upgrading of the networks, water production, distribution, collection and treatment plants envisaged in the Investment Plan of ATO3, did not require any guarantee by the shareholders and envisages for its entire duration maintenance of the following financial parameter calculated based on the data of the Consolidated Financial Statement closed as of 12/31 of the previous year and according to the definitions in the contractual stipulations:

- Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.

The loan taken with Cassa Depositi and Prestiti S.p.A for the provision of EUR 50 million, as an integration of the EIB loan of 2014 for the total coverage of the needs connected to large infrastructures, is assisted by the assignment of receivables that can be claimed at the Ente d'Ambito and the third parties as related to the execution of the agreement that awards the management of the Integrated Water Service in Ambito 3 Torinese.

Such loan involves the obligation to keep - throughout its duration - the following financial parameters, which are calculated on the data of the Company's Financial Statement for the fiscal year closed as at 31 December of the previous year and in compliance with the definitions included in the contract provisions.

- Net Financial Debt/EBITDA (EBIT+Amortization): lower than or equal to 5.
- Net Financial Position/Net Equity: lower than or equal to 1.

The loans obtained from the European Investment Bank to acquire the resources required by the investment plan included in the Area Plan, with the exception of the one expiring in 2023, are not secured.

These credit lines, with the exception of the one granted this year, have been fully utilised as a function of the progress of the works for which they were obtained.

More specifically:

- As related to the EUR 100 million loan of 2014 maturing in 2023, taken for the development of works included in the investment plan for small and medium-sized infrastructures, the following financial parameters apply for the whole duration of the loans, calculated on the data of the Fiscal Year Statement of Accounts of the Company that was closed on 31 December of last year and in compliance with the definitions included in the contract agreements.
 - Net Financial Debt/MOL (EBIT+depreciations): lower than or equal to 5.
 - Net Financial Debt/Net Equity: lower than or equal to 1.
 - EBITDA (EBIT+ Depreciation)/Net financial expenses (excluding the value adjustment of financial assets) greater than 5;
 - Residual value/Gross Financial Debt ratio greater than or 1.30 where the residual value calculated on the net accounting value, start-up expenses excluded.
 The guarantee released is remunerated by a commission calculated on the guaranteed amount.
- for the EUR 50 million loan obtained in 2020 and the 50 million loan stipulated in 2021 for the construction of the works envisaged in the 2020-2024 investment programme, as well as for the new credit line of EUR 150 million granted in 2022 (a first tranche of which, of EUR 100 million was disbursed on 18 November 2022) for the construction of the works contemplated in the 2022-2027 investment programme, in addition to the financial parameters of the above-mentioned EUR 100 million contract, the following additional ratio is envisaged in accordance with the definitions included in the contractual agreements:
 - Gross Financial Debt/MOL (EBIT+depreciations): lower than or equal to 4.5.

In cases of noncompliance with even only one of said financial parameters, the delivering institutions have the right to terminate the contract in advance.

It is worth highlighting that - as at 31 December 2022 - all the aforementioned financial parameters are complied with.

16. Provisions for employee benefits € 9,241,138

The Provisions for employee benefits as at 31 December 2022 reflects the indemnity accrued by the employees up as at 31 December 2006, which will be exhausted by the payments to be made at the end of the work relations, or of any advance in compliance with the law.

The movements of the fund (which is not influence by the shared accrued during the fiscal year in favor of the employees throughout the year) has been as follows:

Employee Severance Provision

- Balance as at 31 December 2021	€	10,715,646
- Utilizations, transfers, adjustments, indemnities and advances paid out in the period	€	(832,328)
- Interest cost deriving from IAS 19	€	45,318
- Profits (losses) actuarial	€	(1,543,877)
Balance as at 31 December 2022	€	8,384,759

Other benefits refer to the estimated quantification of the seniority bonuses potentially due to employees that accrue the relevant requirements stipulated in in the company regulations entered below:

Pension fund

- Balance as at 31 December 2021	€	1,123,461
- Social security costs	€	64,740
- Utilizations, transfers, adjustments, indemnities and advances paid out in the period	€	(96,061)
- Interest cost deriving from IAS 19	€	0
- Profits (losses) actuarial	€	(235,761)
Balance as at 31 December 2022	€	856,379

The following tables illustrate, respectively, the economic, financial and demographic assumptions made for the actuarial assessment of the liabilities in exam.

Economic-financial assumption

- Yearly actualization rate	3.63%
- Yearly inflation rate	2.30%
- Yearly Severance Provision increase rate	3.225%

Demographic assumptions

- Mortality	Tables RG 48
- Disability	INPS tables by age and sex
- Retirement age	Attainment of the requirements
- % of advance payment frequency	1.50%
- Turn-over	0.50%

17. Provisions for risks **€ 22,283,106**

These provisions are made up of:

A) Provisions for litigations and charges *€ 17,154,364*

The provisions for litigations and charges reflect the assessment - on the basis of valuation elements available - of the potential additional liabilities due to judicial and extra-judicial litigations which are currently in progress, as well as of other charges of various kinds which are certain or likely to occur in the future.

The handling of such provisions has been as follows:

- Balance as at 31 December 2021	€	11,607,381
- Provisions of the fiscal year	€	6,141,645
- Use in the fiscal year	€	(386,343)
- Estimate adjustment	€	(208,319)
Balance as at 31 December 2022	€	17,154,364

The balance of the allocations for litigations and charges as at 12/31/2022 is considered consistent for covering the following estimated potential liabilities.

B) Provisions for routine maintenance charges *€ 1,049,844*

The provisions for charges of routine maintenance reflects the valuation of the charge that was technically accrued but not yet liquidated as at the date of the Financial Statements because of the routine maintenance programs repeated over several years. Such program cannot be planned with certainty since they concern systems in continuous production cycle.

The provisions for 2022 have not varied from the previous fiscal year, since it has been considered to be congruous:

- Balance as at 31 December 2021	€	1,049,844
- Provisions of the fiscal year	€	0
- Use in the fiscal year	€	0
Balance as at 31 December 2022	€	1,049,844

C) Allocations Regione Piemonte Law No. 61 of 12/29/2000 *€ 451,362*

These reflect the destination of the administrative sanctions applied pursuant to art. 54 Legislative Decree 152/99 to be applied to fund the development of actions aimed at preventing and reducing the pollution of the bodies of water. The provisions have not varied from the previous fiscal year.

- Balance as at 31 December 2021	€	451,362
- Provisions of the fiscal year	€	0
Balance as at 31 December 2022	€	451,362

D) Provisions for Ambito management charges

€ 2,977,536

The amount reflects the best estimate of the charges and of the potential risks connected to the Ambito management activities.

The provision includes euro 72,434 to the fund tied to the financing for investment expenditure of the penalty for the year 2018 determined by ARERA resolution no. 183/2022/R/idr of 26/04/2022 for the regulation of the technical quality of the integrated water service (RQTI).

Movement during the fiscal year is the following:

- Balance as at 31 December 2021	€	2,389,507
- Provisions of the fiscal year	€	2,181,102
- Use in the fiscal year	€	(144,163)
- Adjustment of estimate in the fiscal year	€	(1,448,910)
Balance as at 31 December 2022	€	2,977,536

E) Provisions for charges to other companies

€ 650,000

The provisions reflect the potential charges deriving from the commitments made by the shareholders for patronage of the Dexia-BIIS loan to APS S.p.A. in bankruptcy since 2013. The provisions were not subject to any movements during the current fiscal year,

- Balance as at 31 December 2021	€	650,000
- Provisions of the fiscal year	€	0
- Adjustment of estimate in the fiscal year	€	0
Balance as at 31 December 2022	€	650,000

18. Deferred tax liabilities

€ 293,039

The amount includes the deferred charges for income taxes (IRES and IRAP), which are computed at the rates in force on revenues with deferred taxation and on the advanced deduction costs.

The entry (EUR 906,158 in the previous fiscal year) shows a decrease from the previous fiscal year, due to the combined effect of de-taxation of significant taxable revenues in future fiscal years, taxation of revenues that were computed in previous fiscal years and taxed in the current fiscal year.

These effects are itemized in the table below:

Description	Advanced Depreciation	Receivable interest in arrears	FTA financial liabilities depreciated cost	TOTAL
Taxable base as at 31 December 2021	1,037,341	2,543,654	13,132	3,594,127
Deferred tax as at 31 December 2021	292,530	610,477	3,151	906,158
Base allocation 2022		(2,543,654)	(11,009)	(2,554,663)
Tax uses 2022		(610,477)	(2,642)	(613,119)
Base adjustments 2022				
Tax adjustments 2022				
Base allocation 2022				
Tax provisions 2022				
Taxable base as at 31 December 2022	1,037,341	0	2,123	1,039,464
Deferred tax provision as at 31 December 2022	292,530	0	509	293,039

19. Other non-current liabilities

€ 82,041,993

This item is made up as follows:

		31 December 2022	31 December 2021
• Acquapoint caution money	€	549,264	556,653
• Contributions to pay out	€	20,747	20,747
• Multiannual deferred income	€	81,471,982	52,061,944
Total	€	82,041,993	52,639,344

“Multiannual deferred income” also includes the share of “tied up revenue” to be used for investments amounting to EUR 8,978,591, and the share carried forward of the contributions on capital goods recognised by the Revenue Agency pursuant to art. 1 (184/197 of law 160/2019, amounting to EUR 369,929, once charged to the income statement in correlation with the amortisation of the items they refer to. During the year, this item was seen to increase due to contributions related to the Orco Valley project financed by the NRRP.

20. Trade payables **€ 107,039,043**

PREPAYMENTS **€ 135,534**

The entry (EUR 167,855 in the previous fiscal year) includes the amounts advanced for customer inspections for works still to be completed as at closing date of the financial statement

DUE TO SUPPLIERS **€ 76,926,250**

Due to suppliers refers to:

		31 December 2022	31 December 2021
• Italian suppliers	€	33,927,631	27,793,361
• Foreign suppliers	€	11,491	9,022
• Invoices to be received	€	42,987,128	32,221,098
Total	€	76,926,250	60,023,481

All payables to suppliers fall due within the end of one year and in no case are they assisted by guarantees, in addition to the withholding amount of 0.5% on the jobs.

DUE TO SUBSIDIARIES **€ 5,966,237**

		31 December 2022	31 December 2021
• Due to subsidiaries	€	5,966,237	5,538,293

The itemized entry in the dedicated section of the directors report includes the payables to the subsidiaries Risorse Idriche S.p.A. and AIDA Ambiente S.r.l. and in particular includes the payables for invoices to be received in the amount of € 5,012,431 (EUR 4,097,555 in the previous fiscal year).

DUE TO ASSOCIATES **€ 16,380**

		31 December 2022	31 December 2021
• Due to associates	€	16,380	18,045

The entry itemized in the section dedicated to it in the Directors' Report, includes the payables to the SAP Company under liquidation deriving from the residual trade transactions operated at normal market conditions.

DUE TO HOLDING COMPANIES **€ 594,411**

		31 December 2022	31 December 2021
• Due to holding companies	€	594,411	1,166,098

The entry referred to the section dedicated to it in the Directors' Report refers to trade payables to the City of Turin, and none of them is assisted by a real guarantee on the corporate assets.

DUE TO OTHER **€ 23,400,231**

		31 December 2022	31 December 2021
• Due to others	€	23,400,231	20,764,119

This item consists mainly of trade payables to the Operative Management Subjects for invoices to be received for contractual obligations undertaken with the same.

21. Current tax liabilities **€ 7,976,921**

These liabilities mainly consist of tax payables for the balance of IRAP and IRES deriving from taxation on the current year, withholding taxes on employees' income, already duly paid on the legal due dates in force in the

following year, and VAT payable relative to the fourth quarter of 2022, net of the advance payment, already paid on the legal due dates in force.

Below is the information required by Article 2423-ter, paragraph 6, on the offsetting of tax assets and liabilities.

Description	Receivables	Trade	Balance
IRES advances	(11,217,092)		
Withholding tax receivables	(52,972)		
Tax payables IRES balance		15,625,930	4,355,866
IRAP advances	(2,412,134)		
Tax payables IRAP balance		2,921,988	509,854

22. Other current liabilities

€ 83,542,442

The other payables include:

		31 December 2022	31 December 2021
• Due to Social Security Administration	€	3,686,280	7,552,936
• Accrued charges		0	0
• Deferred income	€	70,390	80,093
• From other:	€	79,785,772	65,646,667
• <i>Local Authority fees</i>	€	3,144,717	4,504,890
• <i>Contributions to Comunità Montane</i>	€	42,632,162	43,573,886
• <i>Due to Municipalities for accessory services</i>	€	404,182	372,369
• <i>Other payables to entities/municipalities</i>	€	4,726,135	3,222,116
• <i>Accruals to liquidate to employees</i>	€	4,442,462	5,787,628
• <i>Other payables</i>	€	24,436,114	8,185,778
Total	€	83,542,442	73,279,696

Payables to social security institutions all accrue by the end of one year and in no case are they assisted by guarantee or encumbered with interest.

The decrease in the balance of payables to pension and social security institutions as at 31 December 2022 is a consequence of the effect determined the previous year by the application of the expansion contract.

At the time of drawing up the present financial statement these payables were paid on their due date.

As a whole, payables for Local Authority Fees and contributions to the Unioni Montane decreased by ca. EUR 2.3 million.

In particular, Local Authority Fees primarily refer to the amounts due for 2022 for the instalments of the repayment plan of the loans taken out by the Municipalities based on the determinations made by the Ente d'Ambito No. 3 Torinese in the first months of the year 2023.

With reference to debts for the contributions to the Comunità Montane, these are paid on the basis of ad hoc communications by the Ente d'Ambito.

Payables to Municipalities for accessory services represent the best estimate of the amounts due on the basis of specific service contracts for operational activity in the relevant territory.

"Other payables to Entities and Municipalities" mostly consists of payables to CSEA for the equalising tariff components (UI), paid on a two-monthly basis, debts for IIS service fees to be paid to the managing entities and debts for various services.

The liability for accruals to be paid to personnel relates to accrued and untaken holiday leave, performance bonus and redundancy incentive recorded on an accrual basis in the financial year 2022.

Other payables mainly consist of payments for the water and supplementary social bonus, amounting to just under EUR 18 million, to be disbursed in 2023 in accordance with the provisions of the Sole Buyer, payables for security deposits (primarily to users), and smat card debts to be transferred to the insurance company.

Notes of commentary to the entries of the Income Statement

Revenues

23. Revenues € 360,936,670

Revenues are made up as follows:

		2022	2021
– Aqueduct service	€	151,080,895	136,120,999
– Sewer service	€	49,252,760	45,805,378
– Water treatment service	€	143,730,137	134,443,869
– Hydrants	€	4,807,859	4,449,788
– Tied revenues "FoNi"	€	(1,232,870)	(1,330,026)
– Other revenues	€	13,297,889	12,232,730
Total	€	360,936,670	331,722,738

All the revenues inherent to corporate business were obtained in the reference territory ATO 3 Torinese, as determined by the Piemonte Regional Law no. 13 of 01/20/1997 and include the best estimate of revenues accrued in the fiscal year for aqueduct, sewers, water treatment services and hydrants provided in the 290 Municipalities acquired by effect of the reunification process, and the municipalities of Burolo and Bruzolo where the water treatment service is provided.

They arise from the new rate structure applied as communicated by the Turin Area Authority following ATO Resolution no. 825 of 3 November 2022 and ARERA Resolution no. 644/2022/R/idr of 29 November 2022, which approved the update of the rate proposal for the years 2022-2023.

Accordingly, the 2022 rates show an increase of 8.4% over the previous year.

During the period in question, there was an average reduction in consumption of about 0.62%, mainly attributable to civil water users (about - 0.52%) and industrial users under Title 4 of the TICS1 (about - 8%).

Following the additions to the tariff proposal, approved by the above-mentioned ATO Resolution the item 'Revenues' was netted of the depreciation fund tariff component.

The revenues from the aqueduct, sewer and water treatment services are represented net of the 50% rate reduction for public municipal and provincial users for a total of Euro 5,793,936.

"Other revenues" mainly includes accessory revenues from users, industrial waterworks, invoices issued for works performed on behalf of users and third parties, in particular in connection with changes to the water and sewerage networks, revenues from biomass analysis and treatment, Water Points, sale of energy products such as biomethane collection, revenues from for non-core activities performed on the free market and adjustment of provisions.

The positive variation over the previous year was determined in particular by the sale of energy products, this increase was offset by a decrease in revenues from works on behalf of third parties and users, and a lower adjustment of the provision for risks and charges.

The item 'Revenues' thus shows an overall increase of 8.81%.

24. Revenues for planning and construction activities € 97,264,788

		2022	2021
– Revenues for planning and construction activities	€	97,264,788	91,806,372

This item refers to the "planning and construction" of assets under concession, which, as envisaged by IFRIC 12, is entered under revenues; the corresponding costs, net of the capitalized costs for internal increases, are entered under the entry "Costs for planning and construction".

25. Other revenues

€ 20,660,454

The other operational revenues are composed as follows:

		2022	2021
– Increase in fixed assets for in-house work	(A)	0	0
– Grants for current expenses	(B) €	9,603,339	4,348,863
– Other			
▪ Contribution shares in production facilities	€	6,095,260	6,076,838
▪ Other revenues	€	2,069,190	1,542,843
▪ Contingent assets and non-existent liabilities	€	1,235,436	1,874,609
▪ Adjustment to provisions for liabilities and other charges	€	1,657,229	1,728,429
	(C) €	11,057,115	11,222,719
Total other revenues (A+B)	€	20,660,454	15,571,582

“Grants for current expenses” primarily refers to the tax credit for the purchase of electricity and gas, the incentive for the production of biomethane, for the production of energy from photovoltaic panels and the former Green Certificates incentive rate.

“Other” includes the economic accrual amount of contributions into the plants accounts, already commented on under the entry “multiannual deferred income” have these notes to the accounts, in addition to the other revenues (among which receivable lease payments, reimbursements for stamps and other reimbursements), contingent assets and non-existent liabilities in addition to the adjustments made to the provision of liabilities, as already commented in the dedicated section of Liabilities in these notes to the accounts.

The positive change is mainly attributable to the item “Grants for current expenses” determined by the combined effect of the introduction of the tax credit for the purchase of electricity and gas and the decrease relating to biomethane production activities.

Operating costs

26. Consumption of raw materials and consumables

€ 14,879,246

This entry includes:

		2022	2021
• Materials for maintenance net of changes in stock	€	6,908,567	7,120,786
• Chemicals	€	6,150,519	4,490,499
• Other materials	€	2,188,711	2,233,781
• Increases for in-house jobs	€	(368,551)	(268,568)
Total	€	14,879,246	13,576,498

This item shows an increase over the previous year, mainly due to the increase in costs for chemical products due to the rising price trend.

27. Costs for leased assets and services

€ 140,392,614

This entry includes:

		2022	2021
• Electricity:	(A) €	43,460,960	29,494,883
• Maintenance, works and services & industrial	(B) €	74,745,459	64,548,900
• General services:			
▪ Services	€	10,693,647	11,113,549
▪ Allocation to Provision for liabilities and other charges	€	1,618,527	1,338,007
	(C) €	12,312,174	12,451,556
• Rentals to local entities	(D) €	5,944,633	5,937,715
• Rentals and payable concessions, leases and hires	(E) €	3,929,388	4,149,590
Total costs for leased assets and services (A+B+C+D+E)	€	140,392,614	116,582,644

A significant change in costs was recorded due to the increase in raw material prices brought about by the ongoing Russian-Ukrainian conflict, which particularly affected the growth dynamics of the cost of electricity, leading to a significant increase in 2022 compared to 2021, despite the fact that SMAT, through the Utility Alliance network, was able to procure its electricity at a fixed price and at values lower than the average for the sector.

As regards the consumption of electricity, bear in mind that the energy recovery technologies operating at the water treatment plants have allowed an 1.60% total savings on consumption

The energy balance is demonstrated as follows:

	2022		2021	
	MWh	%	MWh	%
- Heat				
▪ Self-produced by gas engines	526	1.44	2,548	5.55
▪ Self-produced by boilers	2,160	5.90	3,933	8.56
▪ Produced by methane	33,930	92.66	39,455	85.89
Total	36,616	100.00	45,936	100.00
- Electricity:				
▪ Self-produced by gas engines	598	0.25	2,895	1.24
▪ Self-produced by solar cells	1,084	0.46	1,110	0.48
▪ Total uptake from external suppliers	235,486	99.29	229,481	98.28
Total	237,168	100.00	233,486	100.00
Total consumption	273,784	100.00	279,422	100.00
Total recovery	4,368	1.60	10,486	3.75
- Self-produced and sold electricity (Balme hydroelectric power station)	8,707		5,978	
Total self-production	13,075		16,464	
Total self-produced electricity	10,389		9,983	
- Self-produced electricity in relation to total electricity consumed	4.38		4.28	

The change in costs incurred for *“Maintenance, works and & industrial services”* is mainly due to the increase in costs for maintenance works, also due to the effect of the price adjustment brought about by the so-called *“Aid Decree”* (L.D. 50/2022) of 17/05/2022 and to the costs of gas utilities following the increase in expenditure for the procurement of the raw material due to the conflict in Ukraine. The year also saw an increase in water emergency costs following the declaration of the state of calamity, as commented on in the Report on Operations, and a decrease in costs of works for third parties and maintenance of green areas.

In the area of *“General services”*, the costs of *“Services”* decreased due to lower insurance costs and lower software and laboratory equipment maintenance costs.

Item *“Rentals to local entities”*, determined by the amortisation schedules of the loans taken out by the municipalities and communicated by ATO 3 Torinese, are in line with last year.

The decrease in costs for *“Rentals and payable concessions, leases and hires”* is due to combined effect of lower costs for rentals and higher costs for water subtraction fees and administrative concessions.

28. Payroll costs € 60,745,887

The payroll cost composition is the following:

		2022	2021
- Wages and salaries	€	41,013,932	42,087,050
- Social charges	€	12,861,518	13,537,536
- Severance package	€	2,799,710	2,786,306
- Pension and similar funds	€	64,741	61,795
- Other costs	€	4,005,986	6,942,235
Total	€	60,745,887	65,414,922

Relative to the accounting period, the average staff was composed as follows:

	Top Managers	Middle Managers	Office workers	Laborers	Apprentices	Total
Position as at 31/12/2021	10	20	589	280	90	989
Position as at 31/12/2022	11	20	614	267	117	1029
Change	1	0	25	-13	27	40

Relative to the accounting period, the average staff was composed as follows:

- Top Managers	11 ⁶
- Middle Managers	22
- Office workers	591
- Laborers	269
- Apprentices	96

Payroll cost shows a decrease of about EUR 4.67 million over the previous year, mainly attributable to the extraordinary benefit component including contributions linked to the application of the expansion contracts pertaining to 2021. The other negative changes are attributable to the increase in apprenticeship contracts, additional contribution relief measures, personnel turnover as well as new rules that led to a greater use of holiday leaves. On the other hand, this item shows higher costs due to increases under both the previous CCNL and the renewed CCNL that came into effect on 1 October 2022, remuneration policies and a provision for charges related to the expansion contract as per Article 41 of Legislative Decree 148/2015, as subsequently amended, and correlated items under the heading of redundancy incentives and general novation agreements.

	Total
Ruolo al 31/12/2021	989
Terminations	-53
Hires	93
Ruolo al 31/12/2022	1029

As at 31 December 2022, there were 18 active temporary employment contracts, 1 active secondment contract and 1 passive contract.

29. Other operating expenses € 22,686,435

This entry includes:

		2022	2021
- Other tax charges	€	936,481	928,381
- Ambito fees	€	16,741,814	16,842,437
- Other charges	€	1,939,030	2,503,267
- Allocation to provisions for liabilities and charges	€	2,974,220	1,114,364
- Integrated water bonus	€	94,890	158,895
Total	€	22,686,435	21,547,344

"Other tax charges" mainly includes charges for stamp fees, IMU, government concession taxes and other local taxes.

The item "Territory fees" includes over 15.12 million Euros for the contributions to the Mountain Unions (calculated as indicated by the Territory Authority on revenues for the year 2020) and the operational costs of the Territory Authority and the contributions to the ARERA, depending on the resolutions passed and communications sent.

The item "Other fees" includes fees for association dues, reimbursement of damages and indemnity, and contingent and non-existent assets.

⁶ including a manager on leave of absence art. 15 of National Collective Labour Agreement for Public Utility Company Managers 16 October 2019

“Allocations to Provisions for Liabilities and Charges” cover liabilities and costs involving taxation, administration and other that are certain or probable but whose exact amount or date of occurrence are not yet determinable at this moment.

The cost of the “Supplemental water bonus” introduced with ARERA resolution 897/2017/R/IDR and ATO resolution 697/2018 shows a decrease over the previous year, due to the smaller number of applications received.

30. Costs for planning and construction activities € 93,719,326

		2022	2021
– Costs for planning and construction activities	€	93,719,326	88,240,913

This item refers to “Costs for planning and construction” of assets under construction, net of capitalized costs for internal increases that, according to IFRIC 12, is entered under costs; the corresponding revenues are entered under the entry “Revenues for planning and construction”.

31. Amortization, depreciation and write-downs € 91,151,725

The composition of this entry is as follows:

		2022	2021
– Depreciation tangible fixed assets	€	14,845,560	16,715,512
– Depreciation other intangible fixed assets	€	1,913,709	1,898,970
– Depreciation assets under concession	€	60,805,979	57,547,888
– Credits write-downs	€	13,586,477	10,262,396
Total	€	91,151,725	86,424,766

Taking into account the presentation regarding valuation criteria, and the systematicity criterion, for calculating depreciation in the fiscal year the following ordinary rates were used:

Intangible fixed assets:	
– Assets under concession (improvement of third-party’s assets and revertible assets)	Depending on the estimated technical economic-profit life of various types of reference assets
– Assets under concession (use rights)	Based on the duration of the service agreement ATO 3 and SMAT S.p.A. (2.033)
– Software licenses of use	33.33%
– Patents	50.00%
– Expansion and development costs	20.00%
– Trademarks	10 years
– Surface rights	As a function of the estimated profit life equivalent to the durations of the Company from the date of the Articles of Association
Tangible fixed assets:	
– Buildings and fences	3.50%
– Solar power plants	9.00%
– Light constructions	10.00%
– Specific plants and filtering plants	8.00%
– Metering devices	10.00%
– Laboratory and other equipment	10.00%
– Furniture and furnishings	12.00%
– Office equipments	12.00%
• Electronic machinery	20.00%
• Hardware	20.00%
• Cars	25.00%
• Motor vehicles for transport and other vehicles	20.00%
• Carbon assets	20.00%
• Polarite	11.00%
– Tanks	4.00%
– Fixed waterworks	2.50%
– Sewers	5.00%
– Water treatment plants	15.00%
– Machinery	12.00%
– Leased assets	Based on the contract duration

To the Increases of 2022 of tangible fixed assets the rates applied amount to 50% of the ones shown above, representing with the best estimate average rates as a function of the months of use.

The increase compared to 2021 results from the effect of the implementation of investments made in the financial year and works carried out in previous years.

The item also includes allocations to the Provision for Bad Debts of about EUR 13.59 million, calculated in accordance with IFRS 9 – Financial Instruments, as already reported under the relevante Asset entry in these Notes to the Financial Statements.

Financial income and expenses

32. Financial income € 3,864,207

This entry includes:

		2022	2021
– Earnings from subsidiaries	€	8,939	200
– Receivable interest and other proceeds	€	3,855,268	3,358,592
Total	€	3,864,207	3,358,792

Revenues from Subsidiaries consists, as in the previous year, only of interest from cash pooling from the subsidiary Risorse Idriche.

“Receivable interests and other financial proceeds” include receivable interest on current accounts in banks and post offices, interest arrears and other financial proceeds and dividends from other companies.

The increase was mostly due to higher interest receivable on late from users and bank interest income.

33. Financial expense € 4,301,398

This entry includes:

		2022	2021
– Payable interest and commissions on loans	€	4,104,593	3,885,170
– Other receivable interests and charges	€	196,805	76,023
Total	€	4,301,398	3,961,193

Payable interest and commissions on loans include the charges on loans in addition to the amount pertaining to interest on the debenture loan. The entry also includes adjustment of the charges as a function of the amortized cost method.

The increase over the previous year stems from the higher incidence of interest on the EIB loans disbursed in July 2021 and November 2022, mitigated by lower interest and fees on earlier loans being repaid.

“Other interest payable and charges” include, in particular, financial charges on leased assets arising from the application of IFRS 16, financial charges related to the discounting of the provision for severance indemnities in application of IAS 19, and interest on the CSEA financial advance recognised in December.

34. Income Taxes € 13,265,313

This entry includes:

		2022	2021
– IRAP	€	2,921,988	2,430,870
– IRES	€	15,625,930	11,297,171
– Taxes relative to previous fiscal year	€	(177,427)	(280,906)
– Change in payable deferred taxes	€	(613,119)	286,946
– Change in receivable deferred taxes	€	(4,492,059)	(1,218,191)
Total	€	13,265,313	12,515,890

In the scope of current taxes, IRES and IRAP increased following an increase in the “profit before tax”, as well as in the relative base taxable income.

The taxes relative to the previous fiscal year (lesser taxes) are mainly referred to the additional Financial Statements SC and IRAP related to previous year, from which the increased deductible costs in respect to the previous transmission emerged.

Changes in deferred taxes are commented on in balance sheet items “Deferred Tax Liabilities” and “Deferred Tax Assets”, respectively.

The reconciliation between the ordinary rate and the actual rate is shown in the following schedule:

		2022	2021
- Result before taxes	€	54,849,488	46,711,204
- Applicable theoretical rate	%	24	24
- Theoretical IRES	€	13,163,877	11,210,689

Effects of the variations in increase (diminution) versus the theoretical aliquote

- IRES on nondeductible costs	€	6,303,474	3,902,887
- IRES on other permanent differences	€	(3,838,572)	(3,813,556)
- Total effect of changes (increase/decrease) in revenue	€	2,464,902	89,331
- IRES deduction		(2,849)	(2,849)
- Current IRES (theoretical IRES + IRES on revenue changes)	€	15,625,930	11,297,717
- Deferred IRES	€	(4,900,506)	(1,030,049)
- Current + deferred IRES (total actual)	€	10,725,424	10,267,122
Actual aliquote	%	19.55	21.98

In consideration of the special nature of the correlated taxable basis, no consideration was given to IRAP as for the purposes of the previous table, which refers only to IRES.

Other information

Below is the information regarding the commitments undertaken by the Company (I), to determine “Fair value” (II), to manage financial risks (III), to fees to the Directors and Auditors (IV), to the fees paid to the Auditing Firm (V), to the relationships with related parties (VI) and to the significant events occurring after 31 December 2022 (VII).

I. Commitments undertaken by the Company

To carry on the Acque Potabili operation, on 24 February 2020, the company entered into an agreement with associate company IRETI whereby it was agreed that the joint ownership of the interest in Acque Potabili would be maintained after the shareholders’ withdrawal, and all decisions would be taken jointly, even after the liquidation procedure.

II. Determination of the “fair value”: supplementary information

In regard to the valuation at fair value of the financial instruments in conformity with the requirements of IFRS7 we specify the following:

Assets

- Non-current financial assets – receivables:	Book value in financial statement is the “fair value” of the same
- Cash and cash equivalents:	Book value in financial statement is the “fair value” of the same
- Shareholdings available for sale:	Book value in financial statement is the “fair value” of the same

Liabilities

- Loans at variable rate:	Book value in financial statement is the “fair value” of the same
- Trade payables:	Book value in financial statement is the “fair value” of the same

III. Financial risk management

In conformity with the aforesaid IFRS 7, we specify that SMAT S.p.A., in the ordinary development of own operating assets, is potentially exposed to financial liabilities already commented on in the Directors’ Report.

IV. Fees to Directors and Auditors

Below is the itemization of fees to the Directors and Auditors of SMAT Torino S.p.A.: for the financial statements closed as at 31 December 2022 and 2021.

		2022	2021
Directors	€	263,604	253,929
Auditors	€	98,800	98,800

The fees for the amounts deliberated by the Meeting of Shareholders in addition to the obligatory contribution.

V. Fees to the Auditing Firm

The fees owed to the Auditing Firm Deloitte & Touche S.p.A. for its services of accounting audit of the financial statement and consolidated financial statement as of 31 December 2022 amounts to Euro 66,000 for the statutory audit.

VI. Relationships with “related parties”

The operations developed with the related parties have been performed at standard market conditions and are based on rules that ensure their transparency and well as their substantial procedural fairness.

Below is the itemization of the equity and economic balances inherent to operations with related parties for fiscal year ending as at 31 December 2022

	Fiscal year 2022					
	Total revenues	Total operating costs	Financial proceeds	Commercial receivables and other current assets	Trade payables and other current liabilities	Current financial assets
CITY OF TURIN	4,026,586	1,526,353	-	1,248,548	594,411	-
RISORSE IDRICHE	248,610	2,974,140	8,939	264,321	5,405,040	2,896,292
AIDA AMBIENTE	140,861	1,941,380		94,851	561,197	-
SAP SPA IN LIQUIDAZIONE	41,401	962	-	40,357	16,380	-
Total related parties	4,457,458	6,442,835	8,939	1,648,077	6,577,028	2,896,292
Total items of the state of account	478,861,912	332,423,508	3,864,207	276,079,314	190,581,485	2,981,033
% impact on total book items	0.93%	1.94%	0.23%	0.60%	3.45%	97.16%

VII. Contributions pursuant to Law 4 August 2017 no. 124, art. 1, section 125

Over the course of the fiscal year now concluding, SMAT collected the following contributions from Public Administrations, net of contributions for private hook-ups collected from users.

Collection data	Dispensing subject	Memo	Amount	Grants for current expenses	Grant for Plants
12/01/2022	CITY OF ORBASSANO	COMMITMENT OF EXPENDITURE FOR FLASKS	2,000	2,000	
18/01/2022	CITY OF GRUGLIASCO	COMMITMENT OF EXPENDITURE FOR FLASKS	3,040	3,040	
24/01/2022	CITY OF CICONIO	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	2,000	2,000	
25/01/2022	CITY OF CAVOUR	COMMITMENT OF EXPENDITURE FOR FLASKS	500	500	
27/01/2022	CITY OF SANT'ANTONINO DI SUSÀ	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	1,000	1,000	
28/01/2022	CITY OF MEZZENILE	COMMITMENT OF EXPENDITURE FOR FLASKS	320	320	
31/01/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	62,634	62,634	
31/01/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	23,199	23,199	
17/02/2022	CITY OF ALBIANO D'IVREA	COMMITMENT OF EXPENDITURE FOR FLASKS	320	320	
28/02/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	51,864	51,864	
28/02/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	43,331	43,331	
21/03/2022	CITY OF BUTTIGLIERA ALTA	COMMITMENT OF EXPENDITURE FOR FLASKS	1,480	1,480	
29/03/2022	CITY OF REANO	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	500	500	
31/03/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	18,915	18,915	
31/03/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,740	22,740	
07/04/2022	CITY OF VILLAFRANCA PIEMONTE	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	2,000	2,000	
29/04/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	335,625	335,625	
29/04/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	13,431	13,431	
02/05/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,740	22,740	
06/05/2022	SERCO ITALIA S.P.A	CALLISTO PROJECT	4,971	4,971	
24/05/2022	FONSERVIZI	CFA OF TRAINING PLAN "HUMAN RESOURCES, ENVIRONMENT AND INFORMATION SYSTEMS AREA"	39,445	39,445	
24/05/2022	FONSERVIZI	CFA OF TRAINING PLAN "DEVELOPMENT OF SPECIALISED SKILLS "	25,439	25,439	
31/05/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	313,875	313,875	
31/05/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	11,944	11,944	
31/05/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,740	22,740	
10/06/2022	FINPIEMONTE S.P.A	PROJECT BIOPRO4TO	11,354	11,354	
27/06/2022	CSEA	CONSTRUCTION OF RIVOLI-ROSTA HYDRAULIC INTERCONNECTION	2,880,000		2,880,000

Collection data	Dispensing subject	Memo	Amount	Grants for current expenses	Grant for Plants
30/06/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	273,750	273,750	
30/06/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	8,675	8,675	
30/06/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,949	22,949	
11/07/2022	TERRITORY AUTHORITY No. 3	PROJECT EU-WOP PROGRAMME - GWOPA	122,283	122,283	
11/07/2022	SERCO ITALIA S.P.A	CALLISTO PROJECT	16,842	16,842	
29/07/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	315,000	315,000	
29/07/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	24,310	24,310	
01/08/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,949	22,949	
05/08/2022	CITY OF ALPIGNANO	SEWER CONSTRUCTION	16,192		16,192
05/08/2022	FONSERVIZI	CFA OF TRAINING PLAN "COMMUNICATION, PRIVACY, IT SYSTEMS AND AQUEDUCT AUTOMATIC VALVES"	37,448	37,448	
23/08/2022	MINISTERO DELLE INFRASTRUTTURE E DEI TRASPORTI	ORCO VALLEY AQUEDUCT (LOT A)	9,967,190		9,967,190
23/08/2022	MINISTERO DELLE INFRASTRUTTURE E DEI TRASPORTI	ORCO VALLEY AQUEDUCT (LOT B)	17,932,810		17,932,810
31/08/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	264,375	264,375	
31/08/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	33,121	33,121	
31/08/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	22,949	22,949	
30/09/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	191,625	191,625	
30/09/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	27,825	27,825	
30/09/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	21,259	21,259	
05/10/2022	REGIONE PIEMONTE	2020 FLOOD CONTRIBUTION	87,911		87,911
31/10/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	168,750	168,750	
31/10/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	21,259	21,259	
01/11/2022	VALLE DORA ENERGIA SRL	SMAT - ATO3 - VALLE DORA ENERGIA SRL AGREEMENT	890,000		890,000
10/11/2022	TERRITORY AUTHORITY No. 3	TREATMENT PLANT DECOMMISSIONING	353,623		353,623
10/11/2022	TERRITORY AUTHORITY No. 3	TREATMENT PLANT DISCHARGE CHANNEL MODIFICATION	140,556		140,556
10/11/2022	REGIONE PIEMONTE	UPGRADE OF TREATMENT PLANT	65,009		65,009
10/11/2022	REGIONE PIEMONTE	CONSTRUCTION OF TREATMENT PLANT WITH ION EXCHANGE RESINS	14,000		14,000
23/11/2022	CITY OF VIGONE	CONSTRUCTION DUALISATION AND RELOCATION OF SEWER NETWORK SPILLWAY	29,998		29,998
28/11/2022	CITY OF BORGOMASINO	CONTRIBUTION FOR THE INSTALLATION OF THE SMAT WATER POINT	2,000	2,000	
30/11/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	162,750	162,750	
30/11/2022	GSE	INCENTIVE FOR SOLAR POWER PRODUCTION CASTIGLIONE	21,259	21,259	
21/12/2022	TERRITORY AUTHORITY No. 3	DISTRICTUALISATION FOR WATER LOSS DETECTION	51,297		51,297
21/12/2022	TERRITORY AUTHORITY No. 3	WATER NETWORK DISTRICTUALISATION	53,822		53,822
21/12/2022	TERRITORY AUTHORITY No. 3	INSTALLATION OF PRESSURE RELIEF DEVICES	59,923		59,923
21/12/2022	TERRITORY AUTHORITY No. 3	INSTALLATION OF CONTROL ROOMS	156,485		156,485
21/12/2022	TERRITORY AUTHORITY No. 3	RECONSTRUCTION OF CONTROL ASSEMBLIES	47,102		47,102
21/12/2022	TERRITORY AUTHORITY No. 3	REPLACEMENT OF CONTROL ASSEMBLIES	31,372		31,372
28/12/2022	TERRITORY AUTHORITY No. 3	COMMITMENT OF EXPENDITURE FOR FLASKS	34,435	34,435	
30/12/2022	GESTORE DEI SERVIZI ENERGETICI SPA	INCENTIVE FOR ADVANCED BIOMETHANE PRODUCTION CASTIGLIONE	185,250	185,250	
30/12/2022	GSE	INCENTIVE FOR PRODUCTION EX CVBALME	59,886	59,886	
		TOTAL	35,875,646	3,098,356	32,777,290

The company benefited from a tax credit of EUR 3,157,416 for the purchase of electric energy and gas for the second and third quarters of 2022, and a tax credit of EUR 193,399 for investments in capital goods pursuant to art. 1 (1054) (1055) of Law no. 178/2020.

VIII. Significant events occurring after 31 December 2022

Significant events occurring after 12/31/2022 itemized in the dedicated section of the Directors' Report.

Proposals regarding the deliberations on SMAT S.p.A. fiscal year financial statement as at 31 December 2022

Dear Shareholders,

Having ascertained that there are no amounts still to be depreciated as related to the costs for installations, revamping, research and development or advertising, and that the regulations of art. 2426 of the Italian Civil code, paragraph 5, as related to what is shown above, we propose you to approve the Financial Statements of SMAT S.p.A. for fiscal year 2022, which closed with a net profit of EUR 41,584,175.44 as a whole and in the different items.

Since the Meeting of Shareholders of May 6th 2014 had acknowledged Agreement pursuant to art. 30 TUEL approved by the majority of the Shareholders both in numerical and share terms, and that art. 2 of the same agreement involves the following allocation of the profit obtained:

- 5% to the Legal reserve
- and the remaining:
- 80% to the Reserve bound to the implementation of the Economic and Financial Plan;
 - 20% to dividends to the Shareholders to promote environmental protection measures.

Based on the aforesaid, the Shareholders Meeting proposes the following distribution of the net fiscal year profits for the fiscal year:

- 5% to the Legal reserve amounting to € 2,079,208.77;
- and the remaining:
- 80% to the Reserve bound to the implementation of the Economic and Financial Plan amounting to € 31,603,973,34;
 - 20% for a total amount of € 7,900,933.33 corresponding to a unit dividend rounded off to € 1.62 for each of the 4,860,001 ordinary shares that have right to it, excluded the own shares held by SMAT S.p.A., and therefore a total rounded up dividend of € 7,873,201.62. Consequently, the amount of the net residual profit to be brought forward results to be € 27,791.71.

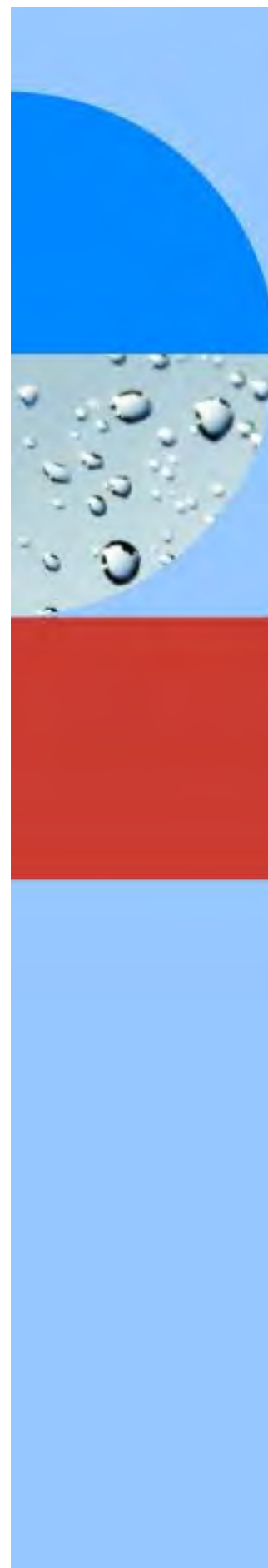
Without prejudice to what has been described above and taking into account the legal obligations, the Board of Directors are leaves to the Assembly the decisions as related to the destination of the operating profit of fiscal year 2022

Turin, May 29th 2023

**For the Board of Directors,
the Chairman
Paolo ROMANO**

FINANCIAL STATEMENTS COMPANY SUBSIDIARIES

RISORSE IDRICHE S.p.A.
AIDA AMBIENTE S.r.l.





**FINANCIAL STATEMENTS OF RISORSE IDRICHE S.p.A.
AS AT 31 DECEMBER 2022**

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

INCOME STATEMENT



Risorse Idriche S.p.A.
Company of the SMAT Group

Registered office in TORINO – C.so XI Febbraio, 14
 Share capital fully paid euro 412,768,72

Registered at the Turin Chamber of Commerce

Taxpayer ID and registration no. in the Register of Companies 06087720014

VAT no. 06087720014 - Economic & Administrative Repertoire no: 759524

Subjected to the direction and coordination of SMAT TORINO S.p.A.

FINANCIAL STATEMENTS AS AT 12/31/2022

STATEMENT OF ASSETS AND LIABILITIES AND INCOME STATEMENT PURSUANT TO ARTS. 2424-2425 OF THE ITALIAN CIVIL CODE

STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2022	31/12/2021
A) CREDITS TO SHAREHOLDERS FOR PAYMENTS STILL DUE		
Receivables due for payments still due and called up	0	0
Total due from Shareholders (A)	0	0
B) FIXED ASSETS		
<i>I. Intangible fixed assets</i>		
1) Plant and expansion costs	0	0
2) Development costs	0	0
3) Intangible fixed assets & intellectual property rights	0	0
4) Concessions, licenses, trademarks and similar rights	6,500	0
5) Goodwill	87,038	130,557
6) Assets under construction and payments on account	0	0
7) Other	0	0
Total tangible fixed assets (I)	93,538	130,557
<i>II. Tangible fixed assets</i>		
1) Land and buildings	0	0
2) Plants and machinery	0	0
3) Industrial and commercial equipment	12,255	0
4) Other assets	28,289	32,831
5) Assets under construction and payments on account	0	0
Total intangible fixed assets (II)	40,544	32,831
<i>III. Financial assets</i>		
1) Shareholdings in:		
a) Subsidiaries	0	0
b) associates	0	0
c) holding companies	0	0
d) companies subjected to the control of the holding companies	0	0
d-bis) other companies	0	0
Total participating interest	0	0
2) Receivables:		
a) from subsidiaries	0	0
b) from associates	0	0
c) from holding companies	0	0
d) from companies subjected to the control of the holding companies	0	0
d-bis) from others	0	0
Total receivables	0	0
3) Other securities	0	0
4) Financial derivative instruments	0	0
Total financial assets (III)	0	0
Total fixed assets (B)	134,082	163,388

ASSETS	31/12/2022	31/12/2021
C) WORKING CAPITAL		
I. Inventory		
1) Raw, subsidiary materials and consumables	0	0
2) Works in progress and semi-finished goods	0	0
3) Works in progress to order	0	0
4) Finished products and goods	0	0
5) Advances	0	0
Total inventory (I)	0	0
II. Receivables		
1) Due from Customers (within 12 months)	97,139	8,604
2) Due from subsidiaries	0	0
3) Due from associates	0	0
4) Due from holding companies:		
- Within 12 months	5,395,152	4,491,154
- After 12 months	9,888	9,888
Total due from holding companies (4)	5,405,040	4,501,042
5) From companies subjected to the control of the holding companies	0	0
5bis) Tax income (within 12 months)	64,443	43,235
5ter) Prepaid taxes	20,559	48,825
5 quater) From other:		
- Within 12 months	19,845	19,139
- After 12 months	0	0
Total receivables (II)	5,607,026	4,620,845
III. Financial assets other than fixed assets		
1) Shareholdings in subsidiaries	0	0
2) Shareholdings in associate	0	0
3) Shareholdings in holding companies	0	0
3 bis) Shareholdings in companies subjected to the control of the holding companies	0	0
4) Other shareholdings	0	0
5) Financial derivative instruments	0	0
6) Other securities	0	0
Total financial assets other than fixed assets (III)	0	0
IV. Cash and cash equivalents		
1) Bank and Post Office deposits	724	224
2) Checks	0	0
3) Cash and cash equivalents	18	645
Total cash and cash equivalents (IV)	742	869
Total working assets (C)	5,607,768	4,621,714
D) ACCRUALS AND DEFERRALS		
Accrued income	0	0
Deferred charges	46,377	38,342
Total accrued income and deferred charges (D)	46,377	38,342
TOTAL ASSETS	5,788,227	4,823,444

STATEMENT OF ASSETS AND LIABILITIES

NET EQUITY AND LIABILITIES	31/12/2022	31/12/2021
A) NET EQUITY		
I. Capital	412,769	412,769
II. Share premium reserve	0	0
III. Revaluation reserve	0	0
IV. Legal reserve	85,957	85,957
V. Statutory reserve	0	0
VI. Other reserves distinctly indicated		
1) Optional reserve	63,291	63,291
2) Prepaid amortizations reserve	0	0
3) Payments into capital account	0	0
4) Reserved for rounding up euros	(2)	0
Total other reserves (VI)	63,289	63,291
VII. Reserve for hedging operations of expected financial flows	0	0
VIII. Profit/(loss) carried forward	135,007	125,043
IX. Profit (loss) for the year	20,998	9,964
X. Negative reserve of own shares in portfolio	0	0
Total Net Equity (A)	718,020	697,024
B) PROVISIONS FOR BAD AND DOUBTFUL DEBTS		
1) Severance fund and similar applications	0	0
2) Provisions for taxes including deferred taxes	0	0
3) Derivative financial instruments payable	0	0
4) Other	0	175,000
Total provisions for risks and charges (B)	0	175,000
C) SEVERANCE FUND FOR EMPLOYEES	909,984	802,161
D) ACCOUNTS PAYABLE		
1) Bonds	0	0
2) Convertible Bonds	0	0
3) Due to shareholders for loans	0	0
4) Due to banks	249	234
5) Due to others	0	0
6) Advances	0	0
7) Due to suppliers (within 12 months)	671,970	93,405
8) Payables in the form of securities	0	0
9) Due to subsidiaries	0	0
10) Due to associates	0	0
11) Due to holding companies:		
– Within 12 months	3,102,858	2,528,078
– After 12 months	0	0
Total payables to holding companies (11)	3,102,858	2,528,078
11 bis) Due to companies subjected to the control of the holding companies	0	0
12) Tax debts (within 12 months)	46,567	65,562
13) Debts to Social Security institutions (within 12 months)	116,430	200,835
14) Other payables (within 12 months)	219,370	259,387
Total payables (D)	4,157,444	3,147,501
E) ACCRUALS AND DEFERRALS		
Accrued charges	0	0
Deferred income	2,779	1,758
Total accrued charges and deferred income (E)	2,779	1,758
Total and net payables	5,788,227	4,823,444

INCOME STATEMENT

A) PRODUCTION WORTH	2022	2021
1) Revenues from sales and services	3,006,610	2,401,736
2) Changes in Inventory, work in progress, semi-finished and finished goods	0	0
3) Variations of the activities in progress on order	0	0
4) Increase in fixed assets for in-house work	0	0
5) Other revenues and proceeds		
a) Contributions in operating account	0	0
b) Other	750	60,040
Other revenues and proceeds (5)	750	60,040
Total Reproduction Worth (A)	3,007,360	2,461,776
B) PRODUCTION COSTS		
6) For raw, subsidiary, expendable materials and goods	15,411	16,544
7) For services	1,263,450	640,650
8) For leased assets	117,530	105,063
9) For employees:		
a) Wages and salaries	954,802	1,030,024
b) Social contributions	319,866	339,809
c) Severance package	141,334	102,172
d) Pensions and similar obligations	3,719	3,285
e) Other costs	6,952	97,907
Total employee costs (9)	1,426,673	1,573,197
10) Amortization and depreciation:		
a) Amortization of intangible fixed assets	46,769	43,591
b) Amortization of material fixed assets	10,349	9,749
c) Other write-downs of fixed assets	0	0
d) Bad/doubtful debts in the working assets and liquid assets	0	0
Total amortizations and depreciation (10)	57,118	53,340
11) Changes in inventory of raw, subsidiary, expendable materials and goods	0	0
12) Allocations for risks	0	0
13) Other provisions	0	0
14) Other overhead charges	70,477	58,242
Total production costs (B)	2,950,659	2,447,036
Difference between production cost and production worth (A-B)	56,701	14,740
C) FINANCIAL CHARGES AND PROCEEDS		
15) Proceeds from shareholdings, with separate indication of those relative to subsidiaries and associates and those relative to holding companies and companies subjected to the control of the latter	0	0
16) Other financial proceeds		
a) from credit entered under fixed assets, with separate indication of those from subsidiaries and associates and those from holding companies and from companies subjected to the control of the latter	0	0
b) from securities entered under fixed assets other than shareholdings	0	0
c) from securities entered under working assets other than shareholdings	0	0
d) Proceeds other than the previous ones, with separate indication of those from subsidiaries and associates and those from holding companies and from companies subjected to the control of the latter	0	0
Total financial proceeds (16)	0	0

	2022	2021
17) Financial interest and charges, with separate indication of those from subsidiaries and sister companies and from holding companies:		
a) Interest due to Holding Company	0	0
b) Loans	0	0
c) Other	8,939	200
Total interest and other financial charges (17)	8,939	200
17bis) Profits and losses from exchanges	0	0
Total Financial proceeds and charges (C) (15 + 16 - 17 +/- 17 bis)	(8,939)	(200)
D) ADJUSTMENT OF VALUE OF LONG TERM INVESTMENTS		
18) Revaluations of:		
a) Shareholdings	0	0
b) Long-term Investments other than Shareholdings	0	0
c) Securities entered under working assets other than Shareholdings	0	0
d) Financial derivatives	0	0
Total revaluations (18)	0	0
19) Write-downs of:		
a) Shareholdings	0	0
b) Long-term Investments other than Shareholdings	0	0
c) Securities entered under working assets other than Shareholdings	0	0
d) Financial derivatives	0	0
Total adjustment to the value of financial assets (D) (18 - 19)	0	0
Result before taxes (A - B +/- C +/- D)	47,762	14,540
20) Income tax for the year:		
a) Current taxes	(1,502)	4,576
b) Deferred and prepaid taxes	28,266	0
Total income tax for the year (20)	26,764	4,576
21) Profit (loss) for the year	20,998	9,964

**FINANCIAL STATEMENTS OF AIDA AMBIENTE S.R.L.
AS AT 31 DECEMBER 2022**

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

INCOME STATEMENT

Aida Ambiente S.r.l.

Company of the SMAT Group subject to management and coordination by SMA Torino S.p.A.

Registered office in PIANEZZA – Via Collegno, 60

Share capital fully paid euro 100,000.00

Registered at the TORINO Chamber of Commerce

Tax registration number and VAT: 09909860018 N. Rea: 109034

FINANCIAL STATEMENTS AS AT 12/31/2022

STATEMENT OF ASSETS AND LIABILITIES AND INCOME STATEMENT PURSUANT TO ARTS. 2424-2425 OF THE ITALIAN CIVIL CODE

STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2022	31/12/2021
A) CREDITS TO SHAREHOLDERS FOR PAYMENTS STILL DUE		
Receivables due for payments still due and called up	0	0
Total due from Shareholders (A)	0	0
B) FIXED ASSETS		
I. Intangible fixed assets		
1) Plant and expansion costs	0	0
2) Development costs	0	0
3) Intangible fixed assets & intellectual property rights	0	0
4) Concessions, licenses, trademarks and similar rights	167	333
5) Goodwill	0	0
6) Assets under construction and payments on account	0	0
7) Other	3,871	4,023
Total tangible fixed assets (I)	4,038	4,376
II. Tangible fixed assets		
1) Land and buildings	0	0
2) Plants and machinery	7,533	7,758
3) Industrial and commercial equipment	31,414	34,381
4) Other assets	14,344	5,180
5) Assets under construction and payments on account	0	0
Total intangible fixed assets (II)	53,291	47,319
III. Financial assets		
1) Shareholdings in:		
a) Subsidiaries	0	0
b) associates	0	0
c) holding companies	0	0
d) companies subjected to the control of the holding companies	0	0
d-bis) other companies	0	0
Total participating interest	0	0
2) Receivables:		
a) from subsidiaries	0	0
b) from associates	0	0
c) from holding companies	0	0
d) from companies subjected to the control of the holding companies	0	0
d-bis) from others	0	0
Total receivables	0	0
3) Other securities	0	0
4) Financial derivative instruments	0	0
Total financial assets (III)	0	0
Total fixed assets (B)	57,329	51,695

ASSETS	31/12/2022	31/12/2021
C) WORKING CAPITAL		
<i>I. Inventory</i>		
1) Raw, subsidiary materials and consumables	0	0
2) Works in progress and semi-finished goods	0	0
3) Works in progress to order	0	0
4) Finished products and goods	0	0
5) Advances	0	0
Total inventory (I)	0	0
<i>II. Receivables</i>		
1) Towards clients:		
- Within 12 months	24,026	6,909
- After 12 months	0	0
Total credits to clients (1)	24,026	6,909
2) Due from subsidiaries	0	0
3) Due from associates	0	0
4) Due from holding companies:		
- Within 12 months	561,196	1,037,251
- After 12 months	0	0
Total due from holding companies (4)	561,196	1,037,251
5) From companies subjected to the control of the holding companies	0	0
5 bis) Tax receivables (within 12 months)	25,577	21,016
5 ter) Prepaid taxes	2,302	3,276
5 quater) From other:		
- Within 12 months	1,669	6,616
- After 12 months	0	0
Total due from others (5-quater)	1,669	6,616
Total receivables (II)	614,770	1,075,068
<i>IV. Financial assets other than fixed assets</i>		
1) Shareholdings in subsidiaries	0	0
2) Shareholdings in associate	0	0
3) Shareholdings in holding companies	0	0
3 bis) Shareholdings in companies subjected to the control of the holding companies	0	0
4) Other shareholdings	0	0
5) Financial derivative instruments	0	0
6) Other securities	0	0
Total financial assets other than fixed assets (III)	0	0
<i>V. Cash and cash equivalents</i>		
1) Bank and Post Office deposits	974,140	299,610
2) Checks	0	0
3) Cash and cash equivalents	127	135
Total cash and cash equivalents (IV)	974,267	299,745
Total working assets (C)	1,589,037	1,374,813
E) ACCRUALS AND DEFERRALS		
Accrued income	0	0
Deferred charges	7,616	4,592
Total accrued income and deferred charges (D)	7,616	4,592
TOTAL ASSETS	1,653,982	1,431,100

STATEMENT OF ASSETS AND LIABILITIES

NET EQUITY AND LIABILITIES	31/12/2022	31/12/2021
A) NET EQUITY		
I. Capital	100,000	100,000
II. Share premium reserve	0	0
III. Revaluation reserve	0	0
IV. Legal reserve	20,000	20,000
V. Statutory reserve	0	0
VI. Other reserves distinctly indicated		
1) Optional reserve	353,014	353,014
2) Prepaid amortizations reserve	0	0
3) Payments into capital account	0	0
4) Reserved for rounding up euros	1	3
Total other reserves (VI)	353,015	353,017
VII. Reserve for hedging operations of expected financial flows	0	0
VIII. Profit/(loss) carried forward	242,092	216,992
IX. Profit (loss) for the year	104,228	25,100
X. Negative reserve of own shares in portfolio	0	0
Total Net Equity (A)	819,335	715,109
B) PROVISIONS FOR BAD AND DOUBTFUL DEBTS		
1) Severance fund and similar applications	0	0
2) Provisions for taxes including deferred taxes	0	0
3) Derivative financial instruments payable	0	0
4) Other	100,000	0
Total provisions for risks and charges (B)	100,000	0
C) SEVERANCE FUND FOR EMPLOYEES	178,746	153,610
D) ACCOUNTS PAYABLE		
1) Bonds	0	0
2) Convertible Bonds	0	0
3) Due to shareholders for loans	0	0
4) Due to banks	0	0
5) Due to others	0	0
6) Advances	0	0
7) Due to suppliers (within 12 months)	233,808	241,160
8) Payables in the form of securities	0	0
9) Due to subsidiaries	0	0
10) Due to associates	0	0
11) Due to holding companies:	94,854	43,021
11 bis) Due to enterprises subjected to the control of the holding companies	0	0
12) Tax debts (within 12 months)	73,370	28,860
13) Due to social security institutions (within 12 months)	31,132	201,301
14) Other payables (within 12 months)	120,778	46,871
Total payables (D)	553,942	561,213
E) ACCRUALS AND DEFERRALS		
Accrued charges	0	0
Deferred income	1,959	1,168
Total accrued charges and deferred income (E)	1,959	1,168
Total and net payables	1,653,982	1,431,100

INCOME STATEMENT

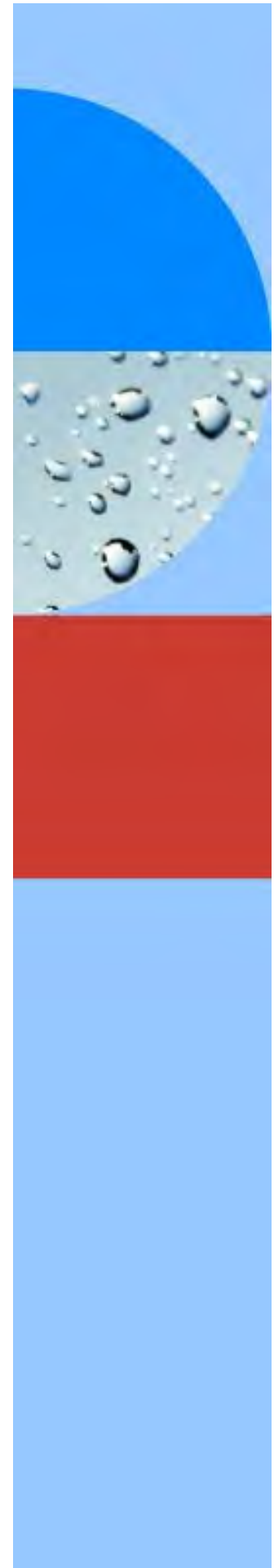
A) PRODUCTION WORTH	2022	2021
1) Revenues from sales and services	1,611,488	1,482,113
2) Change in inventory of assets under construction, semi-finished and finished goods	0	0
3) Variations of the activities in progress on order	0	0
4) Increase in fixed assets for in-house work	0	0
5) Other revenues and proceeds		
a) Contributions in operating account	37,432	0
b) Other	269,817	459,145
Other revenues and proceeds (5)	307,249	459,145
Total Reproduction Worth (A)	1,918,737	1,941,258
B) PRODUCTION COSTS		
6) For raw, subsidiary, expendable materials and goods	129,608	97,216
7) For services	903,216	1,001,550
8) For leased assets	115,580	33,577
9) For employees:		
a) Wages and salaries	334,204	394,865
b) Social contributions	118,176	134,772
c) Severance package	37,957	33,772
d) Pensions and similar obligations	0	0
e) Other costs	78,537	191,470
Total employee costs (9)	568,874	754,879
10) Amortization and depreciation:		
a) Amortization of intangible fixed assets	338	738
b) Amortization of material fixed assets	9,838	9,918
c) Other write-downs of fixed assets	0	0
d) Write-down of receivables included in working assets, cash and cash equivalents	0	0
Total amortizations and depreciation (10)	10,176	10,656
11) Changes in inventory of raw, subsidiary, expendable materials and goods	0	0
12) Allocations for risks	0	0
13) Other provisions	0	0
14) Other overhead charges	11,581	10,275
Total production costs (B)	1,739,035	1,908,153
Difference between production cost and production worth (A-B)	179,703	33,105
C) FINANCIAL CHARGES AND PROCEEDS		
15) Proceeds from shareholdings, with separate indication of those referring to subsidiaries and associates and those referring to holding companies and ad enterprises subjected to the control of the latter	0	0
16) Other financial proceeds		
a) from receivables entered under fixed assets, with separate indication of those from subsidiaries and associates and of those from holding companies and from enterprises subjected to the control of the latter	0	0
b) from securities entered under fixed assets other than shareholdings	0	0
c) from securities entered under working assets other than shareholdings	0	0
d) Proceeds other than the previous ones, with separate indication of those from subsidiaries and associates and those from holding companies and from companies subjected to the control of the latter	30	52
Total financial proceeds (16)	30	52

	2022	2021
17) Financial interest and charges, with separate indication of those from subsidiaries and sister companies and from holding companies:		
a) Interest due to Holding Company	0	
b) Loans	0	0
c) Other	2	0
Total interest and other financial charges (17)	2	0
17bis) Profits and losses from exchanges	0	0
Total Financial proceeds and charges (C) (15 + 16 - 17 +/- 17 bis)	28	52
D) ADJUSTMENT OF VALUE OF LONG TERM INVESTMENTS		
18) Revaluations of :		
a) Shareholdings	0	0
b) Long-term Investments other than Shareholdings	0	0
c) Securities entered under working assets other than Shareholdings	0	0
d) Financial derivatives	0	0
Total revaluations (18)	0	0
19) Write-downs of:		
a) Shareholdings	0	0
b) Long-term Investments other than Shareholdings	0	0
c) Securities entered under working assets other than Shareholdings	0	0
d) Financial derivatives	0	0
Total adjustment to the value of financial assets (D) (18 - 19)	0	0
Result before taxes (A - B +/- C +/- D)	179,731	33,157
20) Income tax for the year:		
a) Current taxes	74,528	9,443
b) Deferred and prepaid taxes	974	(1,386)
Total income tax for the year (20)	75,503	8,057
21) Profit (loss) for the year	104,228	25,100

BOARD OF AUDITORS REPORT

CONSOLIDATED FINANCIAL
STATEMENT

FINANCIAL STATEMENTS



BOARD OF AUDITORS' REPORT

Registered office in Turin, Corso XI Febbraio, 14
Share capital EUR 345,533,761.65 fully paid up
Turin Business Registry
Tax code and VAT code 07937540016

REPORT BY THE BOARD OF AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022.

To the Shareholders of Società Metropolitana Acque Torino S.p.A.,

During the course of the year ended 31 December 2022, our work was inspired by the provisions of the Italian Civil Code, Legislative Decree no. 39/2010, European Regulation no. 537/2014, to the extent applicable, the international accounting standards, the Rules of Conduct of the Board of Statutory Auditors of Listed Companies issued by the CNDCEC and other relevant national regulations in force.

This Board of Statutory Auditors was appointed by you on 28 July 2022, took office on 4 August 2022 and will remain in office until the approval of the Consolidated Financial Statements as at 31 December 2024.

The approved draft financial statements for the year ended 31 December 2022 were made available within the term provided for in Article 2429 of the Civil Code.

The Consolidated Financial Statements of SMAT S.p.A. as at 31 December 2022 include the consolidated Balance Sheet, the consolidated Income Statement, the Notes to the Financial Statements and the consolidated Cash-Flow Statement, and are accompanied by the Management Report (the latter drafted in a unitary manner for the same legal purposes as the financial statements for the year).

The consolidated financial statements have been prepared in accordance with International Accounting Standards (IFRS).

The task of verifying the conformity of the Consolidated Financial Statements with the law and their correspondence with the accounting and consolidation records is assigned to the Independent Auditors. Therefore, since the present Board of Auditors is not responsible for analytical control of the contents of the financial statements, we monitored the general layout of the financial statements, their general compliance with the law as regards their formation and structure, and have no particular observations to report in this regard.

An analysis of the report issued by the independent auditors pursuant to Article 14 of Legislative Decree no. 39/2010 and Article 10 of European Regulation no. 537/2014 has shown that the consolidated financial statements: “[. . .] give a true and fair representation of the assets and the financial situation as at 31 December 2022, the net result and the cash flows of the SMAT Group for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union and the measures implementing Article 9 of Legislative Decree no. 38/05”.

Our supervisory activity was carried out in compliance with the principles of conduct of the Board of Statutory Auditors issued by the National Council of Accountants and Auditors and concerned in particular:

- The verification of the existence and adequacy within Smat S.p.A.'s organisational structure of a department responsible for relations with the subsidiaries;
- Obtaining information on the activities carried out by the subsidiaries and on the most important economic and financial transactions in the context of group relations through the information received from the Directors of Smat S.p.A., the Heads of the various Services, the independent auditors and the supervisory boards of the subsidiary and affiliated companies.

As a result of the supervision of the Consolidated Financial Statements, it is noted that:

- The determination of the scope of consolidation, the choice of consolidation principles and the procedures adopted reflect the statutory requirements;
- The legal regulations concerning the formation and design of the Financial Statements and the Management Report are respected;
- The Management Report is consistent with the Consolidated Financial Statements and provides you with additional considerations on the Group's performance and business prospects; it also contains adequate information on relations between the companies belonging to the group and on significant events occurring after the conclusion of the financial year;
- The Consolidated Financial Statements reflect the facts and information of which this Board has become aware in the course of the exercise of its supervisory duties and its powers of control and inspection.

Accordingly, the Board of Statutory Auditors, in view of:

- the fact that no critical issues were reported by the Chairman of the Board of Statutory Auditors;
- the findings of the activities carried out by the independent auditors as described in their report;
- what has been communicated by the Board of Directors and the Heads of the various Services;
- of everything stated and noted above;

has no observations to make on the consolidated financial statements of the Smat S.p.A. Group.

Turin, 13 June 2023,

The Board of Auditors

Dr. Davide di Russo
Dr.ssa Paola Lucia Giordano
Dr. Simone Montanari

Registered office in Turin, Corso XI Febbraio, 14
Share capital EUR 345,533,761.65 fully paid up
Turin Business Registry
Tax code and VAT code 07937540016

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING
PURSUANT TO ART. 2429, SECTION 2 OF THE ITALIAN CIVIL CODE

Dear Shareholders of Società Metropolitana Acque Torino S.p.A.,

during the financial year ended 31 December 2021, our activity was inspired by the provisions of the Italian Civil Code, Legislative Decree no. 39/2010, European Regulation no. 537/2014, to the extent applicable, the international accounting standards, the Rules of Conduct of the Board of Statutory Auditors of Listed Companies issued by the CNDCEC and other relevant national regulations in force on the subject.

This Board of Statutory Auditors was appointed by you on 28 July 2022, took office on 4 August 2022 and will remain in office until the approval of the Consolidated Financial Statements as at 31 December 2024. ,

On a preliminary basis, it should be noted that the Board of Directors decided to avail itself of the longer term, pursuant to Article 2364 of the Italian Civil Code and Article 14.5 of the company's Articles of Association, for summoning the Shareholders' Meeting for the approval of the 2022 Financial Statements, given that the required conditions were met.

The approved draft financial statements for the year ended 31 December 2022 were made available within the term provided for in Article 2429 of the Civil Code.

The approved draft financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 29 May 2023.

Monitoring and Control activities

We monitored compliance with the articles of association, and the observance of the principles of proper administration,

We participated in the Shareholders Meetings and the Board Meetings; on the basis of the information obtained, we did not find any violations of the law or the articles of association, nor any transactions that were manifestly imprudent, risky, in potential conflict of interest or that could compromise the integrity of the company's assets.

We obtained information from the Board Members during Board of Directors Meetings on the progress of company operations.

We have obtained from the Chairman of the Board of Directors and the Heads of the various Services, during the meetings held, information on the general performance of operations and its foreseeable evolution, as well as on the most significant operations, due to their size or characteristics, carried out by the company and its subsidiaries and, based on the information obtained, we have no particular observations to report.

On 14 December 2022, 9 March 2023 and 29 May 2023 we met with Accounting Firm, Deloitte & Touche S.p.A., and no facts or information emerged that should be highlighted in this report.

We met with the Boards of Auditors of the subsidiaries (Risorse Idriche SpA of Turin, Aida Ambiente Srl of Pianezza) and with the Auditors and the auditing firm of SAP S.p.A. under

liquidation, and no relevant facts, data or information emerged that need to be highlighted in this report.

We have not encountered any reports of atypical and/or unusual transactions carried out by the Company with third or related parties, nor have we received any indications in this regard from the Board of Directors, management, the independent auditors, the corporate control bodies and the boards of auditors of the subsidiaries. The transactions with related parties, as illustrated by the Directors in the Supplementary Notes to the Financial Statements, fall within normal operations and were carried out at normal market conditions or pursuant to specific agreements of a general nature governing the exchange of services between the parties, and were concluded according to rules that ensure their transparency as well as their substantial and procedural correctness

We met with the person in charge of the internal control system and no relevant facts, data or information emerged that should be highlighted in this report.

We met with the Supervisory Entity and reviewed the Board's reports and no critical issues emerged with respect to the proper implementation of the organisational model that need to be highlighted in this report.

We met with the person responsible for the prevention of corruption and guarantee of transparency and examined the relevant reports: no information was brought to the attention of the Board that needs to be highlighted in this Report.

We have acquired knowledge and supervised, to the extent of our competence, on the adequacy and functioning of the company's organisational framework, also through the collection of information from the department heads and the accounting firm on such matters; the analysis has shown that the organisational system is adequate.

We have acquired knowledge of and supervised, to the extent of our competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter to correctly represent management events, by obtaining information from the department heads, the person responsible for legal accounting audits and examination of corporate documentation, and in this regard we have no particular observations to report.

No action had to be taken for omissions by the Board of Directors pursuant to Article 2406 of the Civil Code,

No complaints were made pursuant to Section 2409(7) of the Civil Code.

No punishable facts, omissions or complaints emerged and no complaints were received pursuant to Article 2408 of the Civil Code.

No opinions required by law were issued by the Board of Auditors during the year.

Over the course of monitoring activities, as described above, no other significant facts emerged that require mention in this report.

Monitoring activities pursuant to Legislative Decree no. 39/2010, as amended by Legislative Decree 135/2016.

In our capacity as "Committee for internal control and accounting review" pursuant to art. 19 of Legislative Decree no. 39/2010 as amended by Legislative Decree no. 135/2016, also on the basis of the information received from the auditing firm, we monitored:

- the financial reporting process
- the effectiveness of internal control, internal audit and risk management systems;
- the Statutory Audit of the Financial Statements and Consolidated Financial Statements;
- the Independence of the legal accounting firm, in particular with regard to the provision of services other than auditing.

An analysis of the report issued by the independent auditors pursuant to Article 14 of Legislative Decree no. 39/2010 and Article 10 of European Regulation no. 537/2014 has shown that the financial statements: “[...] give a true and fair representation of the assets and the financial situation as at 31 December 2022, the net result and the cash flows of the company for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union and the measures implementing Article 9 of Legislative Decree no. 38/05”.

On 13 June 2023, pursuant to Art.11 of European Regulation no. 537/2014, we acquired the supplementary report drawn by the auditing firm detailing the results of the audits performed. We informed the governing body of the Company of the results of the legal audits and sent it the said supplementary report.

Observations on the Financial Statements

The draft financial statements for the year ended 31 December 2022 was approved by the Board of Directors on 29 May 2023 and include, pursuant to the Civil Code, the Balance Sheet, the Income Statement, the Cash Flow Statement, the Notes to the Financial Statements and are accompanied by the Management Report.

To the best of our knowledge, the Directors followed the International Financial Reporting Standards (IFRS), which were applied consistently.

The financial statements show a profit for the year of EUR 41,584,175 and can be summarised as follows:

Balance sheet;		
Assets	€	1,406,028,559
Liabilities	€	678,309,669'
Net worth	€	686,134,715
Profit for the year	€	41,584,175
Income statement:		
Revenues	€	478,861,912
Operating costs	€	332,423,508
Depreciation, amortisation, provisions and write-downs,	€	91,151,725
EBIT	€	55,286,679
Financial income and expenses	€	(437,191)
Taxes	€	13,265,313
Profit for the year	€	41,584,175

Therefore, since the present Board of Auditors is not responsible for analytical control of the contents of the financial statements, we monitored the general layout of the financial statements, their general compliance with the law as regards their formation and structure, and have no particular observations to report in this regard.

Then we examined the draft financial statements, on which the following information is provided:

- the criteria used in the preparation of the financial statements for the year ended 31 December 2022 do not differ from those used in the preparation of the financial statements for the previous year;
- the balance sheet entries are comparable with those of the previous year;

- goodwill costs are recognised on the assets side of the balance sheet in accordance with IAS 36; effective 1 January 2015, goodwill will no longer be subject to amortisation, but to impairment testing;
- no start-up or expansion costs are stated on the assets side of the balance sheet;

In keeping with the applicable regulations, we verified the overall conformity of the Management Report, in terms its preparation and structure, to the financial statements and it is the opinion of this Board that it is consistent and provides you with additional considerations on the performance and business prospects of the company.

No reports were made to the management body and no reports were received from public creditors pursuant to Legislative Decree No. 14 of 12 January 2019, as subsequently amended, or pursuant to other applicable regulations.

Non-financial statement in accordance with Legislative Decree no. 254 of 30/12/2016

On 13 June 2023, we acquired, the attestation of compliance with the GRI standards by independent auditor REVI.TOR, we examined the Non-financial Statement pursuant to Legislative Decree no. 254/2016, i.e., the Sustainability Report for 2022, which was approved by the Board of Directors on 29 May 2023, and evaluated the approach given to the document. In this regard, we have no observations to make.

Significant events occurring after 31 December 2022

The Board of Auditors verified how the company has taken into account the significant events occurred after the close of the 2021 financial year and its outlook for the future as set out in the management report.

Conclusions

The Board of Auditors, in view of:

- the fact that no critical issues were reported by the previous Board of Statutory Auditors;
- the findings of the activities carried out by the independent auditors as described in their report;
- what has been communicated by the Board of Directors and the Heads of the various Services;
- everything stated and noted above

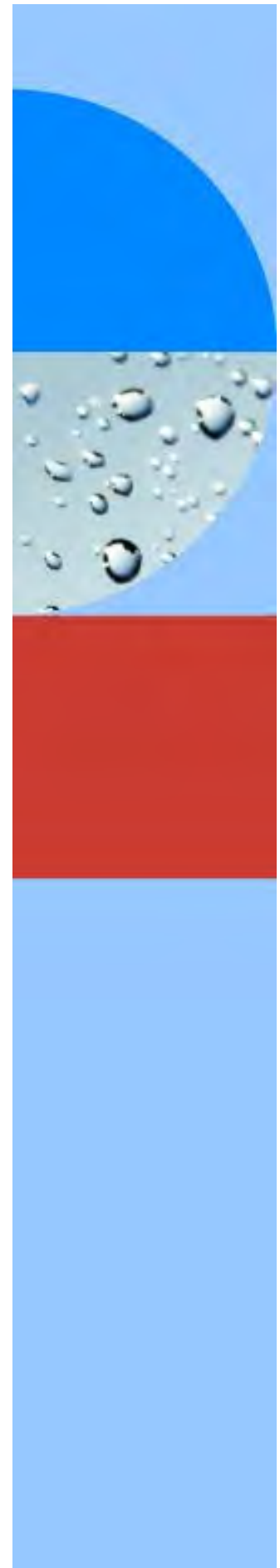
believes that there is no reason to oppose the approval of the financial statements of the Company for the year ended 31 December 2022, as drawn up by the Directors, as well as the proposal made by the latter, and detailed in the notes to the financial statements, regarding the allocation of the profit for the year.

Turin, 13 June 2023,
 The Board of Auditors
 Dr. Davide di Russo
 Dr.ssa Paola Lucia Giordano
 Dr. Simone Montanari

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL
STATEMENT

FINANCIAL STATEMENTS



INDEPENDENT AUDITORS' REPORT

Deloitte

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Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
www.deloitte.it

INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Società Metropolitana Acque Torino S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Società Metropolitana Acque Torino S.p.A. and its subsidiaries ("SMAT Group"), which comprise the statement of financial position as of December 31, 2021, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the SMAT Group as of December 31, 2021, and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.
Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1/720239 | Partita IVA: IT 03049560166

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Revenue recognition – Revenues earned and not yet billed at year-end

Description of the key audit matter As disclosed in paragraph "Valuation criteria - Costs and revenues" of the notes to the financial statements, revenues from sales of water are recognized and accounted for when the service is rendered and include an accrual for revenues earned but not yet billed at year-end (Euro 72,381 thousand as of December 31, 2022). This amount is determined in an estimative manner by taking into account the regulated reference rate (ARERA resolution no. 580/2019/R/IDR of 28/12/2019) and on the basis of historical trend of consumptions.

We have considered the procedure used for the determination of the above accrual to be a key matter for the audit of the Group's financial statements as of December 31, 2022 in view of: *i)* the estimative component; *ii)* the materiality of its total amount; *iii)* the effort required to perform the related audit procedures, as well as the need to seek support from IT specialists to test the calculation algorithms adopted by the Group for the determination of revenues due to sales of water.

Audit procedures performed	<p>The audit procedures performed by us on the accrual for revenue earned but not yet billed at year-end have included, among others, the following:</p> <ul style="list-style-type: none"> • analysis of the procedures adopted by the Group for the determination of the accrual for revenues earned but not yet billed and the related calculation algorithms; • identification and understanding of the key controls implemented by the Group to monitor the risk of an incorrect accrual and testing, also with the support of IT specialists, of the effectiveness thereof; • verification, on a sample basis, of the process for the estimation of presumed quantities consumed and the application of the correct reference rates; • verification of the appropriateness of accruals made in previous years with respect to amounts subsequently billed and analysis of the possible evolution of the main parameters relating to consumption used to determine the aforesaid accruals; • review the adequacy of the disclosures provided in this regard.
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Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree n° 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the SMAT Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Parent Company Società Metropolitana Acque Torino S.p.A. or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. We have also:

- Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- 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 Group's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Concluded on the appropriateness of management's 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance 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 identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 have determined those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società Metropolitana Acque Torino S.p.A. has appointed us on September 27, 2017 as auditors of the Company for the years from 2017 to 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Società Metropolitana Acque Torino S.p.A. are responsible for the preparation of the Directors' report of the SMAT Group as of December 31, 2022, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Directors' report with the consolidated financial statements of the SMAT Group as of December 31, 2022, and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned Directors' report is consistent with the consolidated financial statements of the SMAT Group as of December 31, 2022, and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the Group and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Società Metropolitana Acque Torino S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no.254.

We have verified the approval by the Directors of the non-financial statement.

Pursuant to article 3, paragraph 10 of Legislative Decree of 30 December 2016, no. 254, this Report is subject of a separate attestation issued by another auditor.

DELOITTE & TOUCHE S.p.A.

Signed By
Franco Chiavazza
Partner

Turin, Italy
June 13, 2023

This report has been translated into the English language solely for the convenience of international readers.

**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39
OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014**

To the Shareholders of
Società Metropolitana Acque Torino S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Società Metropolitana Acque Torino S.p.A. (the "Company"), which comprise the statement of financial position as of December 31, 2022, and the income statement, the statement of comprehensive income, statement of cash flows and statement of changes in net equity for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as of December 31, 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian 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 our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. 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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. n. MI-1720239 | Partita IVA: IT 03049560166

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Revenue recognition – Revenues earned and not yet billed at year-end

Description of the key audit matter As disclosed in paragraph "Valuation criteria - Costs and revenues" of the notes to the financial statements, revenues from sales of water are recognized and accounted for when the service is rendered and include an accrual for revenues earned but not yet billed at year-end (Euro 72,381 thousand as of December 31, 2022). This amount is determined in an estimative manner by taking into account the regulated reference rate (ARERA resolution no. 580/2019/R/IDR of 28/12/2019) and on the basis of historical trend of consumptions.

We have considered the procedure used for the determination of the above accrual to be a key matter for the audit of the Company's financial statements as of December 31, 2022 in view of: *i)* the estimative component; *ii)* the materiality of its total amount; *iii)* the effort required to perform the related audit procedures, as well as the need to seek support from IT specialists to test the calculation algorithms adopted by the Group for the determination of revenues due to sales of water.

Audit procedures performed

The audit procedures performed by us on the accrual for revenue earned but not yet billed at year-end have included, among others, the following:

- analysis of the procedures adopted by the Company for the determination of the accrual for revenues earned but not yet billed and the related calculation algorithms;
- identification and understanding of the key controls implemented by the Company to monitor the risk of an incorrect accrual and testing, also with the support of IT specialists, of the effectiveness thereof;
- verification, on a sample basis, of the process for the estimation of presumed quantities consumed and the application of the correct reference rates;
- verification of the appropriateness of accruals made in previous years with respect to amounts subsequently billed and analysis of the possible evolution of the main parameters relating to consumption used to determine the aforesaid accruals;
- review the adequacy of the disclosures provided in this regard.

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 and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established 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 these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional scepticism throughout the audit. We have also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- 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.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Concluded on the appropriateness of management's 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.
- 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 have 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 identify during our audit.

We have also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate 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 have 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 have described these matters in our auditor's report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Società Metropolitana Acque Torino S.p.A. has appointed us on September 27, 2017 as auditors of the Company for the years from 2017 to 2025.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the 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 role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98**

The Directors of Società Metropolitana Acque Torino S.p.A. are responsible for the preparation of the Directors' report of the Company as of December 31, 2022, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) no. 720B in order to express an opinion on the consistency of the Directors' report with the financial statements of Società Metropolitana Acque Torino S.p.A. as of December 31, 2022 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned Directors report is consistent with the financial statements of the Company as of December 31, 2022 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Chiavazza
Partner

Turin, Italy
June 13, 2023

This report has been translated into the English language solely for the convenience of international readers.

ORDINARY SHAREHOLDERS' MEETING HELD ON 29 JUNE 2023

Chaired by SMAT President Paolo Romano, with Notary Natale Nardello acting as Secretary, with 151 representatives of the Shareholders, over a total of 295, holding 5.302.506 ordinary shares out of 5,352,963, corresponding to 99.06% of the share capital, attending the meeting from the start, after acknowledging the financial statements of the SMAT Group for the year ended 31 December n2022, the Shareholders' Meeting resolved to approve the Financial Statements for FY 2022 and the allocation of the net profit for the year, by taking into account the Agreement pursuant to Article 30 of the Consolidated Text of Local Authorities (TUEL) signed by the Shareholders, which, in Article 2, provides for the following allocation of the profit:

- 5% to Legal Reserve

and, of the remaining 95%:

- 80% to a Reserve tied to the implementation of the Economic and Financial Plan;
- 20% to Dividend to the Shareholders for the promotion of environmental protection activities.

A majority of more than 99% of those voting approved, as a whole and in its individual entries, the financial statements of the Company for the year ended 31 December 2022, which show a net profit of EUR 41,584,175.44, and the allocation of the net profit as follows:

- ✓ 5% to Legal Reserve in the amount of 2,079,208.77;

and, of the remaining 95%:

- ✓ 80% to a Reserve tied to the implementation of the Economic and Financial Plan, in the amount of EUR 31,603,973.34;
- ✓ 20%, that is, a total of EUR 7,900,993.33, corresponding to a rounded unit dividend of EUR 1.62 for each of the 4,860,001 ordinary shares entitled to it, with the exclusion of the treasury shares held by SMAT S.p.A., and hence a total rounded dividend of EUR 7,873,201.62; consequently, the amount of the remaining net profit to be carried forward is EUR 27,791.71.

