

BIM GESTIONE SERVIZI PUBBLICI SPA

Via Tiziano Vecellio 27/29 - 32100 Belluno

Financial statements as at 31 December 2021

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Independent Auditors' Report

Report on Operations

Report of the Board of Statutory Auditors

Report on Corporate Governance (pursuant to Art. 6, paragraph 4 of the TUSP)

Shareholders' Meeting of 28 April 2022

General Information on the Company

Company details

Company name: BIM GESTIONE SERVIZI PUBBLICI SPA
Registered Office: VIA T. VECELLIO, 27/29 BELLUNO BL
Share Capital: 2,010,000.00
Share capital fully paid in: yes
Chamber of Commerce ID: BL
VAT no.: 00971870258
Tax code: 00971870258
Economic Administrative Index no.: 86487
Legal status: PUBLIC LIMITED COMPANY
Main business activity (ATECO code): 360000
Company in liquidation: no
Single member company: no
Company subject to management and coordination
by a third party: no
Name of the company or entity that performs
management and coordination activities:
Member of a group: no
Name of the Parent Company:
Country of the Parent Company:
Listing number in the coop. register:

Financial statements as at 31 December 2021

Balance Sheet - Separate Financial Statements

	31/12/2021	31/12/2020
Assets		
B) Fixed assets		
I - Intangible assets	-	-
4) concessions, licences, trademarks and similar rights	1,052,815	1,211,848
6) assets under development and advances	817,998	1,149,301
7) other	15,539,628	14,808,909

	31/12/2021	31/12/2020
<i>Total intangible assets</i>	17,410,441	17,170,058
II - Property, plant and equipment	-	-
1) land and buildings	1,769,270	1,750,095
2) plant and machinery	21,396,833	21,207,860
3) industrial and commercial equipment	1,780,411	1,491,438
4) other assets	822,461	760,826
5) assets under construction and advances	1,132,925	709,726
<i>Total property, plant and equipment</i>	26,901,900	25,919,945
III - Non-current financial assets	-	-
1) equity investments in:	-	-
d-bis) other companies	215,609	6,415,609
<i>Total equity investments</i>	215,609	6,415,609
2) receivables	-	-
d-bis) from others	5,775,829	6,217,635
due within 1 year	442,956	447,760
due beyond 1 year	5,332,873	5,769,875
<i>Total receivables</i>	5,775,829	6,217,635
<i>Total non-current financial assets</i>	5,991,438	12,633,244
<i>Total fixed assets (B)</i>	50,303,779	55,723,247
C) Current assets		
I - Inventories	-	-
1) raw materials and consumables	804,196	543,916
3) contract work in progress	21,049	2,784
<i>Total inventories</i>	825,245	546,700
II - Receivables	-	-
1) trade receivables	17,579,916	16,681,230
due within 1 year	14,241,694	10,787,995
due beyond 1 year	3,338,222	5,893,235
5-bis) tax receivables	401,777	612,276
due within 1 year	401,777	612,276
5-ter) deferred tax assets	1,086,285	978,059
5-quater) from others	2,175,742	2,787,757
due within 1 year	2,175,742	2,787,757
<i>Total receivables</i>	21,243,720	21,059,322
IV - Cash and cash equivalents	-	-
1) bank and postal deposits	31,225,544	12,324,365
3) cash on hand	3,315	449

	31/12/2021	31/12/2020
<i>Total cash and cash equivalents</i>	31,228,859	12,324,814
<i>Total current assets (C)</i>	53,297,824	33,930,836
D) Accruals and deferrals	321,350	286,243
<i>Total assets</i>	103,922,953	89,940,326
Liabilities		
A) Equity	59,245,922	42,247,841
I - Capital	2,010,000	2,010,000
III - Revaluation reserves	203,500	203,500
IV - Legal reserve	409,492	409,492
VI - Other reserves, indicated separately	-	-
Extraordinary reserve	39,624,850	37,368,787
Sundry other reserves	1	(1)
<i>Total other reserves</i>	39,624,851	37,368,786
IX - Profit (loss) for the year	16,998,079	2,256,063
Total equity	59,245,922	42,247,841
B) Provisions for risks and charges		
2) for taxes, including deferred	139,840	146,429
4) other	959,587	583,587
<i>Total provisions for risks and charges</i>	1,099,427	730,016
C) Post-employment benefits	286,590	301,902
D) Payables		
1) bonds	9,105,982	9,683,871
due within 1 year	600,000	600,000
due beyond 1 year	8,505,982	9,083,871
4) bank payables	20,515,857	23,723,458
due within 1 year	4,145,441	3,226,156
due beyond 1 year	16,370,416	20,497,302
6) payments on account	232,977	259,184
due within 1 year	232,977	259,184
7) trade payables	7,719,159	7,152,806
due within 1 year	7,719,159	7,152,806
12) tax payables	276,485	485,259
due within 1 year	276,485	485,259
13) welfare and social security payables	418,701	366,396
due within 1 year	418,701	366,396
14) other payables	4,907,722	4,867,853
due within 1 year	3,690,100	3,247,259

	31/12/2021	31/12/2020
due beyond 1 year	1,217,622	1,620,594
<i>Total payables</i>	<i>43,176,883</i>	<i>46,538,827</i>
E) Accruals and deferrals	114,131	121,740
<i>Total liabilities</i>	<i>103,922,953</i>	<i>89,940,326</i>

Income Statement - Separate Financial Statements

	31/12/2021	31/12/2020
A) Value of production		
1) revenues from sales and services	24,709,937	24,391,528
3) changes in contract work in progress	18,265	2,784
4) increases for own work capitalised	1,480,199	1,191,345
5) other revenues and income	-	-
operating grants	78,930	239,650
other	1,734,837	1,449,664
<i>Total other revenues and income</i>	<i>1,813,767</i>	<i>1,689,314</i>
<i>Total value of production</i>	<i>28,022,168</i>	<i>27,274,971</i>
B) Costs of production		
6) for raw materials, consumables and merchandise	1,897,014	1,479,107
7) for services	10,145,286	9,599,743
8) for right of use assets	2,432,222	2,562,498
9) for personnel	-	-
a) wages and salaries	6,430,589	5,930,825
b) social security and welfare expense	1,955,848	1,809,669
c) post-employment benefits	404,148	373,848
d) pensions and similar	53,852	50,826
e) other costs	124,960	103,388
<i>Total personnel costs</i>	<i>8,969,397</i>	<i>8,268,556</i>
10) amortisation, depreciation and write-downs	-	-
a) amortisation of intangible assets	1,388,116	1,167,995
b) depreciation of property, plant and equipment	1,503,120	1,305,814
d) write-down of receivables recorded under current assets and cash and cash equivalents	200,000	300,000
<i>Total amortisation, depreciation and write-downs</i>	<i>3,091,236</i>	<i>2,773,809</i>
11) changes in inventories of raw materials, consumables and merchandise	(260,279)	(89,980)
12) provisions for risks	393,000	222,087

	31/12/2021	31/12/2020
14) other operating expenses	644,268	1,206,563
<i>Total costs of production</i>	<i>27,312,144</i>	<i>26,022,383</i>
Difference between value and costs of production (A - B)	710,024	1,252,588
C) Financial income and expense		
15) investment income	-	-
other	16,943,982	1,597,426
<i>Total investment income</i>	<i>16,943,982</i>	<i>1,597,426</i>
16) other financial income	-	-
d) income other than the above	-	-
other	315,182	534,839
<i>Total income other than the above</i>	<i>315,182</i>	<i>534,839</i>
<i>Total other financial income</i>	<i>315,182</i>	<i>534,839</i>
17) interest and other financial expense	-	-
other	725,552	854,528
<i>Total interest and other financial expense</i>	<i>725,552</i>	<i>854,528</i>
<i>Total financial income and expense (15 + 16 - 17 +/- 17-bis)</i>	<i>16,533,612</i>	<i>1,277,737</i>
Profit (loss) before tax (A - B + - C + - D)	17,243,636	2,530,325
20) Current income taxes, deferred tax assets and liabilities		
current taxes	360,372	307,325
deferred tax assets and liabilities	(114,815)	(33,063)
<i>Total current income taxes, deferred tax assets and liabilities</i>	<i>245,557</i>	<i>274,262</i>
21) Profit (loss) for the year	16,998,079	2,256,063

Cash Flow Statement, indirect method

	Amount as at 31/12/2021	Amount as at 31/12/2020
A) Cash flows from operating activities (indirect method)		
Profit (loss) for the year	16,998,079	2,256,063
Income tax	245,557	274,262
Interest expense/(interest income)	410,370	319,689
(Dividends)	(2,143,882)	(1,597,426)
(Capital gains)/capital losses from asset disposals	(14,800,100)	
<i>1) Profit (loss) for the year before income taxes, interest, dividends and capital gains/losses from disposals</i>	<i>710,024</i>	<i>1,252,588</i>
Adjustments to non-monetary items with no balancing entry in net working capital		
Allocations to provisions	797,148	595,935
Fixed asset amortisation/depreciation	2,891,236	2,473,809
Other increases/(decreases) in non-monetary items	87,996	46,320
<i>Total adjustments to non-monetary items with no balancing entry in net working capital</i>	<i>3,776,380</i>	<i>3,116,064</i>
<i>2) Cash flow before changes in net working capital</i>	<i>4,486,404</i>	<i>4,368,652</i>
Changes in net working capital		
Decrease/(increase) in inventories	(278,544)	(92,764)
Decrease/(increase) in trade receivables	(898,686)	1,147,540
Increase/(decrease) in trade payables	566,353	1,099,752
Decrease/(increase) in accrued income and prepayments	(35,107)	(67,275)
Increase/(decrease) in accrued liabilities and deferred income	(7,609)	(7,609)
Other decreases/(Other increases) in net working capital	397,354	(720,538)
<i>Total changes in net working capital</i>	<i>(256,239)</i>	<i>1,359,106</i>
<i>3) Cash flow after changes in net working capital</i>	<i>4,230,165</i>	<i>5,727,758</i>
Other adjustments		
Interest collected/(paid)	(385,095)	(296,840)
(Income taxes paid)	(66,604)	(729,130)
Dividends collected	2,143,882	1,597,426
(Use of provisions)	(431,461)	(408,027)
<i>Total other adjustments</i>	<i>1,260,722</i>	<i>163,429</i>
Cash flow from operating activities (A)	5,490,887	5,891,187
B) Cash flows from investing activities		
Property, plant and equipment		
(Investments)	(2,492,840)	(1,497,338)
Disinvestments		376,169
Intangible assets		

	Amount as at 31/12/2021	Amount as at 31/12/2020
(Investments)	(1,709,822)	(4,699,106)
Disinvestments		117,794
Non-current financial assets		
Disinvestments	21,441,905	442,928
Cash flow from investing activities (B)	17,239,243	(5,259,553)
C) Cash flows from financing activities		
Third-party funding		
New loans		9,450,000
(Loans repaid)	(3,826,085)	(8,494,634)
Cash flow from financing activities (C)	(3,826,085)	955,366
Increase (decrease) in cash and cash equivalents (A ± B ± C)	18,904,045	1,587,000
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	12,324,365	10,736,755
Cash on hand	449	1,060
Total cash and cash equivalents at the beginning of the year	12,324,814	10,737,815
Cash and cash equivalents at the end of the year		
Bank and postal deposits	31,225,544	12,324,365
Cash on hand	3,315	449
Total cash and cash equivalents at the end of the year	31,228,859	12,324,814

Information at the end of the cash flow statement

Comment

Cash flow from operating activities amounted to € 5.5 million and allowed the total outlay for investments in property, plant and equipment and intangible assets of € 4.2 million to be sustained during the year. Thanks to the sale of the equity investment held in Ascotrade S.p.A., which will be adequately detailed in the notes to the financial statements, investing activities generated liquidity of € 17.2 million. The cash flows deriving from operating and investing activities therefore made it possible to cover the financial requirements deriving from the repayment of the instalments of the loans maturing in the year (€ 3.8 million) and, for the difference, increased the cash and cash equivalents by € 19 million.

Notes to the Financial Statements - First part

Introduction

Dear Shareholders, These Notes form an integral part of the financial statements as at 31 December 2021.

The financial statements comply with the provisions of Articles 2423 et seq. of the Italian Civil Code and with the Italian accounting standards as published by the Italian Accounting Body; therefore, they give a true and fair view of the company's financial position, the results of the operations and of the cash flows for the year.

The contents of the balance sheet and income statement are as required by Articles 2424, 2424-bis, 2425 and 2425-bis of the Italian Civil Code, whereas the cash flow statement was prepared pursuant to Art. 2425-ter.

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

In its corporate structure, the Company is almost exclusively engaged in the Integrated Water Service, by virtue of the direct assignment by the Alto Veneto ATO Authority (AATO), now called Dolomiti Bellunesi ATO Council, in force since 1 January 2004.

62 Municipalities in the province of Belluno belonging to the Bacino Imbrifero Montano del Piave participate in the share capital, in equal shares, with the exception of the new Municipalities of Quero Vas, Longarone, Val di Zoldo (double), Alpago and Borgo Valbelluna (triple) resulting from recent mergers, and the Municipalities of Arsié and Lamon, which recently acquired 1 share, so becoming part of the company structure.

By way of introduction, note that, pursuant to Art. 3, paragraph 2, of Italian Legislative Decree no. 175/2016 (Consolidated Law on Public Companies), "In publicly controlled joint-stock companies, the external audit of accounts cannot be entrusted to the board of statutory auditors" and, moreover, that Article 14.1, letter q), of the "Agreement for the assignment of the Integrated Water Service", entered into between Bim Gestione Servizi Pubblici S.p.A. and the "Dolomiti Bellunesi" ATO Council, envisages that the Company must have its financial statements certified by the authorised Independent Auditors.

Finally, note that, since 2016, the Company has had to comply with the separate reporting obligations of the Integrated Water Service activities, based on the provisions of Resolution no. 137/2016/R/IDR of 24 March 2016 of the Authority for Electricity, Gas and Water System (AEEGSI), now renamed, following the extension of the regulatory and control functions on the waste cycle, the Italian Regulatory Authority for Energy, Networks and Environment (ARERA).

Activities carried out

The Company mainly operates in the Integrated Water Service as the direct contractor in 58 of the 59 Municipalities of the province that make up the Alto Veneto ATO.

Minor activities remain, mainly the supply of liquefied petroleum gas (LPG) through proprietary local networks.

Significant events during the year

In execution of the resolution of the Shareholders' Meeting of 25 May 2021, the Company launched a tender procedure, in the form of a public auction, for the sale of 110 shares corresponding to 11% of the share capital of Ascotrade S.p.A. The procedure ended with a single offer filed by Estenergy S.p.A., majority shareholder of Ascotrade S.p.A., and was finalised with a notarial deed on 8 September 2021 and with the receipt of € 21,000,100. The operation will allow the Company to make investments, not included in the Intervention Plan approved by the ATO Council, strengthening the infrastructures of the Integrated Water Service, without the need to use the tariff to cover the related costs and therefore without charges for the User.

In September 2021, the Company adopted a new organisational model, with redistribution of responsibilities and the establishment of new functions, application of renewed process methods in the planning, control and execution phases, enhancement of human resources already in service and newly acquired.

In September 2021, during the aforementioned reorganisation, the first part of the internalisation process of the treatment service took place, undertaken with the aim of achieving better efficiency standards in the sewage treatment process. For the eastern area of the Province, now managed internally, 19 employees are in post, 10 of which are technicians and 9 are operational staff. The internalisation process will be completed in September 2022, with the direct management of the western lot and the overall appointment of 31 employees, 12 of which are technicians and 19 operational staff.

In 2021, the Company maintained the containment measures already put in place in 2020 to address the health emergency caused by the SARS-CoV-2 coronavirus, for which the WHO declared a pandemic.

Many measures taken in 2020 in order to deal with the aforementioned emergency were gradually removed, effectively leading the Company to operate in the same manner adopted before the pandemic. Some operating modes which proved to be particularly useful in the most acute phase of the pandemic still remain active, such as measuring the temperature of anyone accessing the offices and other local units, the obligation to wear a mask in the offices, user access to the counter by appointment.

The "agile work" modality for part of the resources in place and for partial times continued on an experimental basis, without the need to sign individual agreements given the state of emergency; the pandemic crisis has made it necessary to use innovative tools which, subject to specific regulation, may become useful with a view to achieving a better balance between work and personal time.

In terms of collections, payment times were slightly longer than those recorded on average in the pre-Covid period, also due to the Company's willingness to guarantee a wide range of options for its users to request extension and instalment plans, in order to help the weakest subjects in a period that still presents critical phases.

On the tariff front, in 2021 the Company applied the tariffs determined by the ATO Management Body (EGA) - Dolomiti Bellunesi ATO Council - with Resolution of 30 November 2020, as established by Resolution ARERA/580/2019/R/IDR (MTI-3), which was followed by the approval of ARERA with Resolution no. 26 of 26 January 2021.

In application of the resolution of the Shareholders' Meeting of 29 December 2020, which established the suspension of the charge to users during the year 2021 for a total amount of € 800 thousand in relation to the item "recovery of previous items", the Company appropriately rescheduled the measure of the additional portion on the turnover pertaining to 2021; this will cause a slowdown in the collection of receivables for tariff adjustment, which will have to be recovered in a manner to be defined between the ATO Council and the Operator as part of the next tariff update for the two-year period 2022-2023.

Again in relation to the collection of previous items, in the 2020-2023 tariff determination, the Company accepted the request to contain the burden to be borne by the User, reducing the interest rate due on the existing receivable as at 31 December 2020 from 5% to 3%.

From a financial point of view, the period of suspension of mortgages envisaged by the banking system to contain the effects of the health emergency has ended and therefore the Company has resumed the payment of the instalments of its loans in accordance with the provisions of the respective amortisation plans and has not made use of short-term credit lines.

On 28 May 2021, the supplementary company labour contract for the year 2021 was signed with the Unitary Union Representative Bodies (RSU) and the trade union representatives, which provides for the payment to employees of a performance bonus linked to the achievement of efficiency objectives.

Also in 2021, the Company provided CAFC S.p.A. - the Water Service Operator in the Centrale Friuli ATO - with headquarters in Udine, the support activities for the management of the Integrated Water Service in the Municipality of Sappada, as established in the agreement signed at the end of 2020 and expiring on 31 December 2022.

On 6 October 2021, the European Court issued a sentence condemning Italy for non-compliance with treatment regulations, which affect the Company in relation to the Falcade and Borca di Cadore sites. The related works are completed (Falcade) and in an advanced state of construction (Borca di Cadore); in any case, a sum of € 260 thousand, defined on the basis of similar cases that have already occurred, was set aside to a specific risk provision.

As per the mandate of the Extraordinary Shareholders' Meeting of 23 December 2021, on 21 February 2022 a bond issue, called Hydrobond 4, was completed through Viveracqua Hydrobond 2022 S.r.l., in which six in-house operators of the integrated water service in Veneto, partners of Viveracqua s.c.a.r.l., participated as issuers, with the aim of sourcing funds for investments in the infrastructure of the integrated water service. The Company participated in the transaction by issuing two bonds for a total of € 10 million, of which € 5 million subscribed within the "long" segment, with a maturity of 24 years, and € 5 million subscribed within the "short" segment, with a maturity of 16 years. Viveracqua Hydrobond 2022 S.r.l. financed the payment of the issue price through the issue of securities subscribed exclusively by institutional investors; in particular, all the securities issued within the "long" segment have the European Investment Bank as the only subscriber.

The Company is committed to improving the indicators required by ARERA with reference to the technical quality referred to in Resolution 917/2017/R/IDR and to maintaining the commercial quality indicators referred to in Resolution 655/2015/R/IDR. The data collections arranged by the Authority for the year 2021 must be completed by next April.

Basis of presentation

Preparation of the financial statements

The information contained in this document is presented in the order in which the relevant items are shown in the balance sheet and income statement.

With reference to what is indicated in the introduction to these Notes to the Financial Statements, we certify that, pursuant to Art. 2423, paragraph 3 of the Italian Civil Code, if the information required by specific law provisions is not sufficient to give a true and fair view of the company's situation, additional information considered necessary for this purpose is provided.

The financial statement values are expressed in Euro by rounding off the relevant amounts. Any rounding differences were indicated in the item "Euro rounding reserve" under Equity.

Pursuant to Article 2423, fifth paragraph, of the Italian Civil Code, the Notes to the Financial Statements have been drawn up in Euro unless otherwise specified.

Financial statement reporting standards

The financial statement items were measured in compliance with the principle of prudence and with a view to the company as a going-concern. Pursuant to Art. 2423-bis, par. 1 point 1-bis of the Italian Civil Code, the items were recognised and presented taking account of the substance of the operation or contract.

When preparing the financial statements, costs and income were recognised on an accrual basis regardless of the moment in which they actually occur. Risks and losses accrued during the financial year were taken into account, even if arising after the end of the reporting period.

Structure and contents of the Financial statements

The balance sheet, income statement, cash flow statement and accounting information contained in these notes to the financial statements are in compliance with the accounting records from which they directly derive.

The items preceded by Arabic numerals were not grouped, as optionally provided by Art. 2423-ter of the Italian Civil Code, when presenting the balance sheet and the income statement.

Pursuant to Art. 2424 of the Italian Civil Code, there are no asset or liability items that fall under several items of the financial statements.

Measurement criteria

The criteria applied in the measurement of financial statement items and in value adjustments are in compliance with the provisions of the Italian Civil Code and with the indications contained in the accounting standards issued by the Italian Accounting Body. Also in consideration of regulatory developments, it was deemed that the use of estimates on the main items of the financial statements should be maintained in continuity with previous years, apart from the determination of depreciation of some specific categories of assets for which new useful lives more in line with their technical life have been established, as will be illustrated below.

Therefore, the measurement criteria have not changed compared to the previous year, except as may be specified later in the comments on the individual items.

Financial statement items were measured on the basis of general prudent and accruals criteria - with a view to the Company as a going-concern - as well as by taking into account the economic function of the asset or liability item under consideration.

The application of the principle of prudence led to the individual measurement of the components of individual asset and liability items, so as to avoid netting of the losses that had to be recognised and profits that had not to be recognised as they were unrealised.

In compliance with the accruals principle, the effect of transactions and other events was recognised and allocated to the financial year to which they refer, and not to the financial year of their collection or payment.

Measurement that takes into account the economic function of the asset or liability item considered and that expresses the principle of substance over form - compulsory if not in strict conflict with other specific financial statement regulations - allows transactions to be presented according to the economic circumstances underlying the formal aspects.

Pursuant to Art. 2427, paragraph 1, no. 1 of the Italian Civil Code, the most significant measurement criteria adopted in compliance with the provisions of Art. 2426 of the Italian Civil Code are shown in the introduction of

each section of these Notes to the financial statements, with special reference to those financial statement items for which the legislator allows different measurement and adjustment criteria or for which no specific criteria are provided.

Exceptions

No circumstances such as to require the use of exceptions as referred to in Art. 2423, paragraph 4, of the Italian Civil Code occurred during the financial year.

Other information

Measurement of currency items

The company had no receivables or payables in foreign currency at the end of the reporting period.

Notes to the Financial Statements - Assets

Introduction

The values recorded under assets in the balance sheet were measured in accordance with Article 2426 of the Italian Civil Code and in compliance with Italian accounting standards. The measurement criteria specifically applied are shown in the sections relating to each item.

Fixed assets

Introduction

Through a specific appraisal issued in 2021, the Company had already restated in 2020 the Useful Life - Residual Life, expressed in years, of certain categories of assets, relating to plants of the Integrated Water Service. The technical/economic ULs determined are also reflected in the reference ULs defined by ARERA in resolution no. 580/2019/R/IDR of 27 December 2019, known as the MTI-3 tariff method. The technical/economic RLs have been defined for the assets included in the scope of analysis, existing as at 31 December 2019. The ULs and RLs so re-determined were used to calculate the depreciation for the years from 2020 onwards.

Intangible assets

Intangible assets, if the requirements of the accounting standards are met, are recorded in the balance sheet assets at the cost of purchase and/or production, including accessory charges and any capitalised interest directly attributable to them and incurred in the period prior to the start of their use, and are amortised on a straight-line basis depending on their future useful life.

The value of fixed assets is shown net of accumulated amortisation and write-downs.

The company obtained equipment grants for the extraordinary maintenance of infrastructure works, owned by the Municipalities assigning the service, which were accounted for using the direct method. Therefore, the contributions were recorded as a reduction in the cost of the fixed assets to which they refer. No restrictions or constraints on the free use of the assets were imposed by the payment of the grants.

In the event of an impairment loss, regardless of any amortisation already recognised, the fixed asset is written down accordingly. If in subsequent years the reasons for the write-down no longer apply, the original value is restored, adjusted only for amortisation. For 2021, it was not necessary to recognise on the non-current charges any write-downs pursuant to Art. 2426, paragraph 1, no. 3 of the Italian Civil Code since, as set forth in accounting standard OIC 9, no indicators of potential impairment losses of intangible assets were identified.

Intangible assets

Intangible assets are recognised at purchase cost, including accessory costs, and are amortised within the legal or contractual limit set for them.

The value of *software licences* is amortised at an annual rate of 20% or 33.33% based on the economic-technical life of the relevant licence.

Extraordinary maintenance and renovation of networks and plants of the Integrated Water Service received under concession from the Municipalities are amortised on the basis of the economic-technical life of the related assets, in accordance with the principle of substance over form; for the relevant durations, please refer to what is specified below for the corresponding property, plant and equipment.

The *information systems of the networks and plants of the Integrated Water Service* are amortised on the basis of a 5-year life.

Other *improvements to third-party assets* are amortised to the extent of the portion attributable to each financial year, corresponding to the shorter of the economic-technical duration of the improvement and the residual duration of the contract for the use of the non-owned asset.

Assets under development and advances

Assets under development and advances include costs related to projects not yet completed and/or advances concerning the acquisition of intangible assets.

These costs remain in this item and are not amortised until the project or purchase is completed, at which time they are reclassified to the relevant fixed asset.

Property, plant and equipment

Property, plant and equipment are recognised at purchase or production cost, adjusted for corresponding accumulated depreciations.

The book value takes into account accessory charges and the costs incurred for using the fixed assets, including any capitalised interest, directly attributable to the non-current assets and incurred in the period prior to the start of their use. The values include expenses for improvements, modernisation and conversions, provided they result in an increase in production capacity or safety, or extend the useful life of the assets.

The assets, whose book value derived from revaluations as at 1 January 1999, carried out on the basis of a special expert report drawn up by the contributing entity Consorzio Azienda Bim Piave Belluno, were depreciated by applying the rates adopted by the contributing entity and their value was completely zero as at 31 December 2019.

Property, plant and equipment

The depreciation charged to the income statement was calculated considering the expected use, allocation and economic-technical life of the assets, based on the residual useful life of the assets, updated, as illustrated above, for certain categories of assets based on a specific expert report.

The adopted useful lives are summarised as follows:

a. generic categories

Categories	Useful life from 2020
Technical equipment	10 years
Office furniture and equipment	10 years
Electronic machines and DPC	5 years
Vehicles	5 years
Mobile telephone	5 years

b. specific categories

Categories	Useful life from 2020
Industrial buildings	40 years
Intake/capture work	40 years
Water supply connections	40 years
Sewer connections	50 years
Water supply conduits	40 years
Sewer conduits	50 years
Tanks	40 years
Treatment plants	20 years
Purification plants	20 years
Other purification treatments	12 years
Water supply lifting plants	8 years
Sewer lifting plants	8 years
Meters	10 years
Flow meters	10 years
Remote control systems	8 years

For the purposes of comparison, we set out below the useful lives adopted up to the financial statements as at 31 December 2019, according to the nomenclature then in use, now updated with the latest ARERA indications:

Categories	Useful life	depreciation %
Water supply pipeline and distribution network	60 years	1.67%
Water collection network	60 years	1.67%
Connections	60 years	1.67%
Tanks	50 years	2.00%
Purification plants	30 years	3.33%
Treatment plants	30 years	3.33%
Treatment plant technical equipment	30 years	3.33%
Intake/capture work	25 years	4.00%
Water supply lifting plants	25 years	4.00%
Sewer lifting plants	25 years	4.00%
Water supply technical equipment	25 years	4.00%
Meters	10 years	10.00%
Flow meters	10 years	10.00%
Remote control systems	5 years	20.00%

Any divestment of assets (disposal, scrapping, etc.) occurred during the financial year entailed the elimination of their residual value. Any difference between the book value and the disposal value was recognised in the income statement.

The Company obtained equipment grants for the implementation of infrastructure works, which were accounted for using the direct method. Therefore, the contributions were recorded as a reduction in the cost of the fixed assets to which they refer. No restrictions or constraints on the free use of the assets were imposed by the payment of the grants.

In the event of an impairment loss, regardless of any amortisation already recognised, the fixed asset is written down accordingly. If in subsequent years the reasons for the write-down no longer apply, the original value is restored, adjusted only for depreciations. For 2021, it was not necessary to recognise any write-downs pursuant to Art. 2426, paragraph 1, no. 3 of the Italian Civil Code since, as set forth in accounting standard OIC 9, no indicators of potential impairment losses of property, plant and equipment were identified.

Land

Land is not depreciated since it does not lose its usefulness over time.

Assets under construction and advances

Property, plant and equipment under construction and advances include costs related to projects not yet completed and/or advances concerning the acquisition of property, plant and equipment.

They are recognised at cost, based on the invoices issued by the supplier-construction company or project accounting, with reference to contract provisions. These costs remain in this item and are not depreciated until the project is fully completed, at which time they are reclassified to the relevant fixed asset.

Non-current financial assets

Equity investments

The *equity investments* recognised in non-current assets represent a lasting and strategic investment by the company. All the equity investments recognised in the financial statements were measured at cost, where cost means the charge borne for the purchase, regardless of the methods of payment, including any accessory charges (commissions and bank charges, stamps, banking intermediation, etc.). Equity investments are written down, if necessary, to the extent of impairment losses, determined with reference to the net assets of the investee company. The original value is reinstated when the reasons for the write-down no longer apply, following an increase in assets considered durable and confirmed by the income prospects resulting from the long-term plans.

Receivables

Non-current financial assets consisting of *receivables* are recorded in the financial statements at amortised cost, taking into account the time factor and the estimated realisable value. In accordance with OIC 25 and 20, the amortised cost method was not applied when the effects were insignificant.

This is the case when transaction costs, commissions and any other difference between initial value and value at maturity are low or, in the case of discounting, when the interest rate inferable from contractual conditions is not significantly different from the market interest rate.

Receivables were also recognised at nominal value, if considered to correspond to the estimated realisable value and in case of non-application of the amortised cost method.

Intangible assets

Introduction

The item **Concessions, licences, trademarks and similar rights** refers to licenses for the use of software applications held by the company and costs for the implementation of new application systems.

Assets under development and advances mainly include costs related to improvements to third-party plants that were not operational at the end of the year and special projects under development.

The item **Other** includes costs relating to improvements to third-party plants and information systems on the Integrated Water Service networks.

Changes in intangible assets*Introduction*

After recognising in the income statement the amortisation charges for the year, amounting to € 1,388,116, intangible assets amount to € 17,410,441.

The table shows the changes in these intangible assets.

Analysis of changes in intangible assets

	Concessions, licences, trademarks and similar rights	Intangible assets under development and advances	Other intangible assets	Total intangible assets
Opening value				
Cost	3,015,801	1,149,301	18,717,330	22,882,432
Amortisation (Accumulated amort.)	1,803,953		3,908,421	5,712,374
Book value	1,211,848	1,149,301	14,808,909	17,170,058
Changes during the year				
Increases for acquisitions	224,915	1,087,417	4,744,134	6,056,466
Reclassifications (of book value)	12,330	(726,272)	679,929	(34,013)
Decreases for sales and disposals (of book value)			47,310	47,310
Amortisation for the year	396,279		991,837	1,388,116
Other changes		(692,447)	(3,654,197)	(4,346,644)
<i>Total changes</i>	<i>(159,034)</i>	<i>(331,302)</i>	<i>730,719</i>	<i>240,383</i>
Closing value				
Cost	3,253,046	817,999	20,439,886	24,510,931
Amortisation (Accumulated amort.)	2,200,232		4,900,258	7,100,490
Book value	1,052,814	817,999	15,539,628	17,410,441

Comment

The **increase** for the year (€ 225 thousand) in the item **Concessions, licences, trademarks and similar rights** is mainly attributable to the integration of the User management software (Net@2A, Neta@cloud and Net@WEB) (€ 88 thousand), to the integration of the billing system with the SAP management software (€ 47 thousand), to the application for the management of the water balance and the districtictualisation of losses (€ 26 thousand).

The main **increases** in **Intangible assets under development and advances**, amounting to a total of € 1,087,000, refer to the following improvements to existing works, not completed at the end of the reporting period:

Municipality	Intervention	Amounts €/000
Sedico	Expansion of the treatment plant at Oselete	343
Belluno-Sedico	Upgrading to the Costapinei bio-oxidation plan	97
Falcade	Extraordinary maintenance Falcade water supply network	29
Domegge di Cadore	Elimination of Imhoff Vielmi tank	28
Cortina d'Ampezzo	Pian da Lago sewer	28
Sedico	Antole Bassa - Bes water supply network	26
Belluno	Construction of the Vena D'oro tank water supply pipeline	24
Cortina d'Ampezzo	Enhancement of the treatment plant	24
various	VFM Workforce Management Software	67
various	Water balance software.	30

The **increase** for the year in the item **Other intangible assets**, amounting to a total of € 4.7 million, refers mainly to the following works on third-party assets, which were completed at year-end:

Municipality	Intervention	Amounts €/000
various	Minor interventions on water supply and sewer networks	2,494
various	Minor interventions on other plants	801
various	Various VAIA interventions Delegated Commissioner	86
Ponte nelle Alpi	Col Coltron tank adjustment interventions	258
Borgo Valbelluna	Extraordinary maintenance of Villaghe plant	222
Selva di Cadore	Upgrading of Imhoff Sotto Bernard tank	107
Ponte nelle Alpi	Enhancement of the La Na' treatment plant	107
Alpago	Extension of the sports area and Puos Ecocentre sewer network	102
La Valle Agordina	Le Campe treatment plant sedimentation chamber intervention	81
Domegge di Cadore	Elimination of Imhoff Vallesella tanks	80

Among **reclassifications**, we highlight the reversal of € 726 thousand corresponding to items of Intangible Assets relating to works completed and commissioned during the year, of which € 34 thousand refers to transfers to Property, Plant and Equipment. **Other changes** include accrued contributions.

Investment grants

In 2021, the Operator's Minimum Guaranteed Revenue (VRG) includes the tariff component New Investment Fund (FoNI) of € 4,606,676, of which € 3,921,891 is assigned to the renewal and enhancement of plants, classified under intangible assets.

The contributions pertaining to 2021 are detailed below, broken down by type, allocated to intangible assets:

Type of contribution	Amount in Euro
FoNI	3,921,891
Public contributions	233,343
VAIA Emergency	191,409
Grand total	4,346,644

Property, plant and equipment**Introduction**

Note that the historical costs of property, plant and equipment include the amounts of the revaluation carried out in 2020 for assets belonging to the technical category of remote control. As stated above, the value of the assets subject to the derogatory revaluation carried out in 1999 is fully depreciated.

In these financial statements, investments in "intake works" have been reclassified from the item BII 2 Plant and Machinery to item BII 1 Land and Buildings as it is considered to better reflect the technical characteristics of this type of work. The reclassified amount is equal to € 36 thousand, it was not considered necessary to reclassify 2020 as it is not relevant for the comparability of the items.

Changes in property, plant and equipment*Introduction*

After recognising in the income statement the depreciation charges for the year, amounting to € 1,503,120, property, plant and equipment amount to € 26,901,900.

The table below shows the changes in property, plant and equipment.

Analysis of changes in property, plant and equipment

	Land and buildings	Plant and machinery	Industrial and commercial equipment	Other property, plant and equipment	Property, plant and equipment under construction and advances	Total property, plant and equipment
Opening value						
Cost	1,834,033	26,763,724	3,872,157	3,003,981	709,726	36,183,621
Depreciation (Accumulated depr.)	83,938	5,555,864	2,380,719	2,243,155	-	10,263,676
Book value	1,750,095	21,207,860	1,491,438	760,826	709,726	25,919,945
Changes during the year						
Increases for acquisitions	45,664	1,820,641	821,680	361,695	1,147,602	4,197,282
Reclassifications (of book value)	58,757	457,946	13,625		(496,314)	34,014
Decreases for sales and disposals (of book value)		34,736	1,117	5,927		41,780
Depreciation for the year	40,112	911,739	257,135	294,134		1,503,120
Other changes	(45,135)	(1,143,137)	(288,080)		(228,090)	(1,704,442)
Total changes	19,174	188,975	288,973	61,634	423,198	981,954
Closing value						
Cost	1,907,742	27,850,014	4,413,754	3,142,613	1,132,925	38,447,048
Depreciation (Accumulated depr.)	138,472	6,453,181	2,633,343	2,320,152		11,545,148
Book value	1,769,270	21,396,833	1,780,411	822,461	1,132,925	26,901,900

Comment

The increase for the year in the item **Land and Buildings**, equal to a total of € 46 thousand, mainly concerns the construction of new sewer overflows in Soccampo in the Municipality of Forno di Zoldo (€ 28 thousand) and in Codissago in the Municipality of Longarone (€ 11 thousand).

The increase in the item **Plant and machinery**, amounting to a total of € 1.8 million, refers mainly to the following interventions that were completed at the end of the year:

Municipality	Intervention	Amounts €/000
various	Water supply and sewer connections	399
Cencenighe Agordino	Borgo Martin and Cason Water Supply Network	339
Cencenighe Agordino	New Chioit tank	251
Cencenighe Agordino	Martin water supply lifting plant	127
Cencenighe Agordino	Martin lifting plant water supply pipeline	106
Falcade	Construction of the new Falcade treatment plant - ancillary works	227
Falcade	Sewer network in Caviola	87
Domegge di Cadore	Sewer lifting plant	47

The increase in the item **Industrial and commercial equipment**, amounting to a total of € 821 thousand, mainly refers to the following assets:

Purchases	Amounts €/000
Water and LPG meters	398
Equipment/probes for data analysis of intake works	197
Remote water meters	123
Equipment	88
Flow meters	15

The increase for the year in the item **Other property, plant and equipment**, amounting to a total of € 361 million, mainly refers to the following purchases:

Purchases	Amounts €/000
Industrial vehicles	152
Electronic machines and DPC	105
Cars	76
Furniture, fixtures and fittings	18
Telephone costs	10

The main increases in **Intangible assets under development and advances**, amounting to a total of € 1.1 million, refer to the following interventions not completed at the end of the reporting period:

Municipality	Intervention	Amounts €/000
various	Disinfection plants, flow meters, tanks, lifting systems, regulating structures and technical equipment for water collection	79
Borca di Cadore	Sewer collectors and treatment plant serving the Municipality of Borca di Cadore	840
Alleghe	Construction of the new Rocca treatment plant	60
S. Stefano di Cadore	Sewer collectors and treatment plant serving the chief town of the Municipality of S. Stefano di Cadore	40
Vodo di Cadore	New Vodo tank	24
Val di Zoldo	Construction of the new Val di Zoldo treatment plant	22

Among **reclassifications**, we highlight the reversal of € 496 thousand, corresponding to items of fixed assets under construction and advances relating to works completed and commissioned during the year, of which € 34 thousand deriving from reversals of intangible fixed assets, following the definition of the actual composition of the assets relating to works completed and commissioned during the year.

Other changes include accrued contributions.

The **decreases** for the year, equal to € 42 thousand, relate to the write-off of unrealised projects (€ 34 thousand) and the residual portion due to the disposal of obsolete IT equipment.

Investment grants

Also for property, plant and equipment, a portion of the tariff component of the New Investment Fund (FoNI) included in the Operator's Minimum Guaranteed Revenue (VRG) for a total of € 4,606,676 and, more precisely, € 684,785 were attributed to the renewal and upgrading of plants, classified as property, plant and equipment.

The contributions pertaining to 2021 are detailed below, broken down by type, allocated to intangible assets:

Type of contribution	Amount in Euro
FoNI	684,785
Public contributions	10,443
Contributions for the National Plan for Water supply systems	834,507
Grand total	1,529,735

We also note the portion of contributions to be borne by Users for new connections to the water supply and sewer system for a total of € 174,707 in relation to their pricing system, which envisages the reimbursement by the applicant of the cost of building the part on public land.

Non-current financial assets

Changes in equity investments, other securities and derivative assets capitalised

Introduction

The table below shows the changes in non-current financial assets.

Analysis of changes in equity investments, other securities and derivative assets capitalised

	Equity investments in other companies	Total equity investments
Opening value		
Cost	6,415,609	6,415,609
Book value	6,415,609	6,415,609
Changes during the year		
Decreases for sales or disposals (of book value)	6,200,000	6,200,000
Total changes	(6,200,000)	(6,200,000)
Closing value		
Cost	215,609	215,609
Book value	215,609	215,609

Comment

Other equity investments are measured at purchase or subscription cost. The figures related to equity and the profit (loss) for the year are taken from the latest approved financial statements with reference to 31 December 2020.

Company	City or Foreign country	Share Capital	Equity	Profit/ Loss	% Ownership	Book value
La Dolomiti Ambiente S.p.A.	Belluno	2,035,104	2,217,891	(128,221)	7.6	139,640
Viveracqua S.c.a.r.l	Verona	105,134	240,321	1,936	4.8	5,160
BIM Belluno Infrastrutture S.p.A.	Belluno	7,040,500	39,517,500	4,141,484	0.13	54,809
Società Informatica Territoriale S.r.l.	Belluno	100,000	468,907	3,956	16	16,000

In 2021, the Company disposed of the equity investment in Ascotrade S.p.A., acquired at book value in April 2008 by the subsidiary Energie Comuni S.r.l., which in turn had acquired it as part of the transfer transaction of the methane gas sales branch to Ascotrade S.p.A. In the early months of 2021, an appraisal was made on the value of the equity investment which attributed to it a value no less than its book value. In execution of the resolution of the Shareholders' Meeting of 25 May 2021, the Company has opened a tender procedure, in the form of a public auction with a secret offer, indicating the minimum bid value in € 21,000,000 as the equivalent value of the 110 shares corresponding to 11% of the share capital of Ascotrade S.p.A. The procedure closed with a single offer submitted by Estenergy S.p.A., the majority shareholder of Ascotrade S.p.A. On 8 September 2021, the sale of the equity investment was completed with the receipt of € 21,000,100.

The equity investment in the company Bim Belluno Infrastrutture S.p.A. for an amount of € 54,809 was taken during 2014 as consideration for the contribution of the company branch Methane gas distribution and Hydroelectric energy production.

There were no cases of "value reversals".

Change and due dates of non-current receivables*Introduction*

The table below shows the changes in non-current receivables.

Analysis of changes and due dates of non-current receivables

	Opening value	Changes during the year	Closing value	Portion due within 1 year	Portion due beyond 1 year	Of which with residual duration of over 5 years
Other receivables	6,217,635	(441,805)	5,775,829	442,956	5,332,873	3,376,311
Total						3,376,311

Comment

The item mainly refers to the receivable from the Consorzio Comuni B.I.M. Piave Belluno deriving from the payment in instalments of a grant to support investments in the Water Service. Of this contribution, already approved in 2011 for a total amount of € 10 million, € 2,800,000 remain to be collected; the amount of this receivable beyond 12 months is € 2,400,000, of which € 800,000 beyond 5 years.

A receivable from Consorzio Comuni B.I.M. Piave Belluno is also due for an equipment grant on LPG networks, paid in instalments, which, at the end of the financial year, amounted to € 603,568; the amount of this receivable beyond 12 months is € 560,612, of which € 376,311 beyond 5 years.

This item also includes a receivable of € 2,200,000 as a pledge related to the Credit Enhancement envisaged as part of the two Hydrobond securities issue transactions. Note that the pledged amounts may be used by the special purpose vehicle to pay for the bonds issued by it on the secondary market in the event that, for any reason, even one of the issuers fails to honour its bonds pro-tempore. With this exception, the special purpose vehicle is obliged to repay the pledge starting from 2027 in instalments based on the residual amortisation schedule of the bond payable.

Also as part of the Hydrobond transaction, a receivable of € 46,040 is recognised as a participation in the reserve set up in the special purpose vehicle Viveracqua Hydrobond 1 S.r.l. to cover expenses related to the transaction.

The remaining part of the item refers to deposits paid mainly in connection with the renewal of water concessions.

Breakdown of non-current receivables by geographic area*Introduction*

The following table shows the breakdown of these non-current receivables by geographic area.

Breakdown of non-current receivables by geographic area

Geographic area	Non-current receivables - other	Total non-current receivables
Italy	5,775,829	5,775,829

Comment

For the purposes of the required disclosure of the geographic breakdown of receivables, note that they are issued to entities domiciled in Italy.

Value of non-current financial assets*Introduction*

Non-current financial assets present in the financial statements were not recognised at a value higher than their “fair value”.

Current assets*Introduction*

Current assets are measured in accordance with the numbers 8 to 11-bis of Article 2426 of the Italian Civil Code. The methods used are indicated in the paragraphs of the corresponding financial statement items.

Total **current assets** increased by € 19.4 million compared to the previous year, essentially due to higher cash and cash equivalents (+€ 18.9 million).

*Inventories**Introduction*

Inventories are measured at the cost of purchase and/or production and the realisable value according to the market trend, whichever lower, by applying the weighted average cost method. The purchase cost includes directly attributable accessory charges.

The cost of production does not include indirect costs in that they were not attributable according to an objective method.

The measurement criteria adopted remained unchanged from the previous year. There are no reasons to write down inventories.

Raw materials and consumables

The cost of inventories of replaceable raw materials and consumables was measured using the weighted average cost method as an alternative to the specific cost, given the technical or administrative impossibility of keeping each physical unit separate from the rest.

The value thus determined was properly compared with the realisable value according to the market trend, as explicitly requested by Art. 2426, no. 9, of the Italian Civil Code.

Analysis of changes in inventories

	Opening value	Changes during the year	Closing value
raw materials and consumables	543,916	260,279	804,196
contract work in progress	2,784	18,265	21,049
Total	546,701	278,544	825,245

Comment

Inventories consist mainly of consumables, meters and components of water and sewer networks.

The item *contract work in progress* refers to works on intakes located in the Municipality of Sappada, which fall within the category of upgrading of existing infrastructures that, upon completion, will be invoiced to CAF C S.p.A. in accordance with the specific agreement signed by the parties.

Current receivables**Introduction**

The receivables are recorded in the financial statements at amortised cost, taking into account the time factor and the estimated realisable value. In accordance with OIC 25 and 20, the amortised cost method was not applied when the effects were insignificant.

This case occurred in loans with maturity of less than twelve months or if transaction costs, commissions and any other difference between initial value and value at maturity are low or, in case of discounting, in the presence of an interest rate inferable from contractual conditions not significantly different from the market interest rate.

The value of receivables, as determined above, is adjusted, as necessary, by an appropriate bad debt provision reported as a direct reduction in the value of the receivables in order to adjust them to their estimated realisable value.

Changes and due dates of current receivables*Introduction*

The following table shows the information related to changes in current receivables as well as, if significant, the information related to their due date.

Analysis of changes and due date of current receivables

	Opening value	Change during the year	Closing value	Portion due within 1 year	Portion due beyond 1 year
Trade receivables	16,681,230	898,686	17,579,916	14,241,694	3,338,222
Tax receivables	612,276	(210,499)	401,777	401,777	
Deferred tax assets	978,059	108,226	1,086,285		1,086,285
Other receivables	2,787,757	(612,015)	2,175,742	2,175,742	
Total	21,059,322	184,398	21,243,720	16,819,213	4,424,507

Comment

Trade receivables mainly include receivables from Users of the Integrated Water Service. The item total increased by € 0.9 million.

The following table shows the breakdown of the receivable relating to the water service and the change compared to the previous year.

Trade receivables	31/12/2021	31/12/2020	2021 change
Receivables of the water supply sector from users for invoices issued	7,308,211	9,613,344	(2,305,133)
Receivables of the water supply sector from users for invoices to be issued	4,844,024	2,293,335	2,550,689
Receivables of the water supply sector for 2004-2011 tariff adjustment	5,791,279	7,472,136	(1,680,857)
Receivables of the water supply sector for VRG balancing	2,412,332	307,337	2,104,995
Total receivables of the water supply sector	20,355,846	19,686,152	669,693
Receivables of other sectors	420,554	513,026	(92,472)
Total receivables before write-down	20,776,399	20,199,178	577,221
Bad debt provision	(3,196,484)	(3,517,948)	321,464
Total receivables after write-down	17,579,916	16,681,230	898,686

Water credits for invoices issued decreased in correlation with the similar increase in *water credits for invoices to be issued*, as a result of the adjustment of the billing plan aimed at reducing invoicing on account.

The decrease in *receivables of the water supply sector for 2004-2011 tariff adjustment* is determined by the collection of the additional fee to recover previous items, applied in bills starting from 2014, as part of the tariffs approved by ARERA with Resolution no. 506/2013/R/IDR of 7 November 2013, for € 1.9 million. On the contrary, the portion of accrued interest income, calculated according to the method recognised by the local authority, amounted to € 0.2 million.

The portion of the receivable for tariff adjustments due after 12 months amounts to € 3.3 million, fully due within 5 years. The expected recovery plan is described in detail in the Report on Operations.

The *receivables of the water supply sector for VRG balancing* include the credit accrued for tariff adjustments and collection extensions made in the 2020-2023 tariff determination. Following the 2022-2023 biennial update, currently underway, this credit will be adjusted.

Note that the regulations in force allow the revenue due to the operator to be determined in the year in which it is due, guaranteeing a tariff mechanism for the recovery of balancing items with the turnover of the second subsequent year; these regulations have also been endorsed from a tax point of view on the basis of an answer to a specific request.

Receivables of other sectors mainly include receivables from CAFC S.p.A. for the technical management in the Municipality of Sappada regulated by a specific agreement, as well as relating to the sale of LPG in local networks and various services. Trade receivables from Bim Belluno Infrastrutture S.p.A., which amounted to € 158 thousand as at 31 December 2021, are also shown here.

Tax receivables due within 12 months mainly include:

- the IRES and IRAP receivable resulting from the excess of advances paid over the 2021 balance of € 237 thousand;
- the LPG excise duty receivable of € 20 thousand;
- the VAT receivable for the last month of the financial year of € 131 thousand.

Deferred tax assets increased by a total of € 108 thousand. This increase is the result of increases, calculated on the tax surplus of the bad debt provision (+€ 23 thousand) and of the provision for risks (+€ 90 thousand), and decreases deriving from the reversal on the portion of depreciation and amortisation exceeding that allowed for tax purposes (-€ 5 thousand).

Other receivables as at 31 December 2021 are summarised as follows:

	31/12/2021	31/12/2020	Change
Investment grants receivables	1,351,736	1,260,882	90,853
Advances to suppliers	733,017	1,279,631	(546,614)
Other receivables	93,656	247,243	(153,587)
Grand total	2,178,409	2,787,757	(609,347)

Grants receivables concern for € 1.3 million investments of the Water Service subsidised by the Veneto Region or by Local Authorities and, for € 67 thousand, interventions made necessary by the VAIA emergency at the end of 2018 and beneficiaries of a regional contribution.

Advances to suppliers mainly refer to financial advances paid to suppliers, upon request made in accordance with the law and the contract.

The residual item *other receivables* includes € 37 thousand referring to the portion of the tariff surcharge collected on behalf of the Company by CAFC S.p.A., the current Operator of the Integrated Water Service in the Municipality of Sappada, in the year 2021.

Breakdown of current receivables by geographic area

Introduction

The following table shows the breakdown of the current receivables in question by geographic area.

Breakdown of current receivables by geographic area

Geographic area	Current trade receivables	Current tax receivables	Current deferred tax assets	Other current receivables	Total current receivables
Italy	17,579,916	401,777	1,086,285	2,175,742	21,243,720

Comment

For the purposes of the required disclosure of the geographic breakdown of receivables and payables, note that the receivables are all issued to entities domiciled in Italy.

Comment

Adjustment of the nominal value of receivables to their estimated realisable value was achieved through the allocation of a specific bad debt provision which underwent the following changes during the year:

Description	Bad debt provision pursuant to Art. 2426 , Italian Civil Code	Bad debt provision pursuant to Art. 106 Italian Presidential Decree no. 917/1986	Total
Balance as at 31/12/2020	3,384,176	133,772	3,517,948
Use during the year	387,660	133,804	521,464
Allocations during the year	96,133	103,867	200,000
Balance as at 31/12/2021	3,092,649	103,835	3,196,484

During the year, the provision was used to cover a write-off of receivables sold without recourse. For these receivables, individually of a limited amount and of doubtful collectability, it was not considered appropriate to proceed with legal recovery actions. Furthermore, receivables considered to be definitively non-collectable were again written off against the bad debt provision, based on assessments of the debtor's state of insolvency and the outcome of collection procedures undertaken.

Cash and cash equivalents**Introduction**

Cash and cash equivalents are measured at nominal value, based on actual balance on hand or the results of reconciled bank and postal account statements. Pursuant to Article 2427, paragraph 1, number 9, of the Italian Civil Code, evidence is provided of restricted cash and cash equivalents, in that they can only be used for specific purposes.

Analysis of changes in cash and cash equivalents

	Opening value	Changes during the year	Closing value
bank and postal deposits	12,324,365	18,901,178	31,225,544
cash on hand	449	2,866	3,315
Total	12,324,815	18,904,044	31,228,859

Comment

The balance represents the cash and cash equivalents and ready money and valuables at year end. The sale

of the equity investment in Ascotrade S.p.A., mentioned above, resulted in an income of € 21,000,100, with a consequent increase in the financial funding available to finance the investments to be made in 2022, without the need to use the tariff to cover the related costs.

Accrued income and prepayments

Introduction

Accrued income and prepayments were calculated on an accrual basis by allocating revenues and/or costs that accrue to two or more financial years. They measure income and expenses that accrue either before or after they are paid/collected and/or documented; they are irrespective of the payment or collection date of the relative income and expenses, shared across two or more years and which may be broken down over time.

Analysis of changes in accrued income and prepayments

	Opening value	Change during the year	Closing value
Accrued income	7,215	(7,106)	109
Prepayments	279,028	42,213	321,241
Total accrued income and prepayments	286,243	35,107	321,350

Comment

The following table shows the breakdown of the items in question in that they are recorded in the financial statements.

Description	Details	Amount for the
<i>ACCRUALS AND DEFERRALS</i>		
	ACCRUED INCOME	109
	PREPAYMENTS	321,241
	Total	321,350

Prepayments were calculated according to the "economic time" criterion since the contractual services received do not have a constant economic content over time and therefore the allocation of the cost (and therefore the allocation of the accrued portion to the current year) is made in relation to the conditions of the management as specified in the accounting standard OIC 18.

Prepayments mainly refer to software and hardware assistance fees, insurance premiums, lease payables and guarantee commissions pertaining to the following year.

Accrued income was calculated according to the "economic time" criterion since the contractual services rendered do not have a constant economic content over time and therefore the allocation of the income (and therefore the allocation of the accrued portion to the current year) is made in relation to the conditions of the management as specified in the accounting standard OIC 18.

Accrued income refers to the portion of income accrued as remuneration of the Cash Collateral, envisaged by the "Arrangement among Creditors of the Credit Enhancement" - point 8.2.3 - as part of the Hydrobond transactions.

Notes to the Financial Statements - Liabilities and equity

Introduction

Equity and liabilities in the balance sheet have been recorded in accordance with Italian accounting standards; the sections on the individual items indicate the specific criteria applied.

Equity

Introduction

The items are shown in the financial statements at their book value in accordance with the instructions contained in the accounting standard OIC 28.

Changes in equity items

Introduction

With regard to the closing financial year, the following tables show the changes in equity items, as well as the breakdown of other reserves, if present in the financial statements.

Analysis of changes in equity items

	Opening value	Allocation of profit (loss) for the previous year - Assignment of dividends	Other changes - Increases	Profit (loss) for the year	Closing value
Share capital	2,010,000				2,010,000
Revaluation reserves	203,500				203,500
Legal reserve	409,492				409,492
Extraordinary reserve	37,368,787	2,256,063			39,624,850
Sundry other reserves	(1)		2		1
Total other reserves	37,368,786	2,256,063	2		39,624,851
Profit (loss) for the year	2,256,063	(2,256,063)		16,998,079	16,998,079
Total	42,247,841		2	16,998,079	59,245,922

Comment

The elimination of tax interference from the financial statements led, pursuant to Art. 4, paragraph 1, letter h to be considered in conjunction with Art. 109, paragraph 4 of Italian Legislative Decree no. 344/2003, to the creation of a tax relief arrangement weighing down "by mass" on the equity reserves amounting to € 381,018 referring to accelerated amortisation.

Availability and use of equity

Introduction

The following tables show in detail the equity items by specifying their origin, possibility of use and possibility of distribution, as well as their use during the three previous financial years.

Origin, possibility of use and distributable nature of equity items

Description	Amount	Origin/Type	Possibility of use	Available portion
Share capital	2,010,000	Share capital		-
Revaluation reserves	203,500	Share capital	A;B	203,500
Legal reserve	409,492	Share capital	B	7,492
Extraordinary reserve	39,624,850	Share capital	A;B;C	39,624,850

Description	Amount	Origin/Type	Possibility of use	Available portion
Sundry other reserves		1 Share capital	A;B;C	-
Total other reserves	39,624,851	Share capital	A;B;C	-
Total	42,247,843			39,835,842
Restricted portion				605,500
Residual distributable				39,632,342
Key: A: for share capital increase; B: to cover losses; C: for distribution to shareholders; D: for other statutory restrictions; E:				

Provisions for risks and charges

Introduction

Provisions for risks and charges are allocated to cover losses or payables of certain or probable existence, but for which at year end the amount or contingency date cannot be determined. Such provisions were not measured in compliance with the general criteria of prudence and accrual, observing the requirements of accounting standard OIC 31, and no generic risk provisions were allocated without economic justification. The risks for which the occurrence of a liability is only possible are reported in the notes to the financial statements, without making any provision. Contingent liabilities were recognised in the income statement for the year in which they incurred, based on the nature of costs, and recognised in the provisions as long as they are believed to be likely and the amount of the corresponding charge can be estimated with reasonable certainty.

Analysis of changes in provisions for risks and charges

	Opening value	Changes during the year - Provision	Changes during the year - Use	Changes during the year - Total	Closing value
Tax provisions, including deferred taxes	146,429	1231	(7,820)	(6,589)	139,840
Other provisions	583,587	393,000	(17,000)	376,000	959,587
Total	730,016	394,231	(24,820)	369,411	1,099,427

Comment

Other provisions

The statement below shows the breakdown of the item, recognised in the financial statements, pursuant to Art. 2427, par. 1 of the Italian Civil Code.

Description	Details	Amount for the
<i>Other</i>		
	RISK PROVISION FOR LEGAL DISPUTES	10,000
	PROVISION FOR PROVINCE SANCTION RISKS	7,500
	PROVISION FOR MISCELLANEOUS RISKS	766,000
	PROVISION FOR QUALITY PENALTY RISKS	176,087
	Total	959,587

The **tax provision** represents deferred tax liabilities related to taxable temporary differences; it is reduced by € 7 thousand, an effect generated by the reversal of an amortisation charge (formerly accelerated amortisation) and the recovery for taxation of interest on arrears pertaining to previous years but collected in 2021.

During the year, an allocation was made to **Other provisions** for € 260 thousand to cover probable penalties imposed on the treatment service, as a result of the sentence of 6 October 2021 to Italy by the European Court relating to the sites in Falcade and Borca di Cadore. The item also includes a provision of € 81 thousand to cover possible charges arising from water supply concessions on state-owned areas that are currently being regularised; the same provision was made in 2018 (€ 240 thousand), 2019 (€ 87 thousand) and 2020 (€ 98 thousand). The certainty of the charge will only be determinable when the individual files are completed, the amount of which has been conservatively estimated here.

During the year, a provision of € 52 thousand was made to cover the penalties anticipated for failure to achieve the contractual quality objectives of the integrated water service (RQSII) and the technical quality of the integrated water service (RQTI) set out by ARERA..

Please note that a provision of € 124 thousand was made in 2020 to cover the penalty anticipated for the failure to reach certain technical quality objectives related to the rate of implementation of investments in the four-year period from 2016 to 2019, which was 82% of the planned investments. This penalty will be re-evaluated on the occasion of the biennial and four-year tariff updates.

Post-employment benefits

Introduction

Post-employment benefits were calculated in compliance with the provisions of Art. 2120 of the Italian Civil Code, allowing for the law provisions and for the specificity of contracts and professional categories, and includes yearly allowances accrued and revaluations carried out according to ISTAT coefficients.

The provision represents the actual debt accrued to employees in compliance with law and labour contracts in force, considering all forms of remuneration of an ongoing nature. It is the sum of individual indemnities accrued to employees at the end of the reporting period, net of advances paid and amounts used for terminations during the year, and is equal to the amount that would have been payable to employees if their employment had ceased on that date. The value is recognised net of amounts paid to the relevant supplementary pension fund.

Analysis of changes in post-employment benefits

	Opening value	Changes during the year - Provision	Changes during the year - Use	Changes during the year - Other changes	Changes during the year - Total	Closing value
POST-EMPLOYMENT BENEFITS	301,902	5,800	30,912	9,800	(15,312)	286,590
Total	301,902	5,800	30,912	9,800	(15,312)	286,590

Comment

The provision represents the actual debt of the company as at 31 December 2021 to employees in service at that date and corresponds to benefits accrued up to 31 December 2006, but does not include benefits accrued starting from 1 January 2007, which are allocated to supplementary pension funds pursuant to Italian Legislative Decree no. 252 of 5 December 2005, or transferred to the INPS treasury fund.

The use during the year is related to advances and settlements for termination of employment paid to employees during the year 2021. The other changes are due to the revaluation of benefits set aside in previous years and to the portion of post-employment benefits of newly hired personnel who, in the first six months from the date of hiring, did not express a choice about the destination of their post-employment benefits.

Payables

Introduction

Payables related to the Hydrobond issue and to medium/long-term loans were recognised in the financial statements according to the amortised cost method, as defined by Art. 2426, paragraph 2 of the Italian Civil

Code, taking into account the time factor, in compliance with the provisions of Art. 2426, paragraph 1, no. 8 of the Italian Civil Code, transposed by the new OIC 19. Payables for which the application of the amortised cost method and/or discounting was confirmed to be irrelevant continued to be recognised according to the nominal value in order to provide a true and fair view of the financial position and operating results of the company. For example, this case occurred in the presence of payables with maturity of less than twelve months or, with reference to the method of amortised cost, if transaction costs, commissions and any other difference between initial value and value at maturity are low or, in case of discounting, in the presence of an interest rate inferable from contractual conditions not significantly different from the market interest rate.

Changes and due dates of payables

Introduction

The following table shows the information related to changes in payables and any information related to their due dates.

Analysis of changes and due dates of payables

	Opening value	Change during the year	Closing value	Portion due within 1 year	Portion due beyond 1 year	Of which with residual duration of over 5 years
Payables for bonds	9,683,871	(577,889)	9,105,982	600,000	8,505,982	5,760,000
Bank payables	23,723,458	(3,207,601)	20,515,857	4,145,441	16,370,416	6,331,332
Payments on account	259,184	(26,207)	232,977	232,977		
Trade payables	7,152,806	566,353	7,719,159	7,719,159		
Tax payables	485,259	(208,774)	276,485	276,485		
Welfare and social security payables	366,396	52,305	418,701	418,701		
Other payables	4,867,853	39,869	4,907,722	3,690,105	1,217,617	
Total	46,538,828	(3,361,945)	43,176,883	17,082,868	26,094,015	12,091,332

Comment

Bond loans

The item "Bonds" includes the payable related to the Hydrobond transaction.

Bank payables

The following table shows the breakdown of the item "Bank payables" as at 31 December 2021.

	31/12/2021	31/12/2020	Change
Medium/long-term loans	20,515,857	23,723,458	(3,207,601)
Total bank payables	20,515,857	23,723,458	(3,207,601)

At the end of the mortgage suspension period envisaged by the banking system to contain the effects of the health emergency, the Company resumed the payment of the instalments of its loans in accordance with the provisions of the respective amortisation plans. During the year, no short-term credit lines were used.

Payments on account

The item "Payments on account" includes advances received from customers relating to connection works to the water and sewer networks not yet carried out as at 31 December 2021.

Trade payables

"Trade payables" are recognised net of any trade discount; cash discounts are instead recognised at the time of payment. The nominal value of these payables was adjusted based on returns or allowances (invoice adjustments) according to the amount defined with the counterparty.

The total of the item as at 31 December 2021 includes € 3.8 million relating to invoices to be received, stable compared to the same figure for the previous year.

Trade payables include payables to Municipalities and Mountain Municipalities of € 140 thousand, mainly related to the Integrated Water Service; a comparison with the figure for the previous year follows:

	31/12/2021	31/12/2020	Change
Payables to local authorities	139,794	125,481	14,313

The total of this item includes trade payables relating to outstanding items due to Bim Belluno Infrastrutture S.p.A. equal to € 56 thousand.

The remaining payable to suppliers, equal to € 3.8 million, records an increase of € 566 thousand compared to the previous year.

All trade payables are related to current amounts due, as the Company has not had any past due amounts for many years.

Tax and social security payables

The item **tax payables** includes liabilities for certain taxes and, in particular, € 270 thousand related to IRPEF withholdings made on employees' salaries and on remuneration paid to collaborators and professionals not paid to the tax authorities as at 31 December 2021.

Social security payables mainly include payables to INPS and INPDAP.

Other payables

The following table shows the breakdown of the item "Other payables".

	31/12/2021	31/12/2020	Change
Payables to related companies	1,620,594	2,027,076	(406,482)
Employee remuneration	1,159,280	981,515	177,765
IWS user security deposits	856,456	790,106	66,350
Payables for fees accrued and not yet requested for refund	817,072	669,781	147,291
Sundry payables	456,986	399,374	57,612
Grand total	4,910,389	4,867,853	42,536

Payables to related companies are related for € 1,620,594 to the Banca Intesa loan taken over by the related company Bim Belluno Infrastrutture S.p.A. on 25 September 2014 for the amount of € 5,600,000. This amount was reduced due to offsetting against accounts receivable from the related party; a repayment plan with a time horizon similar to that of the above-mentioned loan is envisaged for the residual payable.

Payables due to employees refer to wages and salaries, also represented by forms of Welfare, introduced from 2017 on the basis of trade union agreements, and accrued leaves to be paid or enjoyed in the following year.

Payables for fees accrued and not yet requested for refund refer to estimated concession fees and not yet supported by a specific request for refund in 2021.

Other payables are of a residual nature and mainly refer to tariff components (UI1, UI2, UI3, UI4) charged to users and to be paid to the Energy and Environmental Services Fund (CSEA), to the portion of post-employment

benefits accrued in the fourth quarter of 2021 and paid to the social security funds at the beginning of 2022, as well as interest on loans in the fourth quarter of 2021 recognised on an accrual basis.

Breakdown of payables by geographic area

Introduction

The following table shows the breakdown of payables by geographic area.

Breakdown of payables by geographic area

Geographic area	Bonds	Bank payables	Payments on account	Trade payables	Tax payables	Welfare and social security payables	Other payables	Payables
Italy	9,105,982	20,515,857	232,977	7,719,159	276,485	418,701	4,907,722	43,176,883

Comment

For the purposes of the required disclosure of the geographic breakdown of receivables and payables, note that the payables are all contracted with regard to Italian entities.

Payables backed by collateral on corporate assets

Introduction

Payables backed by collateral on corporate assets are shown in the following table, with specific indication of the nature of the collateral.

Analysis of payables backed by collateral on corporate assets

	Payables backed by pledges	Total payables backed by collateral	Payables not backed by collateral	Total
Payables for bonds	2,200,000	2,200,000	6,905,982	9,105,982
Bank payables			20,515,857	20,515,857
Payments on account			232,977	232,977
Trade payables			7,719,159	7,719,159
Tax payables			276,485	276,485
Welfare and social security payables			418,701	418,701
Other payables			4,907,722	4,907,722
Total payables	2,200,000	2,200,000	40,976,883	43,176,883

Comment

A pledge of € 2.2 million is registered on the bond payable; for more information, please refer to the comment on "Credit Enhancement" in the section on non-current receivables.

Shareholder loans

Introduction

The company did not receive any shareholder loans.

Accrued liabilities and deferred income

Introduction

Accrued liabilities and deferred income were calculated on an accrual basis, by allocating costs and/or revenues that accrue to two financial years. They measure income and expenses that accrue either before or after they are paid/collected and/or documented; they are irrespective of the payment or collection date of the relative income and expenses, shared across two or more years and which may be broken down over time.

Analysis of changes in accrued liabilities and deferred income

	Opening value	Change during the year	Closing value
Accrued liabilities	121,740	(7,609)	114,131
Total accrued liabilities and deferred income	121,740	(7,609)	114,131

Comment

The following table shows the breakdown of the items in question in that they are recorded in the financial statements.

Description	Details	Amount for the
<i>ACCRUALS AND DEFERRALS</i>		
	ACCRUED LIABILITIES	114,131
	Total	114,131

Accrued liabilities were calculated according to the "economic time" criterion since the contractual services received do not have a constant economic content over time and therefore the allocation of the cost (and therefore the allocation of the accrued portion to the current year) is made in relation to the conditions of the management as specified in the accounting standard OIC 18.

Accrued liabilities refer to interest for 2021 included in the bond repayment instalment paid on 10 January 2022.

Notes to the Financial Statements - Income Statement

Introduction

The income statement shows the profit and loss for the year.

It provides a representation of operations, through a summary of the positive and negative income components that contributed to determining the profit and loss. The positive and negative income components recognised in the financial statements in accordance with Article 2425-bis of the Italian Civil Code are separated on the basis of whether they are related to core operations, accessory operations and financial operations.

The core business identifies the income components generated from continuing operations in the relevant business sector, which identify and qualify the specific and distinctive part of the economic activity carried on by the Company, for which it is intended.

Financial activity consists of transactions generating financial income and expenses.

On a residual basis, accessory activities are those transactions that generate income components that are part of ordinary activity but cannot be classified as core or financial operations.

Value of production

Introduction

Revenues from the Integrated Water Service are recognised with reference to the relevant turnover determined with the tariffs approved by ARERA for the year 2021 (Resolution no. 26/2021/R/IDR of 26 January 2021) and applied by the Operator. The estimate of these revenues also includes the balancing effect envisaged in the Water Tariff Method for the third regulatory period (MTI-3) calculated in accordance with Art. 27 of Annexe A to Resolution no. 580/2019/R/IDR.

The revenues deriving from the provision of services and financial revenues are recognised on an accrual basis and posted in the financial statements, net of returns, allowances, discounts and premiums as well as all directly related taxes. Contributions for connections, with respect to the fixed component, are recognised as revenue for the year when the related work is completed; the fees invoiced to the applicants for the works carried out are deducted from the values of the relevant investments as plant and equipment grants.

Increases for own work capitalised are recognised on the basis of the cost of production, which includes direct costs (material and direct labour, design costs, external supplies, etc.) and general production costs, for the share reasonably attributable to the asset for the period of its construction until the moment in which it is ready for use; any costs relating to the financing of its construction are added based on the same criteria.

Operating grants, recognised on an accrual basis in the year in which the right to receive them arose with certainty, are specified in item A5 as they supplement revenues from core operations and/or reduce the costs and expenses of core operations.

Breakdown of revenues from sales and services by business category

Introduction

The table below provides a breakdown of revenues from sales and services by business category.

Breakdown of revenues from sales and services by business category

Activity category	Value for current year
Integrated Water Service	24,503,727
LPG service	185,349
Other	20,861
Total	24,709,937

Comment

The change in revenues from sales and services is strictly related to what is shown in the Report on Operations.

The **revenues from sales and services** are broken down below:

Sector	Activity	31/12/2021	31/12/2020	Change
Integrated Water Service revenues	Integrated Water Service provision - User turnover	21,781,605	23,333,685	(1,552,080)
	Integrated Water Service provision - VRG balancing	2,104,995	332,169	1,772,826
	Integrated Water Service provision - wholesale transfers	321,590	295,631	25,959
	Various services Integrated Water Service	295,538	288,918	6,620
Integrated water service revenues - Total		24,503,727	24,250,403	253,325
LPG service revenues	LPG supply revenues	180,129	137,011	43,117
	Different LPG performance	5,220	627	4,593
LPG service revenues - Total		185,349	137,638	47,710
Sundry revenues		20,861	3,487	17,374
Grand total		24,709,937	24,391,528	318,410

The **Integrated Water Service revenues** show a significant increase compared to the previous year (€ 254 thousand), attributable to the higher external costs incurred during the year and for which recognition in the tariff is envisaged. In 2021, however, the total lack of coverage of the actual cost of electricity, which was higher, occurred for the first time, due to the increases observed on the energy markets in recent months, of the standard cost determined by ARERA with resolution 639/2021/R/IDR. This provision was challenged by an Operator company before the Lombardy Regional Administrative Court. The higher cost, not currently absorbed by tariff adjustments, applies to Bim Gestione Servizi Pubblici S.p.A. the amount of € 180 thousand, which could constitute contingent liabilities, should the appeal be favourably accepted by the administrative court.

The allocation to revenue for the VRG balancing of the deferral of € 1.8 million made by the ATO Authority, on the occasion of the 2020-2023 tariff determination, is relevant for 2021.

LPG service revenues increased compared to the previous year, mainly due to the increase in revenues from raw materials and distribution tariffs.

Breakdown of revenues from sales and services by geographic area**Introduction**

The table below provides a breakdown of revenues from sales and services by geographic area.

Breakdown of revenues from sales and services by geographic area

Geographic area	Value for current year
Italy	24,709,937
Total	24,709,937

Comment

The breakdown of revenues by geographic areas is not significant.

Comment

Revenues forming part of the *Value of production* not analysed in the previous sections are commented on below.

Increases for own work capitalised

Increases for own work capitalised, amounting to € 1.5 million, refer to hours of internal labour (€ 988 thousand) and the consumption of warehouse materials (€ 492 thousand), related to the construction of water service works, connections to networks and the installation of meters.

Other revenues and income

Other revenues and income are broken down as follows:

	2021
Services to other Companies	658,186
Treatment and lifting plant performance	355,618
Water and LPG service contributions	257,205
Sale of Energy Efficiency Certificates	86,777
Insurance compensation	75,390
Reimbursement for personnel on secondment	66,021
Revenues from previous years	50,824
Refund of debt collection costs	49,275
Refund of training costs	25,040
Penalties from suppliers	15,459
Other revenues	173,973
Total	1,813,767

The item includes revenues for services provided to other companies for a total of € 658 thousand, of which € 466 thousand realised towards the related companies Bim Belluno Infrastrutture S.p.A. and Società Informatica Territoriale S.r.l., € 42 thousand towards Ascotrade S.p.A. and € 149 thousand towards CAFSC S.p.A. in the scope of relationships governed by specific conventions.

The item also includes revenues for services on treatment and lifting systems (€ 356 thousand), the share of the connection fees for the Integrated Water Service and the LPG Service (€ 257 thousand).

Costs of production

Comment

Costs and expenses are charged on an accrual basis and by type, net of returns, allowances, discounts and premiums, in compliance with the matching principle with revenues, and recognised in the respective items in accordance with accounting standard OIC 12. With regard to purchases of goods, the related costs are recognised when the ownership has been transferred substantially and not only formally, taking the transfer of risks and benefits as a benchmark for the substantial transfer. For the purchase of services, the relative costs are recognised when the service was received, or when the service was completed, while for services provided on an ongoing basis, the relative costs are recognised for the portion accrued.

Costs for raw materials, consumables and merchandise and costs for services

The costs of raw materials, consumables and merchandise refer to the purchase of materials in stock, mainly for plant management and the construction and maintenance of networks and connections of the Integrated Water Service. This item also includes consumables for vehicles, stationery, printed matter for users and material for office equipment.

The balance of costs for raw materials, consumables and merchandise increased by € 418 thousand compared to the previous period, due to material capitalised on investments.

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

	31/12/2021	31/12/2020	Change
Operation and maintenance services	4,974,270	5,024,104	(49,834)
Electricity	2,335,135	1,918,216	416,919
Services for invoicing and collection	592,756	670,524	(77,768)
Water analysis	375,418	341,686	33,732
Personnel services	230,170	209,715	20,455

Insurance	217,876	225,850	(7,974)
Telephone services	156,212	169,672	(13,460)
Administrative consultancy	139,998	79,598	60,400
Dedicated call centre service	137,219	110,048	27,171
Technical consultancy	132,108	135,534	(3,426)
Services for office use	85,434	74,305	11,129
Personnel training	80,232	52,186	28,046
Legal services	63,603	54,898	8,706
Expenses for payment reminders	63,088	1,036	62,052
Expenses for associated services	50,028	42,488	7,540
IT consultancy	49,441	52,325	(2,884)
Promotion and disclosure expenses	45,256	29,002	16,253
SIT cartographic services	44,184	53,077	(8,892)
Payroll services	34,178	35,173	(995)
Services from related company	32,155	32,155	0
Audit and control services	31,050	31,050	0
Directors' remuneration	28,000	14,000	14,000
Gas consumption	25,897	18,228	7,669
Board of Statutory Auditors remuneration	21,525	21,376	149
Bank charges	18,768	17,266	1,502
Postal charges	15,345	15,451	(106)
Other costs	165,940	127,980	37,960
Total	10,145,286	9,599,743	545,543

The main costs for services refer to the **operation and maintenance** of networks and plants (€ 5 million), accounting for around 50% of the total item.

Another significant cost is related to the procurement of electricity (€ 2.3 million), which accounts for 23% of the total item and shows an increase of € 417 thousand compared to the previous year.

The costs for **invoicing and collection** services (€ 593 thousand), consisting of meter reading services, printing and delivery of bills, and collection services, show a saving compared to 2020 of € 79 thousand, mainly due to the lower costs of collection services (-€ 136 thousand), linked to the launch of the compulsory PagoPA collection system, on the one hand, and the increase in the costs for the meter reading service (+€ 50 thousand) on the other.

Water analysis costs (€ 375 thousand) showed an increase of € 34 thousand compared to the previous year.

Personnel services mainly consist of the canteen service established on the basis of trade union negotiations (€ 200 thousand), which is provided to employees by means of meal vouchers.

Administrative consultancy (€ 140 thousand) increased compared to the previous year by € 60 thousand mainly due to appraisal assignments for the determination of the useful life - residual life of the Integrated Water Service plants and for the valuation of the equity investment in the company Ascotrade S.p.A.

The cost of the **dedicated call centre service**, which for some years now has been working alongside the in-house call centre to meet the onerous obligations imposed by ARERA Resolution no. 655/2015/R/IDR, amounts to € 137 thousand in 2021, which includes a further increase in telephone contacts compared to the previous year.

Services for office use increased by € 11 thousand (following the further increase of € 33 thousand already observed in the 2020 financial year) due to the need to intensify daily cleaning of premises as a measure to contain the health emergency caused by the SARS-CoV-2 coronavirus.

Training costs (€ 80 thousand) are partly related to the activation of two training plans financed by Fondimpresa. The relevant refunds are recognised in the item Other revenues and income in A5) of the income statement.

After the decisive attenuation of the credit recovery activity conducted in 2020 with less formal tools (text messages and emails) in consideration of the general economic difficulties deriving from the pandemic, in 2021 the activity resumed in compliance with the new and complex rules imposed by the Authority with Resolution 311/2019/R/IDR of 16 July 2019, with a consequent increase in **expenses for payment reminders** of € 62 thousand.

Expenses for associated services refer to the operating costs of the Viveracqua Consortium in which the company participates. Among the services rendered by the Consortium, the most important are those related to some monitoring activities on the Hydrobonds, the function of central purchasing body and the participation in specific working groups on some issues of general interest in the management of the water service.

Promotion and disclosure expenses refer to educational/information projects for schools, to the management of social media and to the preparation of material for customers.

The **cartographic services** that remain at operating cost refer to pipe signalling activities to be provided to companies operating on the territory in the vicinity of water/sewer networks.

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

Other costs for services include cost items that are individually small in amount and are of a residual nature compared to the item total.

Costs for right of use assets

These mainly refer to the annual fee for the use of the water network and relevant plants, represented by the refund due to the granting Municipalities of the instalments of the loans taken out to carry out the works and not yet paid off, the amount of which is summarised below and compared with the previous year:

	31/12/2021	31/12/2020	Change
Repayment of loans to Municipalities	1,387,162	1,596,579	(209,417)

Note that these costs are related to the revenues accrued, in application of the tariff mechanisms established by ARERA.

For the remaining part, these costs include € 682 thousand in annual fees for the derivation of drinking water and water crossings, € 305 thousand in lease payables and fees for the use of properties and € 56 thousand in vehicle and equipment rental fees.

Personnel costs

This item includes the entire personnel costs, including promotions, category transfers, seniority pay increases, cost of leave not taken, allocations required by law and collective labour agreements. Overtime and the use of holidays and leave are constantly monitored.

Personnel costs recorded an increase of € 700 thousand mainly due to the strengthening of the technical and operational departments with the appointment of 18 new figures, mainly in relation to the internalisation of the management of the treatment plants and the strengthening of the technical structure, as well as the adjustments provided for by the national collective agreement and by the supplementary company agreement.

Depreciation of property, plant and equipment

With regard to depreciations, note that these were calculated on the basis of the useful life of the asset and its use in production.

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

Write-down of current receivables and cash and cash equivalents

The annual provision for risks on receivables was calculated on the basis of the actual assessment of the collectability of the receivables, taking into account the average insolvency risk of the sector prudentially assessed in relation to the general economic situation. Therefore, the provision made is more contained than in the previous year, when greater uncertainties were recognised due to the pandemic situation, and this has allowed the bad debt provision to an extent considered to be consistent with the value of the same at their estimated realisable value.

Provisions for risks

The annual provision, equal to € 393 thousand, was set aside to cover probable future charges deriving from the risk of probable sanctions imposed on the treatment service (€ 260 thousand) as a consequence of the sentence of conviction to Italy of 6 October 2021 by the European Court relating to the Falcade and Borca di

Cadore sites, from water supply concessions on state-owned areas currently undergoing regularisation (€ 81 thousand), from the failure to achieve the commercial and technical quality objectives, as already commented in the specific section of the *Provisions for risks and charges*.

Other operating expenses

Other expenses are broken down as follows:

	2021	2020	change
ATO Council operating fee	271,185	269,335	1,850
Costs from previous years	172,012	753,359	(581,347)
Taxes other than income taxes, duties and fees	70,796	63,243	7,553
Service card penalties	38,640	56,010	(17,370)
Compensation to users and third parties	35,368	32,072	3,296
Trade association membership fees	20,314	4,624	15,690
Fines	12,407	6,473	5,934
ARERA contribution	6,470	6,311	159
Other	17,076	15,137	1,940
Grand total	644,268	1,206,563	(562,295)

The item includes the operating expenses of the Dolomiti Bellunesi ATO Council, as well as cost elements pertaining to previous years and to taxes other than income taxes, duties and fees. Lastly, it includes penalties deriving from the application of the Service Card, compensation to third parties for damage caused, which are reflected in the insurance compensation and membership fees for trade associations.

Financial income and expense

Introduction

Financial income and expense are recognised on an accrual basis in relation to the share accruing during the period.

Breakdown of investment income

Introduction

Investment income, represented by dividends, is recognised on an accrual basis corresponding to the time when the right to collect them arises as a result of the resolution passed by the shareholders' meeting of the investee company to distribute profits or reserves, if any.

There is no investment income pursuant to Art. 2425, no. 15 of the Italian Civil Code other than dividends.

Comment

Investment income consisted of dividends distributed in 2021 by the investee company Ascotrade S.p.A. (€ 2.1 million) and the capital gain of € 14.8 million realised on the sale of the equity investment held in the same company.

Other financial income mainly consists of interest income accrued on the receivable for tariff adjustment of the Integrated Water Service of € 199 thousand (€ 417 thousand in 2020), better described in the Report on Operations, bank interest income of € 38 thousand (€ 43 thousand in 2020), interest on arrears applied to the invoices of the Water Service of € 53 thousand (€ 36 thousand in 2020), interest income for the deferred collection of equipment grants provided by the Consorzio Bim Piave Belluno of € 19 thousand (€ 20 thousand in 2020) and interest income accrued on the amounts as guarantee of the Hydrobond transaction of € 5 thousand.

Breakdown of interest and other financial expense by type of payable**Introduction**

The statement below shows the interest and other financial expense pursuant to Art. 2425, no. 17 of the Italian Civil Code, with a specific breakdown between that relating to bonds, bank payables and other types.

Breakdown of interest and other financial expense by type of payable

	Bond loans	Bank payables	Other	Total
Interest and other financial expense	275,961	443,266	6,325	725,552

Comment

Interest on bonds refers to issues of Hydrobond bonds on 3 July 2014 and 22 January 2016.

Interest accrued on *Payables to banks* is divided between charges pertaining to current accounts (€ 10 thousand) and interest on medium-term credit (€ 433 thousand).

Average credit interest from banks recorded a decrease of € 92 thousand compared to the previous year, attributable to the performance of the amortisation plans for existing mortgages.

The item *Other* mainly refers to interest expenses to suppliers, of which € 4 thousand refers to interest accrued by the related company Bim Belluno Infrastrutture S.p.A. for the Banca Intesa loan taken over on 25 September 2014.

Amount and nature of individual revenue/cost elements of exceptional size or impact**Introduction**

In the course of this year, there were no revenues nor other positive components deriving from events of exceptional size or impact.

Introduction

This year there were no costs recognised deriving from events of exceptional size or impact.

Current income taxes, deferred tax assets and liabilities**Introduction**

Taxes are recognised according to the accrual principle; they therefore represent:

1. provisions for taxes paid or to be paid for the year, determined according to current rates and regulations;
2. the amount of deferred tax assets or liabilities in relation to temporary differences arising or written-off during the financial year;
3. the adjustments to balances of deferred tax assets to reflect changes in rates during the year.

In particular, deferred tax assets and liabilities are calculated with respect to all temporary differences between the value attributed to an asset or liability according to statutory criteria and the corresponding values assumed for tax purposes.

The resulting values, if negative, are recognised as deferred tax liabilities in the tax provision of the liabilities, if positive, are recognised as deferred tax assets in the specific item of current assets, only if there is reasonable certainty of the existence, in the years in which the deductible temporary differences that led to the recognition of deferred tax assets will be paid, of taxable income not less than the amount of the differences that will be offset. The amount of deferred tax assets is reviewed each year to check that there continues to be reasonable certainty of having future taxable income sufficient to recover the entire amount of the deferred tax assets recognised in the financial statements.

Taxes	Balance as at 31/12/2021	Balance as at 31/12/2020	Changes
Current taxes:	360,372	307,325	53,047
IRES	264,740	239,915	24,825
IRAP	95,632	67,410	28,222
Substitute tax			
Deferred tax liabilities (assets)	(114,815)	(33,063)	(81,752)
IRES	(114,815)	(43,435)	(71,380)
IRAP	-	10,372	(10,372)
Income (charges) from tax consolidation/tax transparency	-	-	-
	245,557	274,262	(28,705)

The company allocated income taxes for the year by applying the tax regulations in force.

Deferred tax assets and liabilities

This item includes the impact of deferred taxes on these financial statements. It is attributable to temporary differences between the values assigned to an asset or liability according to statutory criteria and corresponding values of these items recognised for tax purposes.

The company determined the deferred taxation with reference to IRES and, in a single case, also to IRAP.

The following tables show in detail:

- the description of the temporary differences that implied the recognition of deferred tax assets and liabilities, by specifying the rate applied and changes compared to the previous financial year, the amounts credited or charged to the income statement or to the equity;
- the amount of deferred tax assets recognised in the financial statements concerning losses for the period or of previous financial years and the reasons for recognising it, the amount not yet recognised and the reasons for not recognising it;
- the items excluded from the calculation and relevant reasons.

Recognition of deferred tax liabilities and assets and ensuing effects

	IRES	IRAP
A) Temporary differences		
Total deductible temporary differences	45,846	
Total taxable temporary differences	524,248	
Net temporary differences	(478,402)	
B) Tax effects		
Provision for deferred tax liabilities (assets) at start of year	(831,629)	-
Deferred tax liabilities (assets) for the year	(114,816)	-
Provision for deferred tax liabilities (assets) at end of year	(946,445)	-

Breakdown of deductible temporary differences

Description	Amount at the end of the previous financial year	Change during the year	Amount at year end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Default interests not collected	76,209	5,127	81,336	24%	(1,230)	-	-
Amortisation exceeding amortisation allowance	107,483	(21,188)	86,295	24%	(5,085)	-	-

Breakdown of taxable temporary differences

Description	Amount at the end of the previous financial year	Change during the year	Amount at year end	IRES rate	IRES tax effect	IRAP rate	IRAP tax effect
Provisions for risks and charges	583,587	376,000	959,587	24%	90,240	-	-
Discharge of deferred tax liabilities on amortisation	533,922	(32,584)	501,338	24%	7,820		
Non-deductible provision for bad debts	3,384,177	96,132	3,480,309	24%	23,072		

Comment

Deferred tax assets increased compared to the previous year, mainly due to provisions for risks and to the excess of bad debt provisions over the tax limits.

With regard to deferred tax liabilities, the provision is largely generated by temporary differences arising in past years when accelerated amortisation was still possible. These differences will gradually be absorbed as the assets on which the provision was made approach the end of their useful lives.

Information on tax losses

It is certified that there are no tax losses at the end of the reporting period.

Notes to the Financial Statements - Cash Flow Statement**Comment**

The company prepared the cash flow statement that represents the summary document that combines the changes occurred during the financial year in the company's assets with changes in the financial position; it shows the values related with financial resources that the company required during the financial year as well as their uses. With regard to the method used, note that the company adopted, according to OIC 10, the indirect method whereby the cash flow is reconstructed by adjusting the profit (loss) for the year of the non-monetary components.

Notes to the Financial Statements - Other information**Introduction**

Other information required by the Italian Civil Code is shown below.

Employment figures

Introduction

The following table shows the average number of employees as at 31 December 2021, broken down by category and calculated by considering the daily average.

Average number of employees by category

	Executives	Middle Managers	Office workers	Blue-collar workers	Total Employees
Average number	1	12	114	63	190

Comment

The employment contract applied for the personnel is the Gas-Water Sector National Labour Collective Agreement renewed on 7 November 2019. The Regions and Local Autonomies national collective bargaining agreement continues to apply to part of the personnel transferred from the Municipalities.

The breakdown of personnel changes compared to the previous year follows:

Headcount	Units as at ¹		Change	Average units in ²		Change	Average units as at ³		Change	
	31/12/2021	31/12/2020		2021	2020		31/12/2021	31/12/2020		
Executives	1	1	0	1	1	0	1	1	0	
Office workers	Technical	61	54	7	57.25	53.25	4	60.5	53.75	6.75
	Administrative	70	70	0	68.5	64.5	4	67	66.75	0.25
Blue-collar workers	63	52	11	52.5	52	0.5	63	52	11	
Staff on secondment from another company ⁴	0	0	0	0	1	-1	0	0	0	
Personnel on secondment to another company ⁵	-2	-2	0	-1	-1.25	0.25	-1.75	-1.75	0	
Total	193	175	18	178.25	170.5	7.75	189.75	171.75	18	

¹ no. of employees at the end of the financial year, including employees with fixed-term contracts and employees on leave not paid by the company.

² no. of employees compared to full-time employees during the year (incidence of part-time contracts, absences due to leave not charged to the company and recruitments/retirements during the year).

³ no. of employees compared to full-time units at the indicated date (incidence of part-time contracts).

⁴ employee on secondment from Società Informatica Territoriale S.r.l.

⁵ employee on partial/total secondment to Bim Belluno Infrastrutture S.p.A.

Remuneration, advances and credit facilities granted to directors and statutory auditors and commitments undertaken on their behalf

Introduction

The following table shows the information required by Art. 2427, no. 16 of the Italian Civil Code, specifying that there were no advances and credit facilities and no commitments were undertaken on behalf of the administrative body as a result of guarantees given.

Amount of remuneration, advances and credit facilities granted to directors and statutory auditors and commitments undertaken on their behalf

	Directors	Statutory Auditors
Fees	28,000	21,525

Comment

The members of the Board of Directors were appointed by a shareholders' resolution of 1 July 2020.

Fees of the independent auditor or auditors**Introduction**

The following table shows the fees - broken down by type of service provided - payable to the independent auditors.

Amount of fees due to the independent auditor or independent auditors

	External audit of annual accounts	Total fees due to the independent auditor or auditors
Value	31,050	31,050

Comment

Note that the person currently in charge of the external audit for the three-year period from 2020 to 2022 was appointed by the shareholders' resolution of 1 July 2020.

Classes of shares issued by the company**Introduction**

The following table shows the number and nominal value of the shares of the company, as well as any changes occurred during the financial year.

Analysis of classes of shares issued by the company

	Opening balance - number	Opening balance - nominal value	Closing balance - number	Closing balance - nominal value
Ordinary shares	4,020	500	4,020	500

Comment

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

Securities issued by the company**Introduction**

The company did not issue any security or similar value included in the provision set forth in Art. 2427 no. 18 of the Italian Civil Code.

Details of other financial instruments issued by the company

Introduction

The company did not issue other financial instruments pursuant to Article 2346, paragraph 6, of the Italian Civil Code.

Off-balance sheet commitments, guarantees and contingent liabilities

Introduction

The following table shows the information envisaged by Art. 2427 no. 9 of the Italian Civil Code.

Total amount of off-balance sheet commitments, guarantees and contingent liabilities

	Amount
Guarantees	3,980,973
of which collateral	-

Comment

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

Information on special purpose assets and loans

Comment

Special purpose assets

It is certified that at the end of the reporting period there are no assets intended for a specific purpose pursuant to Art. 2427, no. 20 of the Italian Civil Code.

Special purpose loans

It is certified that at the end of the reporting period there are no loans intended for a specific purpose pursuant to Art. 2427, no. 21 of the Italian Civil Code.

Information on related party transactions

Comment

In compliance with the provisions of Art. 2427 no. 22 bis of the Italian Civil Code, during the financial year, the company carried out transactions with related parties; these transactions were concluded on an arm's length basis, therefore, in accordance with current regulations, no additional information is provided.

Information on off-balance sheet arrangements

Comment

In the course of the year, no off-balance sheet arrangements were carried out.

Information on significant events after the reporting date

Comment

With reference to point 22-quater of Art. 2427 of the Civil Code, the following is noted.

As per the mandate of the Extraordinary Shareholders' Meeting of 23 December 2021, through Viveracqua Hydrobond 2022 S.r.l., a bond issue was completed on 21 February 2022, called Hydrobond 4, in which the Company participated by issuing two bonds for a total of € 10 million, of which € 5 million subscribed within the "long" segment, with a maturity of 24 years, and € 5 million subscribed within the "short" segment, with maturity equal to 16 years.

On the tariff front, the update is underway for the two-year period 2022-2023, ordered by ARERA Resolution 639/2021/R/IDR of 30 December 2021, whose deadline is set for 30 April 2022. The Lombardy Regional Administrative Court also accepted the precautionary request, suspending the effectiveness of the provision challenged by the company Acqualatina S.p.A. and ordering its review by ARERA within 60 days. The appeal relates to the cost of electricity recognised in the tariff which, for 2021, does not cover the cost actually incurred, burdened by the increases on the energy market that affected the last months of the year.

In any case, negative structural effects are not expected, as the Operator's economic equilibrium is ensured by the mechanisms of full cost recovery, the principle underlying the tariff method regulated by the Authority and which in the current provision outlines the final recognition of the real costs of energy for the years 2022 and 2023, whose increase in costs on the markets will be more sustained.

Partial "smart working" (2 days per week, with flexibility based on company or employee requirements) continues on an experimental basis pursuant to the emergency regulations in force.

Companies that draft the financial statements of the larger/smaller set of companies of which the company is part as a subsidiary

Introduction

There are no cases pursuant to Art. 2427, numbers 22-quinquies and sexies of the Italian Civil Code.

Summary financial statements of the company that exercises management and coordination activities

Introduction

Pursuant to Art. 2497-bis, paragraph 4, of the Italian Civil Code, it is confirmed that the company is not subject to management and coordination by another entity.

Information pursuant to Art. 1, paragraph 125, Italian Law no. 124 of 4 August 2017

Comment

In relation to the provisions of Art. 1, paragraph 125, of Italian Law no. 124/2017, regarding the obligation to provide evidence in the notes to the financial statements of any amount of money received during the year by way of grants, contributions, paid assignments and, in any case, economic advantages of any kind from public administrations and from subjects referred to in paragraph 125 of the same article, the Company certifies that it collected the following grants during 2021:

P.A. subject	On account	Subject matter of the grant	Collected amount
Consorzio Comuni B.I.M. Piave Belluno	investments	Various plants Integrated Water Service	400,000
Consorzio Comuni B.I.M. Piave Belluno	investments	LPG systems in the province of Belluno	60,189
Dolomiti Bellunesi ATO Council	investments	Contribution for the construction of the works envisaged in the intervention plan relating to "drinking water purification plants on collection works (adjustments M3 Resolution 917/2017)"	13,428
Municipality of Belluno	investments	17/10 New sewer network in via Rudio	9,000
Municipality of Belluno	investments	06/07 Water supply pipeline works to the Marisiga treatment plant in Belluno of the wastewater from the Imhoff tanks of Borgo Piave and Via Monte Grappa in the Municipality of Belluno	128,830
Delegated Commissioner	investments	Contributions to investments for VAIA emergency - Ord. 1/2018 - 4/2020 - 5/2020	651,623
Delegated Commissioner	for the year	VAIA emergency operating grants - Ord. no. 1/2018 - 9/2019 - 4/2020 - 5/2020	222,363
			1,485,433

Notes to the Financial Statements - Final part

Comment

Dear Shareholders, These financial statements, comprising the balance sheet, income statement, cash flow statement and notes to the financial statements give a true and fair view of the financial position, the results of the operations and of the cash flows, and agree with the accounting records. Therefore, we invite you to approve the draft financial statements as at 31 December 2021, as prepared by the administrative body.

The financial statements are true, real and in compliance with the accounting records.

Belluno, 29 March 2022

Bim Gestione Servizi Pubblici S.p.A.
Chairman of the Board of Directors

Mr Attilio Sommavilla



BIM GESTIONE SERVIZI PUBBLICI S.p.A.

**Registered Office at via Tiziano Vecellio 27/29 - 32100 Belluno - Share Capital € 2,010,000.00
fully paid-in**

REPORT on OPERATIONS to the Financial Statements as at 31 December 2021

To our Shareholders,

We hereby submit for your review and approval the Financial Statements for the year 2021, which closed with a *Value of production* of € 28 million and a *Profit for the year* of € 17 million.

In referring you to the Notes on the Financial Statements for clarifications on the data provided in the Balance Sheet and the Income Statement, in this document we provide some considerations on the Company's operations, with reference to the year that has just ended as well as future outlooks, all in compliance with what is laid out in Art. 2428 of the Italian Civil Code.

General information on the Company's situation and its evolution

In execution of the resolution of the Shareholders' Meeting of 25 May 2021, the Company launched a tender procedure, in the form of a public auction, for the sale of 110 shares corresponding to 11% of the share capital of Ascotrade S.p.A. The procedure ended with a single offer filed by Estenergy S.p.A., majority shareholder of Ascotrade S.p.A., and was finalised with a notarial deed on 8 September 2021 and the receipt of € 21,000,100. The operation will allow the Company to make investments, not included in the Intervention Plan approved by the ATO Council, strengthening the infrastructures of the Integrated Water Service, without the need to use the tariff to cover the related costs and therefore without charges for the User.

The new objectives assigned by the Board of Directors, especially regarding the strengthening of the number and importance of the interventions to be carried out in the territory, in addition to the renewed requirements of compliance with the standards set by the Regulatory Authority (ARERA), by the ATO Council and from the corporate mission for an ever better service to users, led, in September 2021, to the adoption of a new organisational model, with redistribution of responsibilities and the establishment of new functions, application of renewed process methods in the planning, control and execution phases, enhancement of human resources already in service and newly acquired.

In the aforementioned reorganisation context, the first part of the internalisation process of the treatment service took place in September 2021, undertaken with the aim of achieving better efficiency standards in the sewage treatment process to improve the quality of effluent at discharge and minimise impact on the environment; these objectives, considered of primary importance in the operational context of the Province of Belluno, can be achieved through greater attention to the ordinary management of plants, the implementation of the procedures necessary to improve and enhance the predictive and scheduled maintenance of electromechanical equipment, to increase its useful life, the ever-increasing introduction of new technologies and management methods, to improve overall energy efficiency.

For the eastern area of the Province, now managed internally, 19 employees are in post, 10 of which are technicians and 9 are operational staff. The internalisation process will be completed in September 2022, with the direct management of the western lot and the overall appointment of 31 employees, 12 of which are technicians and 19 operational staff.

In 2021, the Company maintained the containment measures already put in place in 2020 to address the health emergency caused by the SARS-CoV-2 coronavirus, for which the WHO declared a pandemic.

Many measures taken in 2020 in order to deal with the aforementioned emergency were gradually removed, effectively leading the Company to operate in the same manner adopted before the pandemic. Some operating modes which proved to be particularly useful in the most acute phase of the pandemic still remain active, such as measuring the temperature of anyone accessing the offices and other local units, the obligation to wear a mask in the offices, user access to the counter by appointment.

The "agile work" modality for part of the resources in place and for partial times continued on an experimental basis, without the need to sign individual agreements given the state of emergency; the pandemic crisis has made it necessary to use innovative tools which, subject to specific regulation, may become useful with a view to achieving a better balance between work and personal time.

In terms of collections, payment times were slightly longer than those recorded on average in the pre-Covid period, also due to the Company's willingness to guarantee a wide range of options for its users to request extension and instalment plans, in order to help the weakest subjects in a period that still presents critical phases.

On the tariff front, in 2021 the Company applied the tariffs determined by the ATO Management Body (EGA) - Dolomiti Bellunesi ATO Council - with Resolution of 30 November 2020, as established by Resolution ARERA/580/2019/R/IDR (MTI-3), which was followed by the approval of ARERA with Resolution no. 26 of 26 January 2021.

In application of the resolution of the Shareholders' Meeting of 29 December 2020, which established the suspension of the charge to users during the year 2021 for a total amount of € 800 thousand in relation to the item "recovery of previous items", the Company appropriately rescheduled the measure of the additional portion on the turnover pertaining to 2021; this will cause a slowdown in the collection of receivables for tariff adjustment, which will have to be recovered in a manner to be defined between the ATO Council and the Operator as part of the next tariff update for the two-year period 2022-2023.

Again in relation to the collection of previous items, in the 2020-2023 tariff determination, the Company accepted the request to contain the burden to be borne by the User, reducing the interest rate due on the existing receivable as at 31 December 2020 from 5% to 3%.

From a financial point of view, the period of suspension of mortgages envisaged by the banking system to contain the effects of the health emergency has ended and therefore the Company has resumed the payment of the instalments of its loans in accordance with the provisions of the respective amortisation plans and has not made use of short-term credit lines.

On 28 May 2021, the supplementary company labour contract for the year 2021 was signed with the Unitary Union Representative Bodies (RSU) and the trade union representatives, which provides for the payment to employees of a performance bonus linked to the achievement of some objectives:

- realisation of investment expenses, in compliance with budget forecasts;
- maintenance of the ISO 9001:2015 - ISO 45001:2018 certifications - and the start of the path to obtain the ISO 14001 environmental certification;
- improvement of service quality and water potability indicators, through the installation of purification and sterilisation systems and the execution of environmental monitoring, preparatory to the identification of the safeguard areas for the safety of the supply sources;
- improvement of the service quality, through planning and strengthening of periodic checks of sewer overflows;
- improvement of commercial quality, with particular attention to the process relating to invoicing adjustments (improving the percentage of compliance of invoicing adjustments within the time limits set by ARERA).

For the second year of the three overall contracted, the Company provided CAFC S.p.A. - the Water Service Operator in the Centrale Friuli ATO - with headquarters in Udine, the support activities for the management of the Integrated Water Service in the Municipality of Sappada, as established in the agreement signed at the end of 2020 and expiring on 31 December 2022.

On 6 October 2021, the European Court issued a sentence condemning Italy for non-compliance with treatment regulations, which affect the Company in relation to the Falcade and Borca di Cadore sites. The related works are completed (Falcade) and in an advanced state of construction (Borca di Cadore); in any case, also in relation to the critical issue of the increase in costs which occurred in the last months of the year and in the first months of 2022, an amount was set aside to a specific risk provision of € 260 thousand, defined on the basis of similar cases that have already occurred.

As per the mandate of the Extraordinary Shareholders' Meeting of 23 December 2021, on 21 February 2022 a bond issue, called Hydrobond 4, was completed through Viveracqua Hydrobond 2022 S.r.l., in which six in-house operators of the integrated water service in Veneto, partners of Viveracqua s.c.a.r.l., participated as issuers, with the aim of sourcing funds for investments in the infrastructure of the integrated water service.

The Company participated in the transaction by issuing two bonds for a total of € 10 million, of which € 5 million subscribed within the "long" segment, with a maturity of 24 years, and € 5 million subscribed within the "short" segment, with a maturity of 16 years. Viveracqua Hydrobond 2022 S.r.l. financed the payment of the issue price through the issue of securities subscribed exclusively by institutional investors; in particular, all the securities issued within the "long" segment have the European Investment Bank as the only subscriber.

The Company is committed to improving the indicators required by ARERA with reference to the technical quality referred to in Resolution 917/2017/R/IDR and to maintaining the commercial quality indicators referred to in Resolution 655/2015/R/IDR. The data collections arranged by the Authority for the year 2021 must be completed by next April. As a precaution, an amount estimated on the basis of available data of € 52 thousand was allocated to a specific risk provision.

The Tariff System

With Resolution no. 580/2019/R/IDR of 27/12/2019, ARERA issued the new Water Tariff Method for the 2020-2023 regulatory period (MTI-3) in order to update and supplement the current system of rules, preserving the framework of stability and certainty in water regulations, and reinforcing measures intended to favour spending on investments and promote growing operating efficiency respectful of environmental requirements.

The Dolomiti Bellunesi ATO Council determined the tariff for the 2020-2023 third regulatory period with resolution 13 of 30/11/2020, which was subsequently approved by ARERA with Resolution no. 26/2021/R/IDR of 26/01/2021.

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

Tariff multiplier ϑ^{2020}	Tariff multiplier ϑ^{2021}	Tariff multiplier ϑ^{2022}	Tariff multiplier ϑ^{2023}
1.001	1.054	1.141	1.200

It should be noted that, with Resolution 639/2021/R/IDR of 30 December 2021, ARERA issued the provision for the biennial tariff update for the years 2022 and 2023, to be used to restate the multipliers for the years 2022 and 2023 by 30 April 2022, based on the final data of the two previous years and the updated investment planning.

Aside from the tariff subject to the ARERA regulation, as of 1 January 2013 the Company has also applied an additional fee to bills for previous items relating to management until the year 2011, inclusive, recognised by ARERA with resolution no. 506/2013/R/IDR of 7/11/2013 as part of the approval of tariffs for the first regulatory period (2012-2013).

This Board of Directors, considering the observations received from the Statutory Auditors of the managed area, referring in particular to the difficult general economic situation caused by the pandemic, adopted in shareholders' meeting resolution of 29/12/2020, decided to neutralise the increase deriving from the application of the theta for 2021 (estimated at a total of € 800 thousand), deducting for the same year a corresponding amount from the additional amount for previous items. The sum will be recovered in subsequent years, according to methods that will be confirmed during the forthcoming biennial update of the tariff calculation tool.

The future tariff increase credit situation

As concerns the credit for future tariff increases of € 29,932,460 existing as at 31 December 2012, following the application of the resolutions of the Area Body and ARERA mentioned above, it reduced in the years 2013-2021 by a total of € 24 million, bringing the residual amount to be billed as at 31 December 2021 to € 5,791,280.

As in previous years, interest in the amount of € 198,951 was allocated to this credit in 2021, updated at the 3% fixed rate, as established in the 2020-2023 tariff determination, when the request was accepted to contain the burden borne by the User by making a reduction in the interest rate due on the credit (until 31 December 2020 the rate applied was equal to the average 12-M Euribor plus a spread of 5%).

The table below shows the tariff adjustment credit recovery plan inclusive of interest accrued and to be accrued; the share invoiced by way of the additional amount to repay the credit is specified in the "Additional invoice amount" column, which is allocated first to cover the interest accrued and then to repay the principal:

Year	Initial credit amount	Write-down	Interest	Additional invoice amount	Closing balance credit
2012	28,081,296		+1,851,164	0	29,932,460
2013	29,932,460	-2,000,000	+1,365,988	0	29,298,448
2014	29,298,448	-3,308,606	+1,310,625	-5,631,243	21,669,224
2015	21,669,224		+1,073,361	-3,128,699	19,613,886
2016	19,613,886		+923,007	-2,970,235	17,566,658
2017	17,566,658		+798,014	-3,151,210	15,213,462
2018	15,213,462		+682,531	-3,002,466	12,893,527
2019	12,893,527		+554,806	-3,142,789	10,305,544
2020	10,305,544		+417,242	-3,250,649	7,472,137
2021	7,472,137		+198,951	-1,879,808	5,791,280
2022	5,791,280		+136,943	-2,590,000	3,338,223
2023	3,338,223		+50,037	-3,388,296	0

At the moment, the plan maintains the original expectation of complete credit recovery in 2023. The amounts of the years 2022 and 2023 are based on forecast data, subject to revision based on the actual data reported.

Operating conditions and business development

The Company has operated since 1 January 2004 as the Operator assigned the Integrated Water Service in the current 58 of the 59 municipalities belonging to the "Alto Veneto" ATO, after the removal of the Municipality of Sappada, which was transferred to the Friuli-Venezia Giulia Region.

The Company also carries out the following other activities:

- management of local LPG networks;
- ESCO (Energy Saving Company) activities with the negotiation of white certificates.
- service activities for other companies, including Bim Belluno Infrastrutture S.p.A. and Ascotrade S.p.A., joined since 2020 by CAFC S.p.A. the new water service operator in the Municipality of Sappada, based on an agreement valid until 2022, according to which BIM Gestione Servizi Pubblici S.p.A. will manage the water service infrastructure in order to enable a gradual handover of activities to the new Operator.

Pursuant to Article 2428 of the Italian Civil Code, activities are also carried out in the branch offices of:

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

Operating performance

Development of demand and performance of the markets in which the Company operates

As concerns the Integrated Water Service, particular attention has been focused on the volumes distributed, as although economic and financial balance is guaranteed by the tariff mechanisms, the quantity variable can have significant impacts on tariff policies.

The volumes invoiced remain stable overall and the composition of water withdrawals has returned to pre-pandemic levels; therefore, no significant need for tariff adjustments due to differences in the volumes supplied is foreseen.

As regards the sector of general services provided to related parties, although it is possible to count on the expertise and synergies achieved thus far, a substantial decline is expected in consideration of the possible future developments of such parties.

Conduct of the competition

The main service assigned, the Integrated Water Service, is managed under a monopoly system and therefore there are no issues in terms of the conduct of the competition.

Social, political and trade union environment

On behalf of the Board of Directors, with the support of a specialised company, the Management has launched a path aimed at identifying an organisational model aimed at enhancing the skills of the Personnel, promoting the empowerment of individuals and of teamwork, with the aim of building an organisation characterised by positive and shared values. That said, a new organisational model was identified and implemented starting from September 2021.

This major reorganisation resulted in the following main changes:

- strengthening of engineering services;
- the reorganisation of networks management;
- the internalisation of treatment plants management;
- the establishment of the management control organisational unit;
- the separation of the control functions from the management functions of the activities subject to controls.

The national collective bargaining agreement for the gas and water segment of 7 November 2019 in force until 31 December 2021 is applied to personnel; furthermore, a supplementary company agreement was also entered into on the performance bonus, with the option of converting the sums available into Welfare benefits. The trade union environment is good.

Operating performance in the sectors in which the Company operates

The Company is dealing with a profound transformation that should enable it to adapt with greater speed and resilience to changes in context deriving from the change in governance, the operating standards imposed by ARERA and the investment objectives.

The goal of guaranteeing increasingly high quality service to users, capable of respecting the natural environment in which the Company operates and enhancing as much as possible the expertise and resources present within the Company will also be pursued through the above-mentioned participatory organisational approach, based on the application of scientific thought (PDCA) and therefore on data which support strategic decisions.

Hence, a number of projects were launched to improve management, such as the digitalisation of the main business processes (Work Force Management for maintenance processes and 626 Suite for workplace safety), the installation of automatic tools for measuring the main process indicators (flow rates and pressures, disinfection systems) and process controls, including remotely (smart meters). A Business Intelligence (BI) system will also allow for a broader and faster use of the large amount of data available, also and above all in order to better manage the service quality indicators required by ARERA.

Furthermore, an internalisation process of treatment plant management activities is also under way, to be finalised in September 2022.

A particular focus has also been dedicated to planning and monitoring the implementation of the intervention plan, in the various phases (planning, contracting and implementation), coordinating from the start the various parties involved through a unitary database and the establishment of a dedicated Management Control function.

These activities will be developed also by means of appropriate methods of communication, both externally and to Company personnel.

Reclassified Income Statement and Balance Sheet

The Company's **reclassified income statement** is compared with that of the previous year below:

Reclassified INCOME STATEMENT (amounts €/000)	Actual value		Actual value		Δ 2021 Actual value / 2020 Actual value
	2021		2020		
Integrated Water Service Revenues	24,504		24,250		254
Other service revenues	206		141		65
Total revenues from services	24,710		24,391		319
Increase in Fixed Assets	1,480		1,191		289
Other revenues	1,832		1,693		139
Total REVENUES	28,022	100%	27,275	100%	747
Purchase of materials	(1,637)		(1,389)		(248)
Purchase of services	(10,145)		(9,600)		(545)
Right of use assets	(2,432)		(2,562)		130
Personnel costs	(8,969)		(8,269)		(700)
Other costs	(644)		(642)		(2)
Total costs	(23,828)		(22,462)		(1,366)
EBITDA	4,194	15%	4,813	18%	(619)
Amortisation of Investments	(2,891)		(2,474)		(417)
Bad debt provision	(200)		(300)		100
Other provisions	(393)		(222)		(171)
Total provisions	(3,484)		(2,996)		(488)
EBIT	710	3%	1,817	7%	(1,107)
Net financial expenses	(609)		(737)		127
Ordinary EBT	101	0.4%	1,080	4%	(980)
Ascotrade dividends	2,144		1,597		547
Extraordinary expense	0		(564)		564
Extraordinary income	14,800		0		14,800
Interest income from previous items	199		417		(218)
Extraordinary management	17,143		1,450		15,693
EBT before taxes	17,244	62%	2,530	9%	14,713
IRAP/IRES	(246)		(274)		28
Net profit (loss)	16,998	61%	2,257	8%	14,741

The NET PROFIT as at 31 December 2021 is equal to € 17 million.

This extraordinary profit was achieved through the sale of the equity investment in Ascotrade S.p.A., which took place in September, realising an extraordinary capital gain of € 14.8 million.

EBITDA stood at € 4.2 million, with a decrease of € 0.6 million compared to 2020.

Total REVENUES increased by € 747 thousand compared to 2020. In particular, please note:

- the increase in INTEGRATED WATER SERVICE REVENUES (€ 254 thousand) due to the presence of higher external costs for which recognition in the tariff is envisaged; in 2021, however, for the first time, the cost recognised by ARERA for electricity did not cover the actual cost incurred by GSP, placing an excess cost of € 180 thousand on the Company;

- the greater INCREASE IN FIXED ASSETS compared to 2020 (€ 289 thousand) related to higher investments;
- OTHER REVENUES, equal to € 1.8 million in 2021, include € 509 thousand for services to related companies, € 345 thousand for contribution to water treatment costs, € 291 thousand for reimbursement of various expenses, € 257 thousand for fixed connection contributions, € 167 thousand for services to CAFC S.p.A.; the residual amount, equal to € 275 thousand, refers to compensation and items pertaining to previous years.

The total COSTS increased by € 1.4 million compared to 2020, an increase, as we will see later, in line with the Budget. In particular, please note:

- the increase in costs for the PURCHASE OF MATERIALS (€ 248 thousand) which relates to the purchase of material capitalised under revenues, under the item INCREASE IN FIXED ASSETS;
- the increase in costs of € 545 thousand for the PURCHASE OF SERVICES compared to 2020, linked to higher costs for electricity and sludge disposal, recognised in the tariff with the limits set out above, as well as for ordinary maintenance and repair of leaks;
- the decrease in the cost for RIGHT OF USE ASSETS, in line with the repayment plan for mortgages to municipalities;
- the increase in PERSONNEL COSTS compared to 2020 (€ 700 thousand) amply accounted for in the Budget;
- OTHER COSTS, equal to € 644 thousand in 2021, include € 271 thousand for operating expenses of the ATO Council, € 85 thousand for taxes and various rights, € 74 thousand for compensation and indemnities to Users, € 27 thousand for membership fees; during the year, € 86 thousand were recorded for the write-off of works plans that have undergone significant changes in construction and € 82 thousand for items pertaining to previous years;
- the AMORTISATION OF INVESTMENTS increases by € 417 thousand compared to 2020 due to the entry into operation of new plants;
- OTHER PROVISIONS include the provision to cover the risk of sanctions on treatment (€ 260 thousand), as a result of the sentence of conviction to Italy of 6 October 2021, by the European Court, relating to the Falcade and Borca di Cadore sites, a provision that is added to the annual provision for discharge concession costs undergoing regularisation (€ 81 thousand); in addition, a provision was made for a total amount of € 52 thousand to cover tariff risks linked to the failure to achieve technical and commercial quality objectives.

EBIT, after amortisation, depreciation and provisions, amounted to € 710 thousand with a decrease compared to 2020 of € 1.1 million.

NET FINANCIAL EXPENSES, down compared to 2020, determine an ordinary EBT of € 101 thousand.

EXTRAORDINARY MANAGEMENT recorded an exceptional result in 2021 (€ 17.1 million) in that, in addition to the Ascotrade dividends and interest income on previous items, it included the capital gain deriving from the sale of the equity investment in Ascotrade S.p.A.

EBT before taxes (€ 17.2 million) expresses the aforementioned capital gain, subject to a subsidised taxation regime (participation exemption).

The Company's **reclassified balance sheet** is compared with that of the previous year below:

Reclassified BALANCE SHEET (amounts €/000)	Actual value		Actual value		Δ 2021 Actual value / 2020 Actual value
	31/12/2021		31/12/2020		
Property, plant and equipment and intangible assets	44,312		43,090		1,222
Non-current financial assets	342		6,536		(6,195)
NET FIXED ASSETS	44,654	83%	49,626	84%	(4,972)
Trade receivables	9,143		8,798		345
Trade receivables tariff adjustment	5,791		7,472		(1,681)
Trade receivables VRG balancing	2,412		307		2,105
Inventory	825		547		279
Deferred tax assets	1,086		978		108
Other receivables	2,899		3,686		(787)
Current assets	22,157		21,788		368
Trade payables	(7,719)		(7,153)		(566)
Tax payables	(276)		(485)		209
Sundry payables	(3,819)		(3,489)		(330)
Current liabilities	(11,815)		(11,127)		(688)
NET WORKING CAPITAL	10,342	19%	10,661	18%	(319)
Provisions	(1,386)	-3%	(1,032)	-2%	(354)
TOTAL NET INVESTED CAPITAL	53,610	100%	59,256	100%	(5,646)
Share Capital	(2,010)		(2,010)		0
Reserves	(40,238)		(37,982)		(2,256)
Net profit (loss)	(16,998)		(2,256)		(14,742)
EQUITY	(59,246)	111%	(42,248)	71%	(16,998)
MLT financial payables to lenders	(29,622)		(33,407)		3,785
MLT financial payables to related parties	(1,621)		(2,022)		402
MLT financial receivables	5,650		6,097		(447)
ST financial payables	0		0		0
Cash	31,229		12,325		18,904
NET FINANCIAL POSITION	5,636	-11%	(17,008)	29%	22,644
TOTAL SOURCES OF FINANCING	(53,610)	100%	(59,256)	100%	5,646

The **TOTAL NET INVESTED CAPITAL** decreased by € 5.7 million compared to 2020; this decrease is distributed between:

- **FIXED ASSETS** which decreased by € 5 million, as a result of the sale of the equity investment in Ascotrade S.p.A. (€ 6.2 million) partially offset by the increases in investments (€1.2 million);
- **NET WORKING CAPITAL** which decreased by € 319 thousand, where in particular the decrease in receivables for the additional amount on previous items (€ 1.6 million) is highlighted;
- **PROVISIONS** for € 354 thousand, in relation to the higher provisions made during the year.

TOTAL SOURCES OF FINANCING recorded a similar variation distributed between:

- EQUITY increased by € 17 million due to the extraordinary profit;
- NET FINANCIAL POSITION which recorded an improvement of € 22.6 million, mainly linked to the increase in available cash after the sale of the equity investment in Ascotrade S.p.A.

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

(amounts €/'000)	31/12/2021	31/12/2020	Change
Bank and postal deposits	31,226	12,324	18,901
Cash on hand	3	0	3
Cash and cash equivalents	31,229	12,325	18,904
Short term portion of financial receivables (within 12 months)	443	448	(5)
Short-term financial receivables	443	448	(5)
Short-term share of medium/long-term loans (within 12 months)	(4,745)	(3,826)	(919)
Short-term share of loans to Related Parties (within 12 months)	(403)	(402)	(1)
Short-term financial debt	(5,148)	(4,228)	(921)
Short-term net financial position	26,523	8,545	17,983
Medium/long-term financial receivables (beyond 12 months)	5,207	5,649	(442)
Bank payables (beyond 12 months)	(24,876)	(29,581)	4,705
Financial payables to Related Parties (beyond 12 months)	(1,218)	(1,621)	403
Medium/long-term net financial position	(20,887)	(25,553)	4,665
Net financial position	5,636	(17,008)	22,644

The sale of the equity investment in Ascotrade S.p.A., which generated available liquidity of € 21 million, results in a positive **Net Financial Position** as at 31 December 2021 of € 5.6 million.

The net financial position includes the financial receivable from Consorzio Bim Piave Belluno for the disbursement by instalments of the investment grants awarded, as well as the financial payable to the related party Bim Belluno Infrastrutture S.p.A., which originated with a loan takeover transaction carried out as part of the contribution of the hydroelectric business unit in 2014, which is repaid on the basis of the existing amortisation plan.

Margin analysis

Title V, Article 23 bis "Assignments in internal delegation" of the articles of association calls for in-house management to be carried out through clearly outlined powers of management and control of the Shareholders' Meeting, guaranteeing "analogous control", i.e. the situation in which the assigning entity - in our case each of the Municipalities - operates as if it were relying on its own internal structure. To this end, the articles of association establish that the Company must have programming, economic/financial and Shareholder engagement tools. These tools consist of the Long-Term Business Plan, the Annual Budget and the Half-Yearly Report which, along with the Annual Financial Statements, guarantee economic and financial control over company management.

In order to meet the need of analysing operational variables, the following comparative tables are provided:

- 2021 Actual Income Statement, compared to 2021 Forecast Income Statement
- 2021 Actual Income Statement by sector, compared to 2021 Forecast Income Statement by sector
- Final 2021 Income Statement of the Integrated Water Service, compared to 2020.

Comparison of the 2021 Income Statement to the 2021 Budget

Reclassified INCOME STATEMENT (amounts €/000)	Actual value		Budget		Δ 2021 Actual Value / 2021 Budget
	2021		2021		
Integrated Water Service Revenues	24,504		24,520	-	(16)
Other service revenues	206		140		66
Total revenues from services	24,710		24,660		50
Increase in Fixed Assets	1,480		1,750		(270)
Other revenues	1,832		1,435		397
Total REVENUES	28,022	100%	27,845	100%	177
Purchase of materials	(1,637)		(1,441)		(195)
Purchase of services	(10,145)		(10,294)		148
Right of use assets	(2,432)		(2,391)		(41)
Personnel costs	(8,969)		(9,298)		329
Other costs	(644)		(451)		(193)
Total costs	(23,828)		(23,875)		47
EBITDA	4,194	15%	3,970	14%	224
Amortisation of Investments	(2,891)		(2,675)		(216)
Bad debt provision	(200)		(200)		0
Other provisions	(393)		(100)		(293)
Total provisions	(3,484)		(2,975)		(509)
EBIT	710	3%	995	4%	(285)
Net financial expenses	(609)		(752)		143
Ordinary EBT	101	0.4%	243	1%	(142)
Ascotrade dividends	2,144		2,144		(0)
Extraordinary expense	0		0		0
Extraordinary income	14,800		0		14,800
Interest income from previous items	199		200		(1)
Extraordinary management	17,143		2,344		14,799
EBT before taxes	17,244	62%	2,587	9%	14,657
IRAP/IRES	(246)		(129)		(116)
Net profit (loss)	16,998	61%	2,457	9%	14,541

The main changes in the Actual Income Statement compared to the 2021 Forecast Income Statement, approved in December 2020 and updated in June 2021, are:

- the increase in **total REVENUES** of € 177 thousand, for which we highlight:
 - negative difference in the item *Increase in fixed assets* for € 270 thousand, due to the failure to fully achieve the expected investment level;
 - increase in the item *Other revenues* for € 397 thousand, due to the reimbursement of costs incurred and unforeseeable indemnities.
- the substantial confirmation of total COSTS, down by € 47 thousand, for which we highlight:
 - lower costs for the *Purchase of services* for € 148 thousand;
 - lower *Personnel costs* of € 329 thousand, due to difficulties in finding the resources necessary for the development of the organisational structure, necessary for the realisation of the investments;
 - an increase in *Other costs* of € 193 thousand, due to the non-existence of liabilities and costs pertaining to previous years.
- **EBITDA** increased slightly (+€ 224 thousand)
- the higher *Amortisation of investments* of € 216 thousand and the higher amount recorded under the item *Other provisions* of € 293 thousand, result in a lower **EBIT** by € 285 thousand compared to forecasts;
- the gain on the sale of the equity investment in Ascotrade S.p.A., shown under *Extraordinary income*, determines a Net profit of € 17 million.

Comparison of 2021 Income Statement by Sector to 2021 Budget

The Income Statements by sector derive from analytical accounting, which makes it possible to attribute cost and revenue items directly if specifically referring to such sectors and indirectly if shared by more than one or all sectors. This indirect attribution takes place on the basis of criteria which, as much as possible, coincide with those identified by ARERA for the unbundling obligations already in place for companies operating in the electricity and gas sectors, and which starting from the 2016 financial statements were also extended to the Water Service.

INCOME STATEMENT by sector amounts €/000	Integrated Water Service		LPG		General services and other items		Total	
	2021 Actual value	2021 Budget	2021 Actual value	2021 Budget	2021 Actual value	2021 Budget	2021 Actual value	2021 Budget
Integrated Water Service Revenues	24,504	24,520	0	0	0	0	24,504	24,520
Other service revenues	0	0	185	140	21	0	206	140
Total revenues from services	24,504	24,520	185	140	21	0	24,710	24,660
Increase in Fixed Assets	1,480	1,750	0	0	0	0	1,480	1,750
Other revenues	967	885	9	0	856	550	1,832	1,435
Total Revenues	26,951	27,155	194	140	877	550	28,022	27,845
Purchase of materials	(1,161)	(1,053)	(93)	(58)	(383)	(330)	(1,637)	(1,441)
Purchase of services	(8,123)	(8,175)	(35)	(46)	(1,987)	(2,073)	(10,145)	(10,294)
Right of use assets	(2,065)	(1,997)	(8)	(8)	(359)	(386)	(2,432)	(2,391)
Personnel costs	(6,755)	(7,405)	0	0	(2,214)	(1,893)	(8,969)	(9,298)
Other costs	(531)	(371)	(2)	(2)	(111)	(78)	(644)	(451)
Total costs	(18,636)	(19,001)	(138)	(114)	(5,054)	(4,760)	(23,828)	(23,875)
EBITDA	8,316	8,154	56	26	(4,177)	(4,210)	4,194	3,970
Amortisation of Investments	(2,545)	(2,211)	(8)	(6)	(338)	(458)	(2,891)	(2,675)
Bad debt provision	(200)	(200)	0	0	0	0	(200)	(200)
Other provisions	(393)	(100)	0	0	0	0	(393)	(100)
Total provisions	(3,138)	(2,511)	(8)	(6)	(338)	(458)	(3,484)	(2,975)
EBIT (gross of general services)	5,177	5,643	48	20	(4,515)	(4,668)	710	995
Fee for general services	(4,507)	(4,650)	(25)	(23)	4,532	4,673	0	0
EBIT (net of general services)	670	993	23	(3)	17	5	710	995
Net financial expenses							(609)	(752)
Ordinary EBT							101	243
Dividends							2,144	2,144
Extraordinary expense							0	0
Extraordinary income							14,800	0
Interest from previous items							199	200
Extraordinary management							17,143	2,344
EBT before taxes							17,244	2,587
IRAP/IRES							(246)	(129)
Net profit (loss)							16,998	2,457

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

Sectors	2021	2020
Integrated Water Service Revenues	96%	97%
Other Sector Revenues	4%	3%

In 2021, the percentage of the Integrated Water Service revenues with respect to that earned in other sectors showed a slight decrease (-1%). Other sector revenues relate to the distribution of LPG and service activities for other entities.

The Integrated Water Service has a balanced management, despite the new amortisation structure calculated on reduced useful lives compared to the case up to 2019.

A balance situation occurred for LPG, due to the increase in the volumes of gas supplied.

Indirectly attributed costs increased slightly as a result of the corporate reorganisation, which led to some functions being placed within the remit of general management, and account for 19.7% of total costs. The Company is committed to strengthening control over the costs attributed through the implementation of planning models to be constantly confirmed.

Comparison of 2021 Income Statement of the Integrated Water Service to the 2020 actual value

INCOME STATEMENT Integrated Water Service amounts €/000	2021 Actual value	2020 Actual value	Δ 2021 Actual value / 2020 Actual value
Integrated Water Service Revenues	24,504	24,250	254
Other service revenues	0		0
Total revenues from services	24,504	24,250	254
Increase in Fixed Assets	1,480	1,191	289
Other revenues	967	1,029	(62)
Total Revenues	26,951	26,470	481
Purchase of materials	(1,161)	(947)	(214)
Purchase of services	(8,123)	(7,745)	(378)
Right of use assets	(2,065)	(2,194)	129
Personnel costs	(6,755)	(6,573)	(182)
Other costs	(531)	(529)	(2)
Total costs	(18,636)	(17,988)	(648)
EBITDA	8,316	8,482	(166)
Amortisation of Investments	(2,545)	(2,170)	(375)
Bad debt provision	(200)	(300)	100
Other provisions	(393)	(222)	(171)
Total provisions	(3,138)	(2,692)	(446)
EBIT (gross of general services)	5,177	5,790	(613)
Fee for general services	(4,507)	(3,998)	(509)
EBIT (net of general services)	670	1,792	(1,122)

The income statement of the Integrated Water Service for 2021 reflects the same trends as already commented on for the statement of comprehensive income, representing 96% of the company's business.

Indirectly attributed costs increased by € 509 thousand compared to 2020, mainly due to a different allocation of costs in relation to the changed organisational model.

EBIT net of general services is in any case positive and equal to € 670 thousand, even if down by € 1.1 million compared to the previous year, due to the increase in management costs and amortisation and depreciation, as previously commented.

Information relating to the environment and personnel

Considering the company's social role, as also highlighted in the document on the Report on Operations of the National Council of Chartered Accountants and Professional Accountants, the following information is provided relating to the environment and personnel, as well as the expansion of monitoring and supervision activities.

Environment

In 2021, no specific events took place with significant consequences for the environment. In this regard, please note that all activities, and in particular those of the wastewater sector, are subject to systematic environmental supervision by legal obligation. In this regard, individual events involving failure to respect parameters also trigger corrective actions; in certain circumstances, administrative dispute reports may be issued to external parties engaged by the Company and/or to the Company which, if they are not dismissed, give rise to the issue of orders, injunctions and the payment of the relative sanction, without prejudice to any recourse.

Personnel

In the course of 2021, one minor workplace accident took place, while there were no charges for occupational illnesses of employees, or labour disputes. To increase personnel qualification, the Company continues to offer significant personnel training courses on security, specialist courses and transversal competences.

Investments

In 2021, the following gross investments were made:

Fixed assets	Acquisitions during the year
Third-party plant maintenance	4,748,988
Plant and machinery	1,820,641
Industrial and commercial equipment	821,680
Other investments	407,359
Software (user licences)	224,915
Assets under construction	2,230,165
Grand total	10,253,749

Investments in the Integrated Water Service are closely linked to the forecast Intervention Plan approved by the Dolomiti Bellunesi ATO Council as part of the tariff determinations; in 2021, they amounted to a total of € 10.3 million, of which € 2.2 million relating to work still ongoing at year-end.

The following contributions were accrued against investments made by the Company:

Type of contribution	Amount pertaining to the financial year
FoNI	4,606,676
Public contributions	243,787
Contributions for the National Plan for Water supply systems	834,507
VAIA Emergency	191,409
Connection contributions from Users	174,707
Grand total	6,051,086

The net expense for investments borne by the Company is therefore € 4.2 million.

Compared to the Budget, there was a negative difference of € 5.2 million in the investments made in 2021. This situation was mainly caused by external factors such as the need to re-contract works entrusted to executing companies that proved unreliable and unable to complete the construction site, the complexity of the contracting operations for the works, made even more complicated by the aforementioned price increases as well as difficulties related to the general economic situation still conditioned by the negative effects of the pandemic.

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

Investment description (amounts €/'000)	2021 Final	2021 Budget	Change
Integrated Water Service Major Works	4,539	11,340	(6,801)
Minor extraordinary maintenance of the Integrated Water Service	4,748	3,340	1,408
Operating assets	804	800	4
TOTAL ATO Plan investments	10,092	15,480	(5,388)
"Vaia" Integrated Water Service Investments (with the Operator's advance)	134	0	134
LPG investments (connections and meters and capital goods)	28	6	22
TOTAL Company investments	10,254	15,486	(5,232)

Please note that the Company organisation has also been committed to VAIA interventions with direct payment of the Delegated Commissioner, who in 2021 realised new works for € 3.5 million.

Research and development

Pursuant to Article 2428 of the Italian Civil Code, paragraph 2, no. 1, please note that also in the course of 2021 activities continued in order to improve and boost the efficiency of internal management processes, through the implementation of process innovation projects for systemic data collection through detection systems (data loggers) of process measures installed on some water supply networks, for the creation of controlled pressure areas, on sewer networks, for the creation of controlled pressure areas, and in the main water supply pipeline points. This project is integrated with that which provides for an integrated data collection software system, as part of the development of a detection and monitoring system that makes available, according to a logic of transversal services, different and multiple databases integrated with each other. During 2021, the new billing and CRM Net@2A programme, launched in 2020, was consolidated, while the digitalisation of hydraulic management, remote reading of meters (smart metering) and the integration of Geoweb-GIS with other company systems continues (Net@2A, SAP, WFM).

Relations with subsidiaries, associates, parent companies and related parties

During the year, the following relations were engaged in with related companies and entities.

Relations with the related party **BIM Belluno Infrastrutture S.p.A.** regard primarily administrative, financial, personnel, IT, commercial, logistics, safety and technical services performed by BIM Gestione Servizi Pubblici S.p.A. on the basis of a dedicated service agreement, while BIM Belluno Infrastrutture S.p.A. managed LPG distribution services and the purchase and sale of energy efficiency certificates on behalf of the related party.

Such relations are summarised below:

Company	Receivables	Payables	Revenues	Costs
BIM Belluno Infrastrutture S.p.A.	170,684	1,676,852	467,582	80,372

Exclusively financial relations are engaged in with the related entity **Consorzio BIM Piave Belluno**.

Such relations are summarised below:

Company	Receivables	Payables	Revenues	Costs
Consorzio BIM Piave Belluno	3,403,568	-	18,413	-

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

Treasury shares and shares/units of parent companies

The Company does not hold treasury shares.

Information relating to risks and uncertainties pursuant to Art. 2428, paragraph 2, point 6-bis of the Italian Civil Code

Pursuant to Art. 2428, paragraph 2, point 6-bis of the Italian Civil Code, information on the use of financial instruments is provided below, as this is relevant for the assessment of the financial position.

Credit risk

In terms of the credit granted, the anomalous ratio between the average volume of receivables and financial turnover as at 31 December 2021 confirms still high values although declining significantly compared to previous years. As described previously, the total amount of receivables from Integrated Water Service customers is still impacted by pre-2012 tariff trends which, on the basis of the tariff regulation, resulted in the accrual for the Operator of the right to the receivable for future tariff increases applied to users.

The total tariff adjustment component represents 33% of the total receivables from customers recognised in the financial statements, marking a net decline compared to 2020 when it was 45%.

As regards the risk of insolvency due to the general economic situation deriving from the pandemic, the Company has continued to manage credit recovery policies through the negotiation of extensions and instalment plans. However, no serious critical issues were identified.

Liquidity risk

Following the disposal of the equity investment in Ascotrade S.p.A., as already highlighted, the Company has a positive net financial position (as at 31 December 2021 +€ 5.6 million).

The available liquidity, amounting to € 31.2 million as at 31 December 2021, was entirely used in financial instruments with guaranteed capital, with modulations that allow for easy disposal in case of need.

Furthermore, the tariff mechanisms make available amounts to finance investments related to the amount of expenditure foreseen (in 2021 € 4.6 million).

The Company is therefore financially well structured.

Financial covenants

As detailed above, in February 2022, the Company participated in the Hydrobond 4 transaction by issuing two bonds which, within the respective subscription contracts, envisage the following covenants were fully respected with respect to the 2021 financial year:

- **EBITDA/Financial costs** which was **6.6** compared to the required ≥ 2.50 from 2021 to 2024 inclusive; from 2025 to the maturity date, the ratio must show a value ≥ 3.50 ;
- **NFP/EBITDA** which was **0.01** compared to the required ≤ 6.00 from 2021 to 2024 inclusive; from 2025 to 2026 inclusive, the ratio must have a value of ≤ 6.50 , while from 2027 inclusive to the maturity date the ratio must show a value of ≤ 7.50 .
- **NFP/Fixed assets** which was equal to 0.06% compared to the required $\leq 50\%$ from 2021 to 2030; from 2031 inclusive to the maturity date, on the other hand, the ratio must show a value of $\leq 60\%$.

It is specified that on 8 February 2022 a special meeting of bondholders was held which resolved on the amendment to the Regulations of the Hydrobond 1 bond loans, issued in 2014, and Hydrobond 2, issued in 2016, in order to align the financial covenants of the latter with the Regulation of the new bond loans, with the aim of ensuring the same protection for creditors.

Market risk

In general, business activities in the Integrated Water Service are impacted by specific risks linked to the characteristics of the market subject to the tariff method. In principle, the tariff system includes adjustment mechanisms which make any alternative risk management possibilities irrelevant. Also in this case, risk management policies are primarily operational, in the sense that it is necessary to supervise to ensure that company standards continuously comply with what is set forth in the tariff model, in order to avoid the presence of costs that cannot be recognised during tariff updates.

Significant events after the reporting date

As per the mandate of the Extraordinary Shareholders' Meeting of 23 December 2021, through Viveracqua Hydrobond 2022 S.r.l., a bond issue was completed on 21 February 2022, called Hydrobond 4, in which the Company participated by issuing two bonds for a total of € 10 million, of which € 5 million subscribed within the "long" segment, with a maturity of 24 years, and € 5 million subscribed within the "short" segment, with maturity equal to 16 years.

On the tariff front, the update is underway for the two-year period 2022-2023, ordered by ARERA Resolution 639/2021/R/IDR of 30 December 2021, whose deadline is set for 30 April 2022. The Lombardy Regional Administrative Court also accepted the precautionary request, suspending the effectiveness of the provision challenged by the company Acqualatina S.p.A. and ordering its review by ARERA within 60 days. The appeal relates to the cost of electricity recognised in the tariff which, for 2021, does not cover the cost actually incurred, burdened by the increases on the energy market that affected the last months of the year. In any case, negative structural effects are not expected, as the Operator's economic equilibrium is ensured by the mechanisms of full cost recovery, the principle underlying the tariff method regulated by the Authority and which in the current provision outlines the final recognition of the real costs of energy for the years 2022 and 2023, whose increase in costs on the markets will be more sustained.

Partial "smart working" (2 days per week, with flexibility based on company or employee requirements) continues on an experimental basis pursuant to the emergency regulations in force.

Business outlook

The Company has operated in the last two years, managing to guarantee full company operations, despite having to face the critical issues caused by the pandemic; already at the end of the year some critical issues were highlighted that could influence the company's operations in the course of 2022:

- general increase in prices, generated by the production and supply difficulties caused by the pandemic, with the consequent risk of not being able to source sufficient economic operators capable of executing the Company's development activities;
- partial availability of human resources, in relation to quarantine/illness periods and vaccination obligations imposed by the legislator;
- specific difficulties in guaranteeing the supply of drinking water resources, both due to the scarcity of the resource and the large level of leaks.

In this context, an increase in the Company's commitment to investment planning is very necessary, through the preparation of large-scale feasibility studies, which allow to verify various technical-

economic scenarios and take the most appropriate decisions, based on elements that are as objective as possible.

The Company's commitment must be directed in particular to the investments planned in the Intervention Plan approved by the ATO Council, but also to those funded by the resources made available for the VAIA emergency, as well as to those that can be made available with the funds expected from the NRRP.

Furthermore, subject to the approval of the Shareholders' Meeting, the Company will have to launch investments with the funds deriving from the sale of the shares in Ascotrade, in order to meet the needs related to critical issues that are not reflected in the tariff planning.

Therefore, the forecast for 2022 outlines a further commitment on the part of the Company to the execution of the planned works, trying to source additional resources with respect to the tariff, through participation in the NRRP calls or other types of grants.

The clear increase in operational capacity requested by the Members and by the Regulation will have to be implemented structurally through:

- the completion of the digitalisation process which in 2022 will see the consolidation of the implementation of the main company management systems (SAP, NETA, ARCGIS, PBM, WFM);
- the strengthening of the operational structure closely related to the construction of the works and the intelligent and active management of the networks.

Allocation of profit (loss) for the year

To our Shareholders,

In light of what has been presented and set forth above, we submit for your review and approval the Financial Statements as at 31 December 2021, proposing the allocation of the entire profit for the year of €16,998,079 to the extraordinary reserve, since the legal reserve has already reached the minimum amount required by law.

Belluno, 29 March 2022

Bim Gestione Servizi Pubblici S.p.A.

Chairman of the Board of Directors

Mr Attilio Sommariva





**BIM GESTIONE SERVIZI PUBBLICI S.P.A.
REPORT ON CORPORATE GOVERNANCE
(pursuant to Art. 6, paragraph 4 of the TUSP)**

BIM Gestione Servizi Pubblici (hereinafter, GSP) is an in-house company that is completely publicly-owned by 62 municipalities in the Province of Belluno. It is therefore subject to the regulations of the consolidated act on investee companies (Italian Legislative Decree no. 175/2016), which in Art. 6, paragraph 4, calls for the preparation of a report on corporate governance.

The content of this report is precisely described in paragraphs 2 and 3 of the same article, which are transcribed below:

"2. Publicly-owned companies shall prepare specific business risk assessment programmes and advise the Shareholders' Meeting of them in the context of the report referred to in paragraph 4.

3. Without prejudice to the functions of control bodies laid out by law and the articles of association, publicly-owned companies shall evaluate the opportunity to supplement, considering their size and organisational features as well as the activities carried out, their corporate governance tools with the following:

- a) internal regulations intended to guarantee the compliance of the company's activities with rules protecting competition, including those on unfair competition, as well as rules protecting industrial or intellectual property;*
- b) an internal control office structured according to criteria of adequacy with respect to the size and complexity of the company's business, which collaborates with the statutory control body, promptly responding to its requests, and periodically transmits reports to the statutory control body on the regularity and efficiency of operations;*
- c) its own codes of conduct, or decision to follow collective codes of conduct governing business conduct with respect to consumers, users, employees and collaborators, as well as other stakeholders involved in the company's activities;*
- d) corporate social responsibility programmes, in compliance with the recommendations of the Commission of the European Union".*

The assessments performed with regard - first and foremost - to the assessment of business risk and, subsequently, corporate governance tools, are laid out below.

1. Business crisis risk assessment.

As is well-known, Art. 6, paragraph 4 of the TUSP establishes that *"publicly-owned companies shall prepare specific business risk assessment programmes and advise the Shareholders' Meeting of them in the context of the report referred to in paragraph 4"*.

In order to assess that risk, the main profitability and financial indicators were reviewed, verifying the figures for the last three years, several of the "warning thresholds" suggested by the utilities trade associations were analysed.

The indicators subject to verification are listed and commented on below.

ROE (Return on equity)

ROE = (Profit for the year/Equity) %

To be able to evaluate a company, it is not sufficient to consider only the economic result in absolute value, it is necessary to always consider the economic result in relation to capital invested.

The ROE expresses the same concept: it indicates how much is the return on € 100 of capital invested in the company.



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

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

The difference between the "safe" alternative investments (BOT, BTP, etc.) and the value of the ROE is defined the "risk premium" as it "rewards" a risky investment. If the risk premium is 0, it would not make sense to invest in the risky asset (a company) as it is possible to obtain the same remuneration without risking anything.

Over the last three years, including 2021, with reference to GSP, the following values were recorded:

GSP ROE		
2019	2020	2021
10.85%	5.34%	28.69%
Average BOT return¹		
2019	2020	2021
0.010%	-0.117%	-0.467%
Average BPT return²		
2019	2020	2021
1.94%	1.28%	1.02%

As is easy to see, the values are extremely positive with respect to the interest rates used as a reference. In particular, the last financial year presents an extraordinary value deriving mainly from the sale of the equity investment in Ascotrade S.p.A.

ROS (Return on sales)

ROS = (Operating Profit/Sales revenues) %

The ROS expresses the percentage of gross earnings in terms of the operating profit on € 100 of net sales. The ratio is better the higher it is. The ROS increases as revenues increase and as costs decrease. Revenues may increase both by increasing sale volumes and by increasing sale prices.

The R.O.S. ratio may have the following values:

R.O.S. = higher than zero

This means that part of the revenues is still available after the coverage of all costs inherent in ordinary operations. It expresses the capacity of revenues from ordinary operations to contribute to covering extraordinary costs, such as financial expenses and taxes, and to generating a consistent profit as remuneration of own capital.

R.O.S. = zero

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

¹ Average weighted 12-month BOT rate (Ministry of the Treasury data).

² Average interest rate on ten-year Treasury bonds (Ministry of the Treasury data)



R.O.S. = negative

This means that ordinary revenues are unable to cover the costs of ordinary operations as well as financial costs, taxes and remuneration of own capital. This is the symptom of a very serious production and operational crisis.

Over the last three years, including 2021, with reference to GSP, the following values were recorded:

GSP ROS		
2019	2020	2021
16.5%	5.14%	2.87%

Even though the indicator is gradually decreasing, a positive situation can be identified with a fair margin of revenues after coverage of all costs inherent to the core business.

Impact of non-ordinary operations

Impact of non-ordinary operations = (Profit for the year/Operating profit)

This indicator expresses the impact of non-ordinary operations on the operating profit, or the amount of net profit on € 100 of operating profit. The difference between the operating profit and the economic result is due to a significant extent to financial management.

This ratio specifies how much net profit remains from the operating profit after the effect of interest expense, financial events and taxes.

It demonstrates the influence of financial and fiscal management on the profit for the year; if these factors negatively influence the formation of income, as frequently occurs, the result of this ratio is < 1.

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

GSP's result in the last three years shows a figure of > 1, also due to the dividends received over the years from the subsidiary Ascotrade S.p.A. which was particularly high in 2021 due to income deriving from the sale of the relative shareholding.

Impact of non-ordinary operations		
2019	2020	2021
1.10	1.80	23.94

Debt ratio. LEVERAGE

Leverage = (Net Invested Capital/Equity)

Leverage is an economic ratio of company profitability.

The lower own capital (formula denominator) is compared to total investments, the more debt increases and the ratio increases as well. In general, the ratio is better the lower it is.

Leverage demonstrates how the company is capable of financing its investments and in particular if with a prevalence of own capital or third-party capital.



The debt ratio is also called Leverage (financial leverage effect) as the presence of debt may entail a positive or negative financial multiplication of profitability.

Leverage		
2019	2020	2021
1.81	1.78	1.19

As can be seen, for GSP the ratio in question has had a declining trend and, therefore, a positive trend over the last three years.

Financial autonomy ratio

Financial autonomy ratio = (Equity/Bank payables) %

The Financial autonomy ratio expresses the ratio between equity and total loans. Financial autonomy increases as net capital increases. A ratio of 100% indicates that all loans are represented by own capital.

A ratio lower than 33% indicates low financial autonomy and a heavy financial structure; values between 33 and 55 indicate a financial structure to be kept under control; values between 55 and 66 indicate a satisfactory structure; values higher than 66 indicate significant development possibilities.

In the case of GSP, the situation reaches much higher values that indicate a positive financial situation, with excellent performance.

Financial autonomy ratio		
2019	2020	2021
179.42%	178.08%	288.78%

"Warning thresholds"

The contributions provided by the guidelines of trade associations for public utility companies (Utilitalia) identify several warning thresholds, to be checked in the last three years, including: negative value Operating Profit; losses for the year that erode equity; doubts as to business continuity represented by the board of statutory auditors or the independent auditors in their respective reports to the financial statements, etc.

None of these cases have occurred (as it is easy to see in the financial statements approved and being approved) with regard to the situation of GSP.

Performance analysis

The assessments performed above may be supplemented by assessments of CRIF and the performance of the relative rating assigned over time.

In 1996, the Financial Risk Unit (CRIF) was established by Interministerial Committee for Credit and Savings (CICR) resolution of 29/03/1994. The first and only Italian company, on 23 December 2011, CRIF obtained registration as a Credit Rating Agency (CRA) from Consob - the competent authority for Italy - and from ESMA - the new European authority for financial markets, in compliance with EC Regulation no. 1060/2009 of 16 September 2009, which governs the operations of credit rating agencies at EU level. CRIF ratings are therefore recognised and usable in all European Union countries and follow the principles of objectivity, independence,



quality and transparency required by the European Regulation. The CRIF ratings for GSP highlight the following trends, which show an improvement in 2021:

CRIF Rating		
2019	2020	2021
BB outlook stable	BB outlook stable	BB+ outlook stable

In conclusion, all indicators taken into consideration show that GSP has sound management and that there is no risk of a company crisis.

2. Corporate governance tools.

The main corporate governance tools are laid out in the Articles of Association and are based on GSP's nature as an in-house company.

Indeed, Articles 22 and 23 of the Articles of Association call for the appointment of atypical, unpaid advisory and control bodies, such as the Coordination Committee, consisting of local representatives of the shareholding structure, and the adoption of control tools for the Shareholders' Meeting in addition to the traditional Financial Statements, respectively.

In particular, Art. 22 of the Articles of Association, which was applied by the Shareholders' Meeting with the creation of the Coordination Committee, attributes the following functions to that atypical body:

- a) - meetings with the top management bodies of the Company, also concerning the verification of the adequacy of the organisational structure adopted as well as its concrete functioning with a view to better pursuing the corporate purpose;
- b) - formulation of opinions, indications, suggestions and other similar collaborative contributions with regard to the administrative set-up of the Company;
- c) - preventive examination, in view of the early development of possible observations and proposals, of the deeds of the Administrative Body that will be submitted to the Shareholders' Meeting and the Shareholders;
- d) - sending of requests for information and the acquisition of documents to the Administrative Body concerning issues inherent in the planning and performance of the services carried out;
- e) - promotion of information initiatives and fact-finding procedures that guarantee the participation of and disclosure to users, also organised in representative forms.

On the other hand, Art. 23 of the Articles of Association establishes that the Interim Report as at 30 June of each year must be brought to the attention of the Shareholders' Meeting, providing an actual intermediate report on company operations, in addition to an annual Budget and a Three-Year Business Plan, which enable the Shareholders' Meeting to determine the company's guidelines in terms of investments, cost containment (particularly with reference to personnel costs) and financial management.

These tools allow the Shareholders to effectively control the company's performance.

In relation to the additional content specified in paragraph 3 of Art. 6 of the TUSP, please take note of the following.

With reference to what is set forth in letter a), it is useful to highlight that GSP operates as a the single Area operator of the Integrated Water Service under a local monopoly arrangement



pursuant to and in accordance with the determinations of the "Dolomiti Bellunesi" ATO Council, as the in-house assignee. Therefore, there are no potential problems as regards respect for competition, as the water service is not part of an open market.

From a different perspective, as part of its functions as Contracting Party, the company guarantees respect for the principles of competition and equal treatment applied within the EU by precisely applying, within the ordinary sectors above EU thresholds, the Public Contract Code (Italian Legislative Decree no. 50/2016 as amended) and, for assignments in special sectors below threshold, the procedures laid out by the "*Internal regulations for the assignment of works, supplies and services under the EU threshold in the special sectors pursuant to Art. 36, paragraph 8 of Italian Legislative Decree no. 50 of 18/04/2016*", approved by the company's Administrative Body.

As concerns letter b), the size of the company, which is quite small as it is an SME, does not require an ad hoc office that acts as a reference for the control body - in this case the Board of Statutory Auditors - which interfaces directly with members of the top management of the various company functions in the course of periodic verifications performed pursuant to the law. Additional controls are performed by the Supervisory Body, appointed during the adoption of Model 231, and subsequently confirmed, which oversees the company activities subject to the risk of the commission of "predicate offences". When possible, it meets on a bi-monthly basis and receives periodic information flows from the company as a whole.

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

With reference to CSR (Corporate Social Responsibility), the requests made by the European Union starting from the Lisbon European Council meeting of March 2000 - where it was considered to be one of the strategic tools for creating a more competitive and socially cohesive society and modernising and strengthening the European social model - were initially laid out in the Green Paper of the European Commission published in 2001, where social responsibility is defined as: "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

As concerns the activity of BIM Gestione Servizi Pubblici S.p.A., please note that its activities are necessarily linked to the determinations of a third-party regulator (first and foremost the "Dolomiti Bellunesi" ATO Council, in terms of the identification of investments and, secondly, ARERA, from the perspective of standards and service quality).

Nonetheless, for the seventh consecutive year the company has drafted a CSR or Sustainability Report describing its investments and business performance as well as value added to the reference territory.

Belluno, 29 March 2022

Chairman of the Board of Directors
Mr Attilio Sommovilla