

Draft
Consolidated financial
statements of the CAP
Group
as at 31 December 2023

Table of Contents

Management Report.....	3
Financial Statements.....	84
Statement of Financial Position.....	85
Statement of Comprehensive Income.....	86
Cash Flow Statement.....	87
Changes in shareholders' equity.....	88
Explanatory notes to the financial statements.....	89
General information.....	89
Summary of Accounting Standards.....	89
Financial risk management.....	100
Going concern.....	102
Estimates and assumptions.....	102
Disclosure by operating segments.....	105
Notes to the Consolidated Statement of Financial Position.....	105
Notes to the Statement of comprehensive income.....	124
Related party transactions.....	132
Contractual commitments, Guarantees and Concessions.....	133
Fees to directors and statutory auditors.....	134
Fees to the Independent auditors.....	134
Transparency requirements for those who receive public funds.....	134
Events after the reporting period.....	135
Report of the Independent auditors.....

Dear Shareholders,

This report, drawn up in accordance with Article 40 of Italian Legislative Decree No. 127/1991, refers to the CAP Group, whose consolidating company is CAP Holding S.p.A. with registered offices in Via Rimini 38, Milan, Italy.

On a consistent basis with the strategic and binding guidelines decided by the Shareholders' meeting held on 18 May 2018 – this report deals with the activities of the CAP Group carried out in 2023 for the three areas of intervention identified, in compliance with the VISION indicated by the member municipalities during the meeting held on 26 June 2015, and in particular:

Environment;
Customers;
Network.

At the same time, it integrates the objectives of the Sustainability Plan that has become the reference point for the Group's strategies with its three pillars:

- Sensitive to people's needs, to increase the well-being and trust of increasingly aware and demanding communities;
- Resilient in assets, governance and management to protect an essential asset for life;
- Innovators in the market, anticipating the rules and enhancing our ability to network.

The Parent company expressly accepted the ESG criteria and Sustainable Development Goals in Article 1 of its articles of association through a special amendment resolved by the extraordinary shareholders' meeting of 27 May 2021.¹

The Plan is a real guide in dealing effectively with the social, economic and environmental challenges of the coming years. In defining itself as a "Sensitive", "Resilient" and "Innovative" company, the CAP Group has placed at the heart of its business plan a true green deal based on dialogue and stakeholder participation, digitalisation and the circular economy.

Group presentation

The CAP Group is one of the leading Italian operators (in terms of meters and cubic meters raised) among the "mono-utility" operators (i.e. operators which do not carry out other significant industrial activities) operating in the Integrated Water Service, with a customer base as at 31 December 2023 of around 2.4 million resident inhabitants served for wastewater treatment and about 1.9/1.9 million inhabitants for the aqueduct and sewerage.

The CAP Group includes the Parent Company, CAP Holding S.p.A., and the following companies:

Company, Headquarters, Share Capital:

- AMIACQUE S.r.l. (which changed its name to CAP Evolution S.r.l. as from 1 January 2024) with registered office in Milan, enrolled in the Companies' Register under E&A Index No. 1716795, tax code and VAT no. 03988160960, with share capital of € 23,667,606.16 owned for € 23,667,606.16, equal to 100.00% as at 31 December 2023 (equal to that held as at 31 December 2022 and unchanged to date). The company is subject to the management and coordination of CAP Holding S.p.A.;

¹ Article 1, paragraph 1, last sentence, reads: "In carrying out its activities, the Company is inspired, also through its investee companies, by the Environmental, Social and Governance (ESG) criteria and by the Sustainable Development Goals (SDGs) approved by the UN General Assembly, and promotes the development of the circular economy, initiatives for environmental sustainability and energy transition and efficiency, as well as innovation and research for their achievement."

- Rocca Brivio Sforza S.r.l. in liquidation (as from 21 April 2015), with registered office in Milan, enrolled in the Milan Companies' Register under E&A Index No. 1130781, tax code and VAT no. 07007600153, with fully paid-up share capital of € 53,100.00 owned for € 27,100.12 holdings, equal to 51.04% as at 31 December 2023 (equal to that held as at 31 December 2022 and unchanged to date).

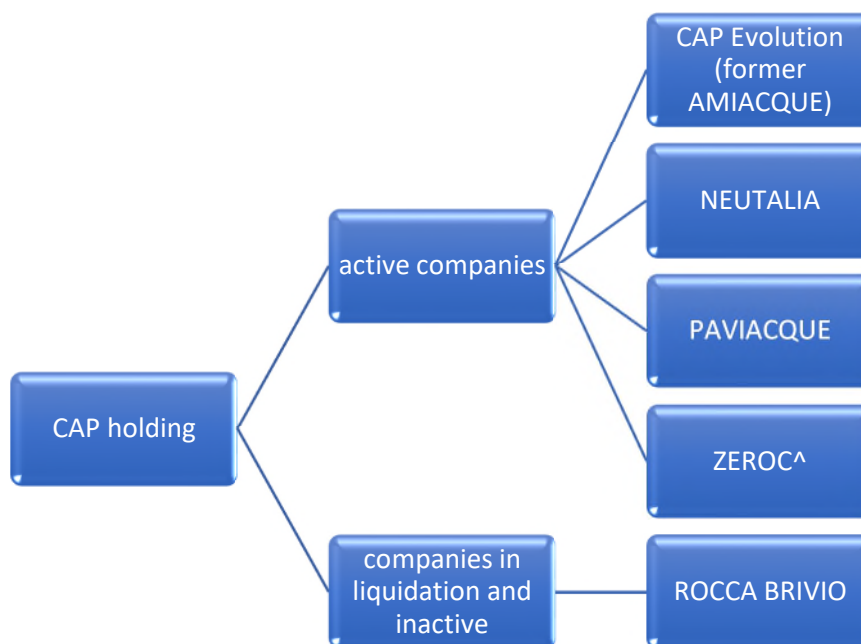
CAP Holding S.p.A. also holds equity investments in the following company:

- PAVIA Acque S.c.a.r.l., with registered office in Pavia, enrolled in the Pavia Companies' Register under E&A Index No. 0256972, tax code and VAT no. 02234900187, with fully paid-up share capital of € 15,048,128 owned for € 1,519,861, equal to 10.1% as at 31 December 2023 (equal to that held as at 31 December 2022 and unchanged to date). Pursuant to Article 2359 of the Italian Civil Code, the company is not related to CAP Holding S.p.A. The company operates in the integrated water service management sector.
- ZERO C S.p.A., with registered office in Sesto San Giovanni (MI), enrolled in the Milan Companies' Register under E&A Index No. 1501332, tax code and VAT no. 85004470150 (former CORE S.p.A.), with fully paid-up share capital equal to € 2,000,000.00 owned for € 1,600,000, equal to 80% as at 31 December 2023 (equal to that held as at 31 December 2022 and unchanged to date). 20% of the capital is owned by the municipalities of Sesto San Giovanni (MI), Cologno Monzese (MI), Cormano (MI), Pioltello (MI), Segrate (MI) and Cinisello Balsamo (MI). The company's main corporate purpose is waste management.
- NEUTALIA S.r.l., with registered office in Busto Arsizio (VA) enrolled in the Varese Companies' Register under E&A Index No. VA-383041, tax code and VAT no. 03842010120, with fully paid-up share capital equal to € 500,000 owned for € 165,000, equal to 33% as at 31 December 2023 (equal to that held as at 31 December 2022 and unchanged to date). The remaining capital is distributed as follows: € 165,000.00 to AGESP S.p.A. of Busto Arsizio (VA), € 165,000 to Alto Milanese Gestioni Avanzate S.P.A. (also known as Amga S.p.A.) of Legnano (MI), € 2,500 to AEMME LINEA AMBIENTE S.R.L. (also ALA SRL) of Magenta (MI) (the latter, in turn, subject to management and coordination and controlled by Amga S.p.A.), for € 2,500 to ASM AZIENDA SPECIALE MULTISERVIZI S.r.l. of Magenta (MI). The company operates in the sector of circular economy management of municipal solid waste and its differentiated fractions, hazardous municipal waste, hazardous and non-hazardous special waste and all waste in general (including waste from plants connected to the integrated water service).

Only AMIACQUE S.r.l. (CAP Evolution S.r.l. as from 1 January 2024) has been consolidated line-by-line with CAP Holding S.p.A., it being maintained that:

- with regard to Rocca Brivio S.r.l. in liquidation (whose corporate purpose involves the "safeguarding and enhancement of the historic monumental complex of Rocca Brivio"), in accordance with IFRS 10, there is no effective control by Cap Holding S.p.A. due to the lack of material rights that assign the power to manage the significant activities of the investee company in such a way as to influence its returns. With regard to the presentation of the most recent and available Statement of financial position and Income Statement figures of the subsidiary company, please see the explanatory notes included in the financial statements.
- with regard to the company ZERO C S.p.A., the local authority shareholders jointly exercise control over the company similar to that exercised over their own services and a decisive influence on the Company's strategic objectives and significant decisions. In this sense, despite the majority shareholding held by CAP Holding S.p.A., ZERO C S.p.A. is not controlled by the latter.
- The company NEUTALIA S.r.l. is under the joint control of its shareholders (essentially as a joint venture) and is recognised in the financial statements of CAP Holding S.p.A. using the equity method (para. 10 of IAS 28), as permitted by IAS 31, para. 38.

The diagram shows the current "corporate" equity investments of the Group in companies as at 31 December 2023:



(^) in the start-up phase.

CAP Holding S.p.A. also participates in the network agreement "Water Alliance – Acque di Lombardia", with legal subjectivity pursuant to and for the purposes of Article 3, sections 4-ter et seq. of Italian Decree Law No. 5 dated 10 February 2009, converted into Italian Law No. 33 dated 9 April 2009 as amended and supplemented, enrolled in the Milan Companies' Register under No. 2115513 on 24 February 2017, VAT no. 11150310966, Tax Code 97773550153, with headquarters in Milan, total share capital of € 1,842,259 fully paid up, owned for € 319,682.33, equal to 17.4% as at 31 December 2023.

Cap Holding S.p.A. is also the sole member of the CAP Foundation (previously Lida Foundation), with headquarters in Milan established on 31 July 2007, pursuant to Article 14 et seq. of the Italian Civil Code (payment by way of endowment fund of € 1,000,000 by the founder former T.A.S.M. S.p.A., merged in 2013 by CAP Holding S.p.A.). In the summer of 2018, the Foundation assumed its current name.

The Foundation has a temporary sole director without any financial remuneration. The Foundation's balance sheet as at 31 December 2023 shows residual cash and cash equivalents of approximately € 53 thousand.

In conclusion, the CAP Group participates in the Italian sector association Utilitalia with headquarters in Rome, as well as the international association Aqua Publica Europea (APE) with headquarters in Brussels (Belgium).

The purpose of the latter includes that of bringing the voice of the public water operators within the decision-making policy of the EU and furthering their interests and prospects.

In December 2020, the CAP Group also joined Assolombarda (an association of companies operating in the Metropolitan City of Milan and the provinces of Lodi, Monza and Brianza, Pavia).

Role of the Operator

The CAP Group proposed itself as the promoter of collaboration with various in house companies in Lombardy, creating a network of companies (called “Water Alliance - Acque di Lombardia” already mentioned above) which aims to improve the performance and the services provided to the user and to defend the role of the public management of water resource.

The companies involved (by means of deed dated 4 November 2015) are BrianzAcque S.r.l., Lario Reti Holding S.p.A., Padania Acque S.p.A. of Cremona, Pavia Acque s.c.a.r.l., S.Ec.Am S.p.A. of Sondrio, Società Acqua Lodigiana (SAL) S.r.l. of Lodi, Uniacque S.p.A.



Water Alliance
Acque di Lombardia

of Bergamo, companies that, together with the CAP Group, guarantee the water services for around 5.5 million inhabitants, equal to over 50% of the population resident in Lombardy, each year disbursing more than 500 million cubic metres of water, with over 27 thousand km of water mains and 2,758 wells.

In order to give greater operating autonomy to the network agreement, by means of deed dated 20 January 2017, volume no. 22.444, file no. 6.780 of the Notary Public Ninci of Milan, the CAP Group entered into, together with the afore-mentioned other 7 Lombard public companies of the IWS, the “Representation pact for the promotion and development of the public management of the Water Alliance - acque di Lombardia integrated water service”, creating a network-party. Contributions of endowment capital to the “Network” were made during 2017 and continued in 2018, 2019, 2020, 2021, 2022 and 2023. Similarly to that which has happened in Piedmont, the network agreement has become an instrument for stimulating economic efficiency (e.g., calls for tenders for the purchase of energy and consumables), creating organised synergies (inter-company network offices), aligning operating instruments (Aqueduct Infrastructural Plan), etc.

At the beginning of 2020, 5 new companies joined the Network: Acque Bresciane S.r.l., Alfa S.r.l., Como Acqua S.r.l., MM S.p.A., Tea S.p.A.

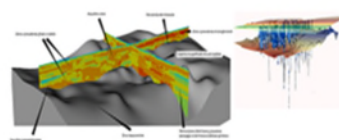
In the last two years, the Network has been involved in a number of projects aimed at strengthening the quality of the integrated water service of the companies involved. The main ones include the laboratory network, which aims to progressively specialise each laboratory in the analysis of emerging micropollutants; the single office for geology (GSSWA), created to deepen geological knowledge of the subsoil and develop an innovative water management system; and finally the Webgis - Acque di Lombardia, a digital system created by combining GIS (Geographic Information System) and the possibilities offered by the web to map the structures of the integrated water service in real time.

By a deed signed on 7 June 2021 (volume 411912 / file No. 94359 Notary Public Pietro Sormani), the parties to the original network contract, as well as those who joined it subsequently, entered into a new network contract by which, in continuity with the previous one, they intended to amend and supplement the object and the Network Programme and the governance system in order to give the Network of Enterprises the form of a contractual joint venture also pursuant to Article 6 paragraph 1 letter b) of Italian Legislative Decree no. 50/2016.

In 2016, downstream of the aforesaid network agreement, the CAP Group entered into individual “memoranda of understandings” with the companies Brianzacque S.r.l., Metropolitana Milanese S.p.A. and Lario Reti Holding S.p.A. (on 22 January 2016, 5 February 2016 and 4 May 2016, respectively) for handling and sharing data relating to the underground water resource (known as PIA project). The protocols with Brianzacque s.r.l. and Lario Reti Holding S.p.A. were replaced with the "Convention for the implementation of the "Aqueducts Infrastructure Plan" between the providers of the integrated Water service and the Water Alliance Acque di Lombardia business network", signed in 2019 and expiring in 2021.

The P.I.A. (Aqueducts Infrastructure Plan) for the management of underground water

Implement data exchange between operators and complete the knowledge of the water-bearing stratum with a three-dimensional subsoil model



Creation of Shared WA Environmental Databases

Main focuses

- Identification of Priority Pesticides
- Radiometric measurements
- Drinking water treatment with activated carbon and ion exchange resins

The following deeds were also entered into with Brianzacque S.r.l.:

- Network agreement entered into on 8 July 2016 for Information Technology services until 30 June 2021; this agreement, in alignment with the agreement for the use and utilisation of the GIS water system in Lombardy, was renewed in 2019, in advance of its natural expiry date, defining the new expiry date on 1 November 2024;
- On 20 September 2020, a network contract on Information Technology was signed between CAP Holding S.p.A., ALFA S.r.l., Lario Reti Holding S.p.A. and Brianzacque S.r.l., in addition to the above-mentioned contract on relations between CAP Holding S.p.A. and Brianzacque S.r.l.

On 12 June 2020 (Volume no. 18396 File no. 10835 Notary Public Enrico Maria Sironi), a network contract was signed between the CAP Group and Alfa S.r.l., the operator of the Integrated Water Service in the Province of Varese, which, starting from the assumption of the significant interrelationships between the respective territories managed in terms of sewerage/cleaning and aqueducts, has as its strategic objective the synergic integration of their organisational systems in order to make the management of the water service in their areas more efficient, including through economies of scale or the sharing of certain structures or resources.

On 14 February 2022, an addendum to the network agreement was signed with Alfa S.r.l. for the construction and management of an infrastructure network of sludge bio-drying plants to support the purification service in the Province of Varese (INTERBIODRY BASIN SYSTEM).

In May 2022, the Board of Directors of CAP Holding S.p.A. resolved to take note of the conclusion of the development phase of the network contract with ALFA S.r.l. on 30 May 2022 and to continue with the subsequent consolidation phase of the contract under the terms indicated in the same network contract signed on 12 June 2020.

Sustainability and ESG policy

During 2023, some important steps were taken to meet sustainability requirements: following the approval of the sustainability policy in December 2022, the risk and sustainability work group was set up to provide guidance and monitor the company's ESG strategies.

The GHG emission certification according to the 14064 standard, including scope 3, was renewed; emission reduction targets were defined in accordance with SBTi, which approved the targets in December 2023.

Also in 2023, the new CAP Group Sustainability Plan was defined and approved, which includes many KPIs (Key Performance Indicators), including those defined in the Sustainability Financial Framework.

In line with the ICMA 2023 standards and published in November 2023, the Framework underwent SPO by the rating company S&P, which rated the KPIs as "strong".

In relation to **Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022**, known as **the Corporate Sustainability Reporting Directive (CSRD)**, the path that led to the approval of the CAP Group's dual materiality and remuneration policy was set in motion.

Operating Performance in 2023

The world economy continued to grow in 2023, although at a slightly slower pace than in the previous two-year period 2021-2022, which was characterised by a significant recovery after the sharp economic contraction in 2020 due to the Covid-19 pandemic.

However, the international economic outlook retains a profile of high uncertainty and risk of slowdown, mainly due to the inflationary trends observed in the two-year period from 2021 to 2022 and the consequent monetary policy responses by Central banks (FED, ECB, etc.), as well as geopolitical tensions (from the continuation of the conflict between Russia and Ukraine on 24 February 2022, to the more recent terrorist attack on Israel on 7 October 2023 and the reaction to it, to the difficult relations between the United States and China) and the risks of escalation related to these tensions (e.g. the risks to shipping through the Red Sea).

One of the areas most affected by the above-mentioned dynamics and uncertainties is the development of the market for the supply of raw materials and, in particular, energy. In particular, it is recalled that energy prices (gas and later electricity) had shown a strong acceleration in 2022, reaching unprecedented peaks in July and August 2022. In 2023, prices fell, but without returning to the levels seen in the years before the outbreak of the Russian-Ukrainian crisis.

Italy's GDP grew by 0.9% in 2023 and is expected to grow by 0.7% in 2024², mainly supported by the contribution of domestic demand, but slowing down compared to 2022 (+3.7%) and 2021 (+8.3%), after the decline in 2020 (-8.9%).

Expectations for the Italian economy are weighed down by the weakness of world trade and of the economy of Germany, Italy's main trading partner, as well as by the difficulty of forecasting the timing of the return of inflation, with the consequent prolongation of the restrictive monetary policy of the ECB (whose reference rates have reached record levels³, while the fading of the stimulus provided by government incentives to private construction should be at least partly offset by the effects of the implementation of the measures envisaged by the RRP).

All this being stated, despite the scenario of uncertainty, the pressure on prices and the increase in the energy costs already mentioned, both operating and investment activity, recorded high levels of performance also in 2023, in line with previous years and without a break in continuity.

As will be explained in more detail below, the sector in which the CAP Group operates is one with regulated revenues and less exposed than others to the "economic" risk of possible fluctuations in demand. Moreover, it is a sector in which the tariff is an element, albeit partial, of elasticity with respect to costs that are only partly under

² ISTAT press release 1 March 2024 "PIL e indebitamento delle AP - anno 2023" (GDP and PA debt - year 2023) and ISTAT press release 5 December 2023 "Le prospettive per l'economia italiana nel 2023-2024" (The outlook for the Italian economy in 2023-2024)

³ ECB Press Release of 26 October 2023. The interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 4.50%, 4.75% and 4.00%, respectively.

the "control" of the service provider (known as exogenous costs). Energy, a cost representing the first operating cost item for 2023, as already for 2022, of the CAP Group, is one of these costs.

If anything, the sector may suffer the "financial" effects in the short to medium term, because it takes time for the current regulatory mechanisms to take into account (in the calculation and application of the tariff) the change in the costs necessary for production, especially when these are extraordinary and sudden, as is the case with the cost of electricity in 2022, for example, as far as is relevant here.

The operating performance is also illustrated in relation to the scenario of the activity sector, i.e., the integrated water service, in which the CAP Group has operated. Therefore, the following paragraphs provide a number of comments on the sector and in particular on the related innovations.

Overall scenario of the Water Sector.

The integrated water service is a typical case of natural monopoly. The physical infrastructure of the service, the points of raw material withdrawal (springs, wells, etc.) and the points of their final release (discharge of treated water in watercourses, etc.) are closely and strongly linked to the territory, its urban planning, the environment and local communities. This leads to the conviction that the service infrastructure is not "duplicable" except at costs that would be perceived as socially unacceptable (for the use of land and environment as well as for economic aspects).

Consequently, this natural monopoly is also "legally" recognised. Through the laws, rules and regulations and the contract of assignment, which - in substance - give - for a defined space and time - the exclusivity of the service to a single operator (the "sole" Operator).

Another characteristic of this sector is that it is typically capital intensive: the size and long duration of the infrastructure necessary to ensure the service on an "optimal" scale (generally coinciding, as required by Italian law, with the administrative territory of the Italian provinces) requires a high concentration of Capex in the asset structure of the Operator (in the form of own assets and/or improvements to third-party assets) and their permanence in that asset structure for a long period of time.

General overview – the Consolidation Act on publicly owned companies

The water service, like the other public services, was affected in 2016 by the enforcement of Italian Legislative Decree No. 175 dated 19 August 2016 "Consolidation Act on publicly owned companies" (TUSP - published in the Italian Official Gazette No. 210 dated 8 September 2016). By means of Italian Legislative Decree no. 100 dated 26 June 2017, and with Italian Law no. 145⁴ dated 30 December 2018, the TUSP then underwent an initial series of amendments.

Italian Legislative Decree No. 175/2016 introduced in the legal system limitations on the use, by the local bodies, of the instrument of the investee company, especially when the latter is the beneficiary of exclusive rights (known as in-house assignments), including the water service, with the exception of "listed" companies and companies which issue financial instruments on regulated markets.

The logic according to which companies subject to supervision from the Authorities that regulate trading and exchanges "on the market", are by their very nature subjected to more restraints than other companies (and therefore less obliged to observe the more typical legislative restrictions of the "public circle"), is a principle which has underlaid numerous rules and regulations over the years.

⁴ State Budget for the financial year 2019, paragraphs 721 to 724 of Article 1.

In this regard, it is recalled that – as per the resolution of the Strategic Policy Committee dated 10 June 2016, the Company undertook action in 2016 so as to acquire, also with a view to diversification, financial instruments on regulated markets in order to meet its financial needs for supporting the consistent amount of investments envisaged in the Business Plan of the CAP Group, while maintaining the entirely public nature of the company.

The Strategic Policy Committee, in the meeting held on 7 October 2016, consequently resolved to authorise the Board of Directors to inform the Court of Auditors of the adoption by the Company of acts aimed at the issue of financial instruments, other than shares, listed on organised markets, as per Article 26.5 of Italian Legislative Decree No. 175/2016. The afore-mentioned communication was sent to the Court of Auditors with a notice dated 21 November 2016.

Further following up the above, the resolution of the extraordinary shareholders' meeting of the Parent Company held on 1 June 2017, authorised the issue of a non-convertible Bond to be issued by the Company by 31 December 2017, for a maximum principal of € 40,000,000.00 with the possibility of admission to trading on the regulated market of an EU country.

The loan (ISIN: XS1656754873), to be used to fund investments of the integrated water service, was issued, subscribed and admitted to listing on 2 August 2017 at the Main Securities Market of the Irish Stock Exchange (ISE Dublin). Please note that the said transaction was completed within 12 months of the entry into force of Italian Legislative Decree 175/2016 (see paragraph 5, article 26, of the aforementioned decree).

Subsequently, and in continuity with the policy expressed since 2016, the Extraordinary Shareholders' Meeting of CAP Holding S.p.A. held on 12 October 2023 authorised the issue of new non-convertible bonds, to be issued in one or more series, of which at least the first will be listed on a regulated market.

This was followed by a first series (ISIN: XS2726850881) totalling a principal of € 105 million, issued, subscribed and listed on Euronext-Dublin on 5 December 2023.

This is always consistent and in continuity with the maintenance of the fully public nature of the Company, which issues financial instruments other than shares listed on regulated markets, also pursuant to Article 26, paragraph 5 of Italian Legislative Decree 175/2016, as well as the maintenance of the status of public interest entity.

Following the said issues, since 2 August 2017 CAP Holding S.p.A. has been qualified as a public interest entity, pursuant to Article 16 of Italian Legislative Decree no. 39 of 27 January 2010⁵ and has been therefore subject, inter alia, to specific supervisory obligations regarding the financial reporting process, the effectiveness of the internal control and auditing systems and risk management. Since the bonds are not convertible, their issue does not in any way alter the nature of public owned company of the Group.

Pursuant to Article 19 of Italian Legislative Decree No. 39/2010, the functions of the internal control and audit committee for CAP Holding S.p.A., which adopts the traditional administration system, are carried out by the Board of Statutory Auditors.

Italian Legislative Decree No. 175/2016 also requires, in Article 24, that by 30 September 2017 each General Government Body must carry out, by means of a justified measure, the recognition of all the equity investments held at the date of enforcement of said decree, identifying those to be disposed of. This also applies to the General Government Bodies that are shareholders of CAP Holding S.p.A.

No General Government Body that is a shareholder of CAP Holding S.p.A. decided for “disposal”, with the exception of three municipal authorities.

⁵ On this point, we observe that according to the guidelines of the Ministry of Economy and Finance, Rome, 22 June 2018 TREASURY DEPARTMENT VIII MONITORING STRUCTURE AND CONTROL OF PUBLIC INVESTMENTS: *"the notion of regulated market accepted in the TUSP, in Article 2, letter p) is to be considered coincident with that defined by the TUF"* (Italian Legislative Decree No. 58 of February 24, 1998, Article 1, letter w-ter).

These municipal authorities are Nova Milanese (MB) and Vedano al Lambro (MB), which hold 1,763,547 and 256,279 shares, respectively, and the only municipal authorities in the Monza area to be affected by "minor" interconnections.

These two shareholders of CAP Holding S.p.A. resolved to “proceed with the disposal of the equity investment in CAP Holding S.p.A.” since, in their opinion, it is a company with the same or similar corporate purpose to other bodies invested in by the Body (the reference is to the company Brianzacque S.r.l.).

With regard to the role played by the CAP Group in favour of the Monza complex and on the management structure adopted by the ATO Authority of Milan and Monza Brianza, please refer to the following paragraph.

Deeming the decision of the two municipal authorities not to be consistent with the inter-area management model, CAP Holding S.p.A. appealed, with deed dated 30 November 2017, to the Lombardy Regional Administrative Court requiring said decision to be cancelled (GR no. 2888/2017 and 2889/2017).

Both the EGA (Ente di Governo d'Ambito) of the Metropolitan City of Milan and that of Monza and Brianza decided to appeal against the decision of the two municipal authorities.

On 29 January 2019, CAP Holding S.p.A. notified the Municipality of Vedano al Lambro and the Municipality of Nova Milanese of an appeal on additional grounds challenging the resolutions of the City Council (number 47 of 29 November 2018 and number 73 of 21 December 2018, respectively) of the aforementioned Municipalities, which upon the periodic review of shareholdings, confirmed the decisions taken in the extraordinary review.

With judgement no. 1212/2021 of 19 May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Vedano al Lambro insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments.

The Municipality of Vedano al Lambro appealed against the judgement of the Lombardy Administrative Court no. 1212/2021 notified on 13 October 2021, G.R. No. 9158/2021.

With judgement no. 1211/2021 of 19 May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Nova Milanese insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments.

The Municipality of Nova Milanese filed an appeal notified on 16 December 2021 against the judgement of the Lombardy Administrative Court No. 1211/2021.

The Council of State held the hearing for discussion of both appeals on 9 November 2023.

With judgement no. 4123/2024, published on 7 May 2024, the Council of State rejected the appeal brought by the Municipality of Nova Milanese, thus confirming the judgement of the Lombardy Regional Administrative Court - Milan no. 1211/2021, which had ordered the cancellation of the Municipality's decision to sell its equity investment in CAP Holding.

With judgement no. 4153/2024, published on 9 May 2024, the Council of State rejected the appeal brought by the Municipality of Vedano al Lambro, thus confirming the judgement of the Lombardy Regional Administrative Court - Milan no. 1212/2021, which had ordered the cancellation of the Municipality's decision to sell its equity investment in CAP Holding.

By means of an appeal on additional grounds, notified on 17 February 2023, CAP Holding S.p.A. also challenged before the Lombardy Regional Administrative Court - Milan the resolutions of the Town Councils with which the Municipalities of Nova Milanese and Vedano al Lambro confirmed the disposal of the stake in CAP Holding S.p.A.

also as part of the standard review of the stakes held as at 31 December 2021. The hearing for such proceedings (Vedano al Lambro: Regional Administrative Court - Milan Sect. I G.R. no. 430/2021; Nova Milanese: Regional Administrative Court Sect. I G.R. no. 431/2021) is set for 24 May 2024.

The Municipalities of Vedano al Lambro and Nova Milanese are shareholders of CAP Holding S.p.A. at the time we draft this report.

The third case concerns the municipality of Cabiato (CO).

By deed served on 24 February 2020, CAP Holding S.p.A. filed an appeal before the Lombardy Administrative Court to challenge resolution no. 39 of the City Council of Cabiato on 22 November 2019, published on 13 December 2019 and communicated to CAP Holding S.p.A. on 23 January 2020 in the part in which the disposal of the equity investment in the company CAP Holding S.p.A. (1,554,528 shares) is arranged through the sale of the shares for a consideration since it is a company the purpose of which is the same or similar to that of other bodies in which the Entity has an interest.

A subsequent appeal on additional grounds was also filed against resolution no. 21 of 19 June 2020 concerning the start of the procedure for the sale of the shareholding and the related call for tenders published on 19 June 2020. The hearing was held on 13 January 2021.

In a letter dated 19 October 2020, the municipality informed CAP Holding S.p.A. that it had "withdrawn" and consequently requested the liquidation/payment of its shareholding (all 1,554,528 shares). CAP Holding S.p.A. contested and rejected to all legal effects this declaration of withdrawal in a note dated 6 November 2020.

With judgement no. 1213/2021 of 19 May 2021, the Lombardy Administrative Court cancelled all the deeds challenged by CAP Holding S.p.A. against the Municipality of Cabiato insofar as they did not include the maintenance of the equity investment in CAP Holding S.p.A. in the review of the corporate equity investments.

On 9 September 2021, the Municipality of Cabiato appealed against the aforementioned first instance judgement, in accordance with the summary procedure pursuant to Article 119 of the c.p.a.

CAP Holding S.p.A. and the Area Office of the Metropolitan City of Milan appeared in the appeal proceedings on 15 October 2021.

The Council of State upheld the appeal of the Municipality of Cabiato, reforming with judgement no. 6862 of 4 August 2022 the above-mentioned no. 1213/2021 of the Lombardy Regional Administrative Court - Milan.

As a result, CAP Holding S.p.A., considering the judgement of the Council of State to be flawed in several respects, filed an appeal with the Council of State (G.R. no. 8278/2022) in order to obtain the revocation of the aforesaid judgement no. 6862/2022 and, consequently, the confirmation of the decision of the Lombardy Regional Administrative Court, Milan no. 1213/2021.

However, with decision no. 4340/2023 of 28 April 2023, the Council of State rejected the appeal, so that on 17 October 2023, the Board of Directors of CAP Holding S.p.A., after hearing the opinion of the board of statutory auditors and the independent auditors, determined the liquidation value of the 1,554,528 shares of the Municipality of Cabiato, totalling a principal of € 1,234,000.

The 1,554,528 shares in question were made available as an option to the remaining shareholders, none of whom expressed an interest in acquiring them within the allotted period (30 days from 18 December 2023).

The Municipality of Cabiato contested the value established by the BoD in a letter dated 28 November 2023 and subsequently filed an appeal with the Court of Milan on 6 December 2023 pursuant to Article 696-bis of the Code of Civil Procedure (preventive technical consulting to settle the dispute).

It should be noted that the counterparty had valued its shareholding in 2020 at € 2.15 million, which was last updated to € 2.35 million in the aforementioned letter of 28 November 2023.

The municipality of Cabiato, whose shares have already been deposited at the company's registered office, is deemed to no longer be a shareholder of CAP Holding S.p.A. as from 31 December 2023, as the procedure for determining the value of the shares has been completed.

Italian regulations

The water service is organised on a territorial basis. Paragraph 1 of article. 147 of Italian Legislative Decree 152/06 requires that the ATOs (Ambito Territoriale Ottimale) are defined by the regional authorities. All regions, including Lombardy, have delimited their ATO.⁶ Each ATO is managed by an EGA, which is also the body granting the service. Further on, comments are provided on the reference territory of the CAP Group.

Incidentally, given the possible relevance in terms of "regulatory risk", it should be added that the rules on spatial planning and organisation of the integrated water service and more generally of local public services, have been and may be subject to specific regulatory changes.

The Reorganisation of the regulation of local public services of economic importance (tuspl)

There is also another Consolidation Act in the relevant national regulations: Italian Legislative Decree no. 201 of 23 December 2022 on the "Reorganisation of the regulation of local public services of economic importance" (hereinafter TUSPL), in force as from 31 December 2022, adopted in implementation of the delegation contained in Article 8 of Italian Law no. 118 of 5 August 2022 (in implementation of the commitments undertaken with the European Union in the National Recovery and Resilience Plan - RRP).

This regulation of local public services makes more complex the direct "in house" assignments in order to take advantage of which the Entities will have to justify the reasons for not resorting to the "market", without prejudice to the fact that the current assignment of the Integrated Water Service in favour of CAP Holding S.p.A. must be considered, to all intents and purposes, as definitively consolidated insofar as it has been completed in accordance with the *pro tempore* rules in force at the time of such assignment, i.e. with the Agreement signed on 20 December 2013, subsequently updated (29 June 2016) on the basis of the provisions contained in the Resolution of the Italian Regulatory Authority for Energy, Networks and Environment (ARERA) no. 656/2015/R/IDR.

CAP Holding S.p.A. closely monitors regulatory developments and participates in association meetings to discuss with the relevant bodies in the interests of the company.

The regulation.

The water sector is highly regulated, especially by the measures of the sector Authority, the ARERA (Italian Regulatory Authority for Energy, Networks and Environment) by virtue of the powers granted by means of Italian Decree Law No. 201/11, converted into Italian Law No. 214/11, also with regard to water services.

The ARERA regulations affect many profiles; in addition to those of a tariff nature, there are those that regulate the technical and commercial quality of the water service, those that define the "framework" concessionary rules of the service, etc.

⁶ ARERA: 16th report pursuant to Article 172, paragraph 3-bis, of Italian Legislative Decree No. 152 of 3 April 2006, containing "environmental regulations", no. 39/2022/I/IDR, 31 January 2023, page 6.

About the technical aspect of the service.

ARERA's resolution no. 917/2017/R/idr of 27 December 2017 remains on the technical aspects of reference (minimum levels and technical quality objectives in the integrated water service, through the introduction of: i) specific standards to be guaranteed in the performance provided to the individual user, ii) general standards describing the technical conditions of service provision iii) prerequisites representing the necessary conditions for admission to the incentive mechanism associated with general standards).

The aforementioned regulations (abbreviated as RQTI) were last amended and supplemented by Resolution 637/2023/R/idr of 28 December 2023, with general effect from 1 January 2024. The latest elements are the introduction of a new macro-indicator of technical quality (M0-water resilience), against which the Authority will measure operators' actions to mitigate the effects of climate change. Alternating droughts and floods forced the authority to take a new approach to both water supply and rainwater management.

The technical service quality is accompanied by bonuses and penalties for the Integrated Water Service operators. The bonuses earned are paid by the CSEA - Cassa per i servizi energetici e ambientali - and are added to the tariff payable to the operator, while the penalties are deducted from the tariff (by the VRG, see below) or set aside and linked to the realisation of investments aimed at achieving the targets set. With Resolution 477/2023/R/idr, the ARERA quantified the amount available for the payment of the 2020-2021 bonuses under the RQTI, envisaging the deferral of part of the total availability to the bonuses of phases III, IV and V for the years after 2021. With regard to the CAP Group, ARERA ordered the total recognition of the sum of € 7,479,921, which places the company in third place in Italy in terms of the net amount between bonuses and penalties for the two-year period from 2019 to 2020. Moreover, the CAP Group was the best operator in the country for the macro indicators M2 "Service interruptions" and M4 "Adequacy of the sewerage system".

Finally, with regard to national regulations on technical quality and, in particular, water resources, it is worth mentioning the entry into force on 21 March 2023 (with differentiated deadlines for certain requirements) of Italian Legislative Decree 18/2023 on the "Implementation of Directive (EU) 2020/2184 of the European Parliament and of the Council of 16 December 2020 on the quality of water intended for human consumption". This regulation deals with the quality of drinking water, its monitoring, as well as issues such as water losses, access to water, information to users, etc.

About the commercial aspects of the service.

For the commercial aspects, the reference regulations are mainly represented by the "Regulation of the contract quality of the integrated water service i.e. of each service forming it (RQSII)", adopted by resolution of ARERA of 23 December 2015 no. 655/2015/R/idr as amended and supplemented (resolutions 217/2016/R/idr, 897/2017/R/idr, 227/2018/R/idr, 311/2019/R/idr, 547/2019/R/idr, 610/2021/R/idr and most recently 637/2023/R/idr).

The methods for defining the tariff structure to be applied to water service users are identified by ARERA Resolution no. 665/2017/R of 28 September 2017.

ARERA also regulated aspects concerning delays in payment with resolution 311/2019/R/IDR (Regulation of delays in payment in the integrated water service - REMSI) as amended and supplemented by resolutions 547/2019/R/IDR, 221/2020/R/IDR, 63/2021/R/COM and 610/2021/R/IDR.

For the quality of the "commercial" relationship (RQSII), there is also a mechanism of bonuses and penalties, similar to that described above for the RQTI item.

With resolution 476/2023/R/idr of 17 October 2023 "Application of the Incentive Mechanism of the Contractual Quality Regulation of the Integrated Water Service (RQSII) for the years 2020-2021. Final results", ARERA

concluded the procedure for the quantitative evaluations for the two-year period from 2020 to 2021, envisaged by the incentive mechanism of the contractual quality of the integrated water service set forth in Title XIII of Annexe A to Resolution 655/2015/R/IDR (RQSII).

For the two-year period from 2020 to 2021, the CAP Group received bonuses of € 394,504, placing it eleventh in Italy in terms of overall performance, and at the same time the best operator among the large operators in terms of resident population served (taking into account the ARERA "Top" and "Large" bracket).

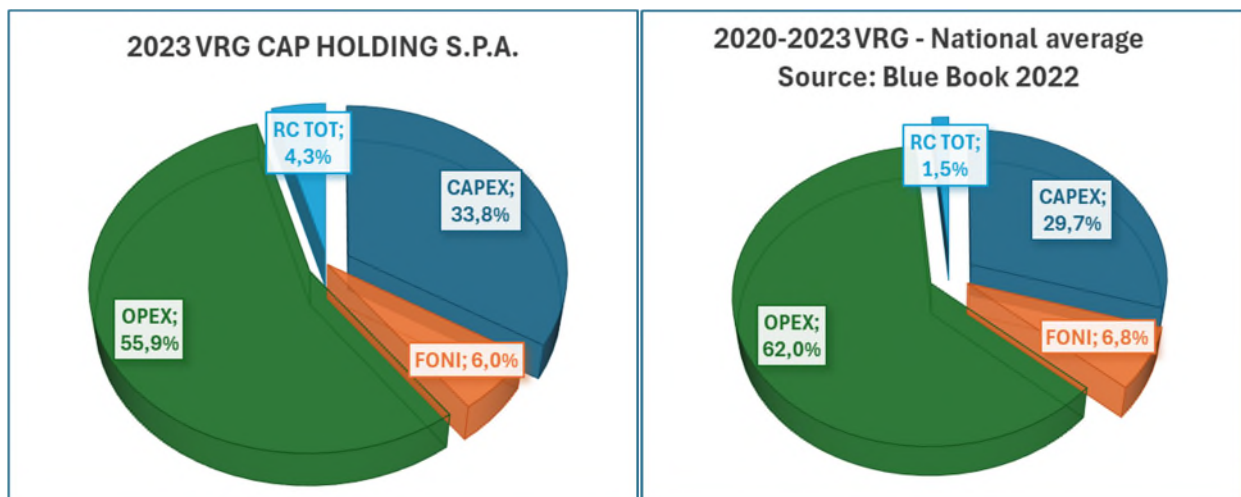
About the tariff aspect of the service.

The tasks of ARERA also include the approval of the tariff methodology. The Method introduced by ARERA (called Transitory Method for 2012-2013, MTI-1 for 2014-2015 and MTI-2 for 2016-2019, MTI-3 for 2020-2023, MTI-4 per il 2024-2029)⁷ is based on the principle of the Full Cost Recovering and is constructed first and foremost on the determination of two essential parameters: the Restriction Acknowledged to the Revenues of the Operator (VRG) and the invested regulatory capital (RAB).

The Method applied to 2023 (MTI-3) was adopted by the ARERA by means of resolution no. 580/2019/R/IDR of 27 December 2019 and covers the period 2020-2023 (with a two-year tariff review for the years 2022-2023).

As a key also for the rest of this report, especially when “revenues” are mentioned, it should be specified that the tariff methods in question are based on the criteria of the prior allocation to each operator of an overall tariff fee/recognition (VRG) calculated on the basis of operating costs (opex) and capital costs (capex) permitted by the Tariff Method, eliminating the (previous) dependence of the revenues of the Operator on the trend of the water volumes (Cm) disbursed. This is technically guaranteed by a <<tariff adjustment>> mechanism that in the VRG of the second subsequent year recovers the differences between the acknowledged fee (VRG) and that invoiced at the time of application of the unit tariffs to the disbursed volumes.

Without prejudice to the matters that will be illustrated subsequently, it is possible, via the underlying diagrams, to see the structuring of the tariff for the CAP Group in comparison with the other operators:



* The VRG of the wholesale operators of ATO MB aqueduct and wastewater treatment were also considered in the calculation of the 2023 VRG of CAP Holding. The CAPEX and OPEX components also include the shares of ERC Capex and ERC Opex.

⁷ ARERA resolution no. 639/2023/R/IDR of 28 December 2023 concluded the process of defining the new tariff method for the fourth regulatory period (MTI-4).

From the comparison, it is easy to highlight a minor impact of the operating costs (OPEX) and a high incidence of the tariff component intended for the investments (Capex).

The recognised opex are separated into endogenous (i.e. those that would also depend on entrepreneurial choices made by the Operator, and therefore “possible to make efficient”) and exogenous costs that can be updated (and in some cases that can be adjusted *ex post*), mainly relating to the purchase costs of raw materials, electricity and fees and, starting from 2018, the costs for treatment sludge disposal.

With regard to the important opex of electricity, between the end of 2021, 2022 and 2023, ARERA's measures aimed to address the issue of the exceptional increase in this production factor. The measures in question include Resolution 229/2022/R/IDR of 24 May 2022 (and the subsequent "extension" Resolution 495/2022/R/IDR of 13 October 2022), by which ARERA introduced measures to provide certainty to the system and the various stakeholders.

Without prejudice to the forecasts for the 2022-2023 tariff update already laid down by Resolution 639/2021/R/idr, it provided for the possibility of submitting a justified request for the activation of forms of financial advance (by Cassa per i servizi energetici e ambientali - CSEA) to cover part of the expenses incurred for the purchase of electricity.

The CAP Group accessed the measure by requesting and receiving a financial advance of approximately € 10 million from CSEA in December 2022 (of which a first instalment of 50% was repaid by 31 December 2023 and the remaining part by 31 December 2024).

Again with reference to the costs for the procurement of electricity, on 21 February 2023, with resolution no. 64/2023/R/IDR (to start the procedure for the definition of the Water Tariff Method for the fourth regulatory period, the already mentioned MTI-4, then adopted), ARERA determined the average cost of the sector (0.2855 €/kWh) of reference for 2022.

According to MTI-3, the electricity cost adjustment is a function of, among other things, a standard (sector average) cost. The MTI-4 has also partially modified this adjustment mechanism linked to the standard costs, with effect from costs relating to 2023 onwards, by increasing the tolerance margin with respect to the value of the sector benchmark to 15% (instead of 10%) (replacing the previous average sector cost) and by envisaging that, if the operator has incurred an actual purchase cost of electricity lower than the value of the Sector Benchmark, an additional cost equal to 50% of the difference between the value of the Sector Benchmark and the actual purchase cost will be recognised in the tariff. It should also be added that, from the 2024 tariff regime onwards, the electricity costs of year n-2 can be fully valued in the tariff, with only a comparison with the sector benchmark being made in the adjustment phase. This forecast will lead to a reduction in the amount of positive adjustments recognised with a time-lag of 2 years, thereby reducing the financial impact on management. At the same time, this value is to be considered as a maximum, since it is always possible to quantify a lower value in the case of an economic-financial balance of operations, in order to anticipate, at least partially, the effects of a possible downward trend in the cost of electricity.

With regard to the cost of electricity in 2022, the setting of the average sector cost at 0.2855 €/kWh (by Resolution 64/2023/R/idr) resulted in a shortfall (affecting the 2022 income statement) of approximately € 12 million in the incurred cost of electricity for the CAP Group. This excess over the costs for 2022 may be recovered by means of a specific request to be submitted to ARERA, in accordance with the provisions of Resolution 639/2023/r/idr, which approved the tariff method for the new regulatory period (MTI-4), if accepted by the Authority.

Instead, the average sector value for 2023 was indicated by the Authority with a subsequent provision, in accordance with the provisions of paragraph 1.2 of Resolution 229/2022/R/IDR, as 0.2436 €/kWh. This resulted in a net shortfall for CAP Holding S.p.A. (affecting the 2023 income statement) of approximately € 4 million in the incurred cost of electricity. Unlike in 2022, there is no option to claim costs in 2023.

Back to the tariff method: Capital expenditure refers to investments made up to the second preceding year and includes the corresponding costs for financial and tax expenses.

In addition to opex and capex, there is a further component to cover environmental and resource costs (ERC). This component is in turn broken down into ERC capex and ERC opex. In fact, it is a reclassification of the share of capital and operating costs related to specific environmentally relevant activities, including, for example, wastewater treatment, water supply and drinking water.

The Tariff Method, against which some consumer associations already appealed, was the subject matter of a ruling by the State Council, with judgement No. 2841/2017. That judge, deducing with regard to the compatibility of the tariff components relating to the coverage of the financial charges introduced by the MTT, by means of Article 154 of Italian Legislative Decree No. 152/2006, as emerging from the outcome of the afore-mentioned referendum, clarified that *“the tariff method adopted by the AEEGSI in resolution No. 585/2012 appears to be in line with the referendum and with the principle of the full cost recovery (including the costs of the capital, equity and debt), in itself fully compatible with the outcome of the referendum [...]”*.

With regard to MTI-4, many of the regulatory mechanisms already present in previous methods are proposed again. The main new features are that MTI-4 will last for six years; it provides for an update of the Strategic Works Plan (SWP) until 2035; it aims to promote the security of water supply while encouraging greater cooperation between the various planning levels; it provides for an update of the component covering the cost of electricity (already mentioned above), which has been subject to significant fluctuations in recent years.

Finally, we would like to point out Resolution no. 63/2021/R/com of 23 February 2021, which defines the methods of application of the system for the automatic recognition of social bonuses for electricity, gas and water for economic hardship, replacing the regulatory provisions of the previous "demand" system. In fact, following the modification of the modalities for the disbursement of the social water bonus, (introduction of automatic recognition replacing the previous "demand" system by ARERA resolution no. 62/2021/R/COM) with Resolution no. 26 of 27 June 2022, the EGA of the Metropolitan City of Milan confirmed the quantification of the Integrative Water Bonus, fixed at € 15/year for each member of the household in economic hardship.

For measures of tariff content directly related to CAP Holding S.p.A., the following information is provided.

About the concession aspect of the service

With Resolution 51/2023/R/idr of 14 February 2023, ARERA launched a procedure for the definition of typical call for tender schemes for the outsourcing of the management of integrated water services, in accordance with the provisions of Article 7, paragraph 2, of Italian Legislative Decree no. 201/22.

Regional regulations

At **regional** level, the reference regulations comprise regional law No. 26 dated 12 December 2003 as amended and supplemented (Regulation of local services of general economic interest. Standards regarding waste management, energy, use of the subsoil and water resources).

The Lombardy Region issued Regional Regulation No. 7 dated 23 November 2017, containing “Criteria and methods for the observance of the principle of the hydraulic and hydrologic invariance pursuant to Article 58 bis of Italian Regional Law No. 12 dated 11 March 2005 (Law for the governance of the area)”, published in the Supplement of the Official Bulletin of the Lombardy Region No. 48 dated 27 November 2017.

The regulation deals with the handling of uncontaminated rainwater, for the purpose of decreasing the discharge to the urban drainage networks and from these towards the waterways already under critical conditions, thus reducing the effect of the urban sewage on the high-water flows of said waterways and defines:

- the territorial areas of application, differentiated in relation to the level of hydraulic criticality of the catchment areas of the receiving waterways;
- the admissible flow limits to the discharge in the receiving body;
- the flow calculation methods;
- the minimum requirements to be adopted in the planning stage for new measures or renovations.

The Regulation was supplemented in 2018, introducing a transitional period of non-application for certain types of interventions, and in April 2019, following technical observations and requests for clarification. The latest amendments are in force since 25 April 2019.

With regard to White Water, it is useful to point out that, during 2020, as indicated by the EGA of the Metropolitan City of Milan note prot. 1641 of 10/02/2020 in response to the note of CAP Holding S.p.A. prot. no. 1771 of 29 January 2020, the new management area of sewerage network maintenance was defined, which would include white water infrastructures from 2021.

The completion of the recognition activities was acknowledged, aimed at defining the consistency of the infrastructures and facilities dedicated to the handling of the scour rainwater, and an extensive activity was carried out to ascertain the state of affairs and the maintenance/investment requirements, performed jointly with the Municipalities, as well as the checking of the location of the infrastructures/facilities that must fall within the agglomerations pursuant to Article 74 of Italian Legislative Decree 152/06 and as amended and supplemented - identified by the ATO office by resolution of the Conference of Municipalities no. 2 of 11 June 2018 - given that they represent the boundary of the public sewerage, collection and purification services.

The state of the art concerning the approval of the Simplified Hydraulic Invariance Documents envisaged by Regional Regulation no. 7/2017 of 23 November 2017 is reported below.

CAP Holding S.p.A. and the Lombardy Region considered it in the interest of the parties to collaborate in order to support the Municipalities in the fulfilment of the obligations placed on them, in particular for the preparation of the Simplified Document of the Hydraulic Risk, defining its methods and contents for the Municipalities included in the area managed by the CAP Group. As a result, Cap Holding S.p.a. entered into specific Conventions with its member municipalities for the implementation of the principles of hydraulic invariance, by preparing the Simplified Document and contributing to the preparation of the Municipal Study.

This was followed by the start of the maintenance management activities of the white water networks. In particular:

- As at 31 December 2023, 127 simplified documents were approved by Resolution of the Municipal Council, of which 126 were for Partner municipalities and 1 was drawn up independently (Municipality of Rescaldina);
- During 2021, the Cap Group started the management of white water networks, in line with what was indicated in the ATO CMM note prot. 1641 of 10 February 2020 following the signing of specific deeds by the Member Municipalities.
- As at 31 December 2022, the maintenance management of 89 municipal networks with a total length of 656.43 km was started.
- As at 31 December 2023, maintenance has been taken over in a further 10 Municipalities, for a total of 99 Municipalities and 752.00 km. For the remaining Municipalities, the completion of the management take-over activities continues.

The table below shows the Municipalities that have approved the simplified documents and conferred the management of white water networks as at 31 December 2023.

	MUNICIPALITY	DATE OF SIMPLIFIED DOCUMENT APPROVAL	WHITE WATER MAINTENANCE MANAGEMENT START DATE
1	ABBIATEGRASSO	29/07/2020	06/07/2021
2	ALBAIRATE	30/07/2020	29/01/2021
3	ARCONATE	16/12/2019	27/01/2021
4	ARESE	05/03/2020	07/06/2021
5	ARLUNO	30/09/2020	21/12/2021
6	ASSAGO	14/12/2020	06/10/2022
7	BARANZATE	29/07/2020	
8	BAREGGIO	30/04/2020	02/07/2021
9	BASIANO	15/02/2021	
10	BASIGLIO	20/02/2020	12/03/2021
11	BELLINZAGO LOMBARDO	22/02/2022	04/04/2022
12	BERNATE TICINO	21/12/2020	27/01/2021
13	BESATE	19/12/2020	15/10/2021
14	BINASCO	23/11/2020	15/12/2022
15	BOFFALORA SOPRA TICINO	29/10/2020	01/03/2021
16	BOLLATE	30/06/2020	08/06/2021
17	BRESSO	30/11/2020	31/03/2021
18	BUBBIANO	18/11/2020	17/10/2022
19	BUCCINASCO	22/01/2020	20/03/2023
20	BUSCATE	31/12/2020	22/06/2021
21	BUSSERO	06/04/2020	
22	BUSTO GAROLFO	10/11/2020	11/06/2021
23	CALVIGNASCO	23/12/2019	26/09/2022
24	CAMBIAGO	22/06/2020	
25	CANEGRATE	29/06/2020	31/05/2021
26	CARPIANO	23/07/2020	24/03/2021
27	CARUGATE	30/07/2020	
28	CASARILE	23/11/2020	08/03/2021
29	CASOREZZO	08/04/2020	01/02/2021
30	CASSANO D'ADDA	08/10/2019	04/06/2021
31	CASSINA DE PECCHI	22/12/2020	31/07/2023
32	CASSINETTA DI LUGAGNANO	23/05/2020	
33	CASTANO PRIMO	30/11/2020	04/03/2021
34	CASTELLANZA	31/07/2020	07/06/2021
35	CERNUSCO SUL NAVIGLIO	21/05/2020	01/06/2021
36	CERRO AL LAMBRO	29/07/2021	
37	CERRO MAGGIORE	13/11/2019	15/06/2021
38	CESANO BOSCONI	24/11/2020	15/02/2021
39	CESATE	26/05/2022	
40	CINISELLO BALSAMO	05/10/2020	22/02/2021
41	CISLIANO	22/12/2020	20/10/2021
42	COLOGNO MONZESE	18/11/2019	17/02/2021
43	COLTURANO	12/04/2022	19/05/2022
44	CORBETTA	30/09/2019	01/06/2021
45	CORMANO	24/02/2020	

46	CORNAREDO	04/04/2019	13/11/2023
47	CORSICO	16/12/2020	17/01/2023
48	CUGGIONO	20/04/2022	27/09/2022
49	CUSAGO	28/03/2022	19/10/2022
50	DAIRAGO	30/11/2020	29/12/2021
51	DRESANO	04/06/2020	16/06/2021
52	GAGGIANO	30/11/2020	14/10/2022
53	GARBAGNATE MILANESE	31/05/2021	
54	GESSATE	29/11/2021	
55	GORGONZOLA	30/06/2021	04/01/2022
56	GREZZAGO	11/02/2022	
57	GUDO VISCONTI	28/09/2020	28/01/2021
58	INVERUNO	16/10/2019	07/07/2021
59	INZAGO	29/10/2021	15/03/2022
60	LAINATE	13/02/2020	23/03/2021
61	LEGNANO	11/05/2021	10/06/2021
62	LISCATE	14/03/2022	20/10/2023
63	LOCATE DI TRIULZI	21/12/2020	
64	MAGENTA	25/07/2023	
65	MAGNAGO	23/09/2019	12/10/2021
66	MARCALLO CON CASONE	27/11/2020	29/01/2021
67	MASATE	08/02/2021	26/03/2021
68	MEDIGLIA	14/10/2019	07/06/2021
69	MELEGNANO	11/11/2020	
70	MELZO	18/12/2023	
71	MESERO	30/03/2020	03/02/2021
72	MORIMONDO	20/12/2019	01/06/2021
73	MOTTA VISCONTI	15/12/2021	22/07/2022
74	NERVIANO	13/10/2020	29/06/2021
75	NOSATE	17/12/2019	14/08/2020
76	NOVATE MILANESE	30/11/2020	
77	NOVIGLIO	14/07/2020	29/01/2021
78	OPERA	27/11/2020	25/02/2021
79	OSSONA	18/11/2020	28/10/2022
80	OZZERO	29/05/2020	21/03/2022
81	PADERNO DUGNANO	15/09/2020	26/03/2021
82	PANTIGLIATE	09/09/2021	16/05/2023
83	PARABIAGO	20/12/2019	
84	PAULLO	20/11/2019	04/02/2021
85	PERO	20/12/2019	14/02/2022
86	PESCHIERA BORROMEO	12/10/2020	20/12/2021
87	PESSANO CON BORNAGO	24/07/2023	01/08/2023
88	PIEVE EMANUELE	13/07/2020	18/03/2022
89	PIOLTELLO	30/06/2020	01/02/2021
90	POGLIANO MILANESE	24/11/2020	19/07/2021
91	POZZO D'ADDA	20/07/2020	29/04/2021
92	POZZUOLO MARTESANA	23/12/2021	09/03/2022
93	PREGNANA MILANESE	20/05/2020	
94	RESCALDINA	02/03/2019	10/09/2021
95	RHO	21/10/2020	16/04/2021

96	ROBECCHETTO CON INDUNO	30/11/2020	01/04/2021
97	ROBECCO SUL NAVIGLIO	14/04/2023	
98	RODANO	22/02/2021	28/10/2020
99	ROSATE	29/11/2022	
100	ROZZANO	22/02/2021	11/05/2021
101	SAN COLOMBANO AL LAMBRO	27/02/2021	
102	SAN DONATO MILANESE	17/12/2020	
103	SAN GIORGIO SU LEGNANO	30/07/2020	24/09/2020
104	SAN GIULIANO MILANESE	27/05/2020	29/03/2021
105	SAN VITTORE OLONA	25/11/2020	
106	SAN ZENONE AL LAMBRO	25/09/2020	08/04/2021
107	SANTO STEFANO TICINO	25/03/2019	10/11/2022
108	SESTO SAN GIOVANNI	19/11/2019	20/12/2021
109	SETTIMO MILANESE	28/07/2020	15/02/2021
110	SOLARO	13/11/2020	05/08/2022
111	TREZZANO ROSA	15/06/2022	
112	TREZZANO SUL NAVIGLIO	11/06/2020	26/03/2021
113	TREZZO SULL'ADDA	28/01/2019	26/03/2021
114	TRIBIANO	25/03/2021	03/05/2023
115	TRUCCAZZANO	22/12/2021	09/03/2022
116	TURBIGO	04/03/2020	02/12/2020
117	VANZAGHELLO	25/05/2020	
118	VANZAGO	28/05/2021	01/02/2022
119	VAPRIO D'ADDA	25/11/2022	
120	VERMEZZO CON ZELO	30/09/2020	31/03/2021
121	VERNATE	24/11/2020	14/11/2022
122	VIGNATE	26/11/2019	
123	VILLA CORTESE	28/07/2020	01/02/2021
124	VIMODRONE	20/05/2021	22/06/2021
125	VITTUONE	22/12/2020	16/02/2021
126	VIZZOLO PREDABISSI	27/11/2020	05/03/2021
127	ZIBIDO SAN GIACOMO	22/07/2020	13/03/2023

Following the agreement on hydraulic invariance with respect to the above-mentioned municipalities, a cooperation agreement was signed on 14 December 2021 between CAP Holding S.p.A. and the Metropolitan City of Milan for the implementation of the RRP - Integrated Urban Plans project, provided for by art. 21 of Law no. 233 of 29 December 2021, the agreement of which is based on the hydraulic invariance agreement of 12 December 2019, approved with regard to CAP by Decree no. 58/2019 of the Metropolitan Mayor.

As a result, CAP Holding S.p.A. was identified as the party responsible for the implementation and technical and operational support, including the role of delegated contracting station on behalf of the Metropolitan City of Milan, of the RRP project called "Città metropolitana spugna" (Sponge Metropolitan City), which precisely envisages the use of the CAP's Group design skills on hydraulic invariance, as well as the consequent urban redevelopment.

On 1 June 2022, the loan for the "Città metropolitana spugna" (Sponge Metropolitan City) project, amounting to more than € 50 million, which will involve 90 interventions for 32 municipalities in the Milan metropolitan area

was obtained from the Ministry of the Interior, in agreement with the Minister of Economy and Finance and the Metropolitan City of Milan.

Organisational performance

In the Metropolitan City of Milan

The year 2023 represented for the CAP Group the tenth year of assignment (from 1 January 2014 to 31 December 2033) of the entire IWS within the former Province of Milan, the result:

- of the profound process of industrial restructuring (through a process of merger between the management companies present in the territory that took place in 2013⁸, which then had another step in 2015⁹);
- of the expansion of the activities in favour of the Municipal Authorities of the former Province of Milan, started in 2010 and particularly ended in 2013 (overcoming shoestring operations and acquiring many business units from former operators).

During 2016 and at the beginning of 2017, this process passed through a number of additional transformations represented by the acquisition of business units of other operators (Brianzacque S.r.l., Acque Potabili S.r.l.) that were still present in the Milan area.

With effect from 1 January 2023, the CAP Group acquired Metropolitana Milanese S.p.A., the de facto operator of the aqueduct of the Municipality of Corsico, thus completing its expansion into the entire territory of the former Province of Milan, excluding the capital. In this context, in the light of the acquisition of CAP Holding S.p.A., a new wholesale supply of aqueduct services (limited to the collection, purification and transportation sectors) has been defined and will be regulated by an addendum (in the process of approval) to the existing wholesale agreement with Metropolitana Milanese S.p.A.

Only a number of very modest portions of the territory remain in relation to which the purification service is carried out by non-area plants.

These are "wholesaler" situations recognised by the Conference of Municipalities of the ATO of the Metropolitan City of Milan on 12 September 2016 with resolution No. 3, in which operators of other areas (or portions thereof) carry out purification services:

- for the metropolitan municipalities of Cerro al Lambro and San Zenone al Lambro (carried out by SAL Società Acque Lodigiane S.r.l.);
- for the metropolitan municipality of Settimo Milanese and part of the municipality of Novate Milanese (carried out by MM S.p.A.).

In the light of ATO Resolution no. 6 of 16 December 2019, the above-mentioned "wholesaler" situations, starting from 2020, were managed through the application of special exchange tariffs, equal to the tariffs applied to its users by the operators providing wholesale services in its area of reference, implemented in the tariff preparation of the ATO of the Metropolitan City of Milan pursuant to MTI-3.

⁸ Tutela Ambientale del Magentino S.p.A. (T.A.M. S.p.A.), Tutela Ambientale Sud Milanese S.p.A. (T.A.S.M. S.p.A.), Infrastrutture Acque Nord Milano S.p.A. (I.A.No.Mi. S.p.A., the latter with a significant presence also in the province of Monza and Brianza), operators within the meaning of Italian Regional Law no. 26/2003, merged into CAP Holding S.p.A. as a result of the merger deed, signed on 22 May 2013 and with effect from 1 June 2013.

⁹ In 2015, Idra Milano S.r.l. (company that owns water infrastructures in the north-east of Milan) was merged with legal effect from 1 May 2015 and accounting effect from 1 January 2015, following its establishment as a result of the total demerger of Idra Patrimonio S.p.A., based in Vimercate (MB).

Starting in 2021, on the basis of an inter-ATO agreement between the EGAs of the Metropolitan City of Milan and the Province of Bergamo, the wholesale purification service provided by Cogeide S.p.A. for a residual part of the metropolitan municipality of Cassano d'Adda (MI) has been regulated with the same approach.

Similarly, starting in 2023, on the basis of an inter-ATO agreement between the EGAs of the Metropolitan City of Milan and the Province of Pavia, the wholesale sewerage and purification service provided by Pavia Acque S.c.a.r.l. for a residual part of the municipality of San Colombano al Lambro (MI) has been regulated.

For the Municipality of Castellanza (VA), included in the ATO of the Metropolitan City of Milan (previously it was included in the tariff defined for CAP Holding S.p.A. by the ATO of Varese), this involves management (aqueduct, wastewater treatment and sewerage) from now on considered also metropolitan "tariff" (see resolution of the Board of Directors of the EGA of the Metropolitan City of Milan dated 31 May 2016- Annexe A).

The CAP Group is therefore the sole operator of the Integrated Water Service within the territory of the former Province of Milan, established according to the "in house" management model of the public concern, in compliance with the conditions required by the resolution of the Provincial Council and by the Conference of Mayors of the territorial area of reference on 11 October 2012.

The chosen management form - that of the "in house providing" model - involves a strict relationship with the shareholder bodies and with the Strategic Policy Committee, a body whose task is precisely that of ensuring the full exercise of similar policy and control powers.

As explained above, the CAP Group consolidates two companies as at 31 December 2023: the parent company CAP Holding S.p.A. and AMIACQUE S.r.l. (as from 1 January 2024 CAP Evolution S.r.l.).

In 2023, the two companies approved a project for the organisational restructuring of the Group, with the main objective of transferring AMIACQUE S.r.l. (now CAP Evolution s.r.l.) to the parent company CAP Holding S.p.A.: 1) the business complex organised to carry out the activity of "aqueduct - sewerage and related activities" (mainly dedicated to the operation and ordinary and incremental maintenance of the aqueduct and sewerage networks); 2) all the technical fixed assets of IWS owned by AMIACQUE S.r.l. - now CAP Evolution s.r.l. (asset allocation), the company warehouses, merging them with the IWS assets already directly operated and owned by the Parent Company.

In such a way that AMIACQUE S.r.l. (which, following a resolution of its shareholders' meeting with minutes drawn up by Marco SORMANI, Notary Public in Milan, on 13 November 2023, volume no. 10863/7589, changed its name, effective as from 1 January 2024, to CAP Evolution S.r.l.) can focus more on the management and maintenance of the purification plants and on the search for synergies with complementary or ancillary activities to the latter.

Technically, a partial and simplified demerger of the company AMIACQUE SRL (now CAP Evolution s.r.l.) in favour of the company CAP Holding S.P.A. was carried out, drawn up pursuant to Article 2506-bis. The relevant shareholders' meetings authorised the transaction: for CAP Holding S.p.A. with the minutes drawn up by Marco SORMANI, Notary Public in Milan, on 17 May 2023, volume no. 10020/6989 and for AMIACQUE S.r.l. with the minutes drawn up by Marco SORMANI, Notary Public in Milan, on 17 May 2023, volume no. 10019/6988. The deed of demerger was signed on 31 July 2023 (deed with register No. 78688 of Notary Public AJELLO Stefano of Milan) and took effect on the last day of 2023.

To complete the point on the area of the Metropolitan City of Milan, note that with resolution no. 13/07 of 28 November 2007 of the Board of Directors of the ATO Authority of the City of Milan (later merged into that of the Metropolitan City of Milan in 2016), the management of the Integrated Water Service of the City of Milan was assigned to Metropolitana Milanese S.p.A. in the form of "in house providing".

On 22 January 2021, the strategic policy committee of CAP Holding S.p.A. authorised the company to participate in the drafting of a study assessing the management and economic/financial synergies arising from the unification

of the management of the integrated water service within the ATO of the entire Metropolitan City. MM S.p.A. was also involved in the study, which is promoted by the Area Office of the Metropolitan City of Milan.

The study was the first step on a path towards a joint project for the corporate integration of the business units dedicated to the integrated water service of MM S.p.A. and CAP Holding S.p.A.

At the end of the study - in accordance with the resolutions of the ATO Authority of 25 January 2021 and 29 November 2021 - a report was sent to the Metropolitan City on the characteristics of the project for setting up the single operator (a process that can be summarised as a partial demerger of MM S.p.A. in favour of CAP Holding S.p.A.) and the expected benefits. To date, there are no further developments.

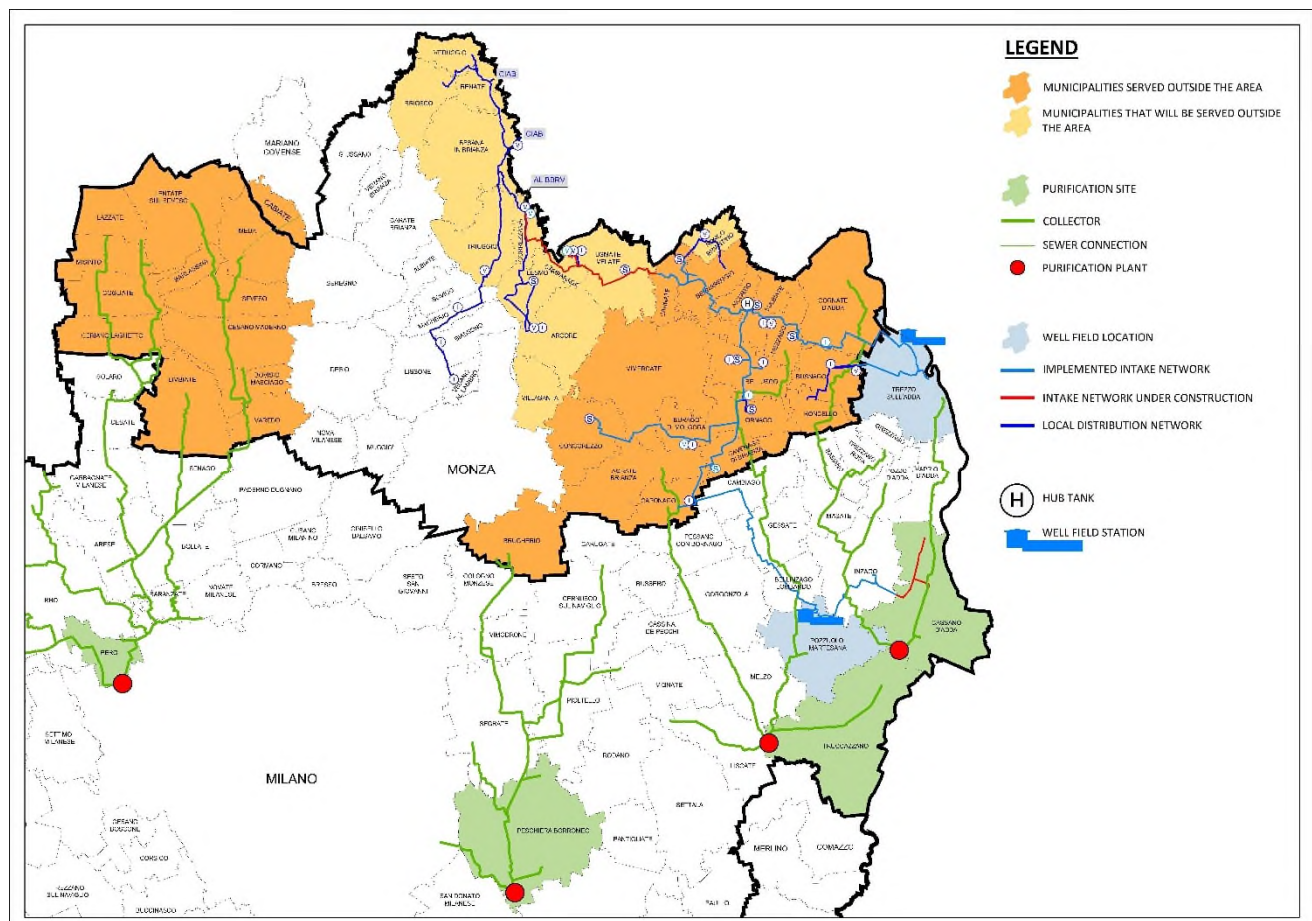
In 2023, the CAP Group continued to develop its involvement in activities that are not strictly water-related, although related to its core business, through the corporate vehicles Neutalia S.r.l. and ZeroC S.p.A. (see below).

In the province of Monza.

As at 31 December 2023, the CAP Group is the operator of the aqueduct service (limited to collection and large-scale transportation), sewerage service (limited to large-scale drainage) and wastewater treatment service in part of the Monza area.

For industrial and hydrogeological reasons, the infrastructures present in the two areas make sure that the management of the integrated water services is highly interconnected.

The numerous interconnections present as at 31 December 2023 between the Milan and Brianza territories are shown below:



Another operator is present in the Monza area, appointed by the EGA of the Province of Monza, as operator of the Integrated Water Service (BrianzAcque S.r.l.).

Already on 5 November 2013, an agreement was signed with that entity for an "industrial partnership BrianzAcque - CAP Guidelines on overcoming residual managements", followed by an agreement on 2 April 2015, for a gradual exchange of "activities" between BrianzAcque S.r.l. and CAP Group.

The purpose was, inter alia, to transfer BrianzAcque S.r.l. the service segments carried out by the CAP Group in the Brianza area, but without interconnections with the "metropolitan" territory and, at the same time, to acquire from BrianzAcque S.r.l. service segments carried out through plants located in the metropolitan territory (regardless of their being interconnected or not with the Brianza area). These transactions were carried out in two phases, and became effective as at 1 January 2016 and 1 March 2017, respectively.

However, not all the properties located in the territory of Monza were transferred to Brianzacque S.r.l. as part of the above operations. The CAP Group has retained ownership of some large aqueduct backbones and drainage networks.

In fact, the CAP Group carries out specific activities for the shareholder municipalities of Monza according to the in-house providing model (drainage, wastewater treatment and collection and large-scale transportation) that contribute to the integrated water service as defined by Italian Legislative Decree 152/2006 as amended and supplemented and, consequently, activities of production of a service of general interest, considering that the above mentioned watercourse also includes the construction and management of networks and plants functional to the provision of the services themselves.

This in strict compliance with the planning deeds undertaken by the related EGAs. The Area Office of the Metropolitan City of Milan, in fact, signed on 29 June 2016 the inter-area agreement pursuant to Article 47, paragraph 2 of Italian Regional Law 26/2003, with the corresponding EGA of the Province of Monza and Brianza, followed:

- on 29 June 2016, by the formal agreement between the CAP Group and the ATO Office of the Province of Monza and Brianza, which regulates the performance of the activity of the former, with the role of "wholesale" operator (according to the acceptance of ARERA);
- on 28 February 2017, by a specific contract between BrianzAcque S.r.l. and CAP Group, with a duration equal to the agreement in place between CAP Holding S.p.A. and the ATO of the Metropolitan City of Milan.

In the province of Pavia

The organisational scheme in the Pavia area is summarised in the resolution dated 7 June 2013 of the Provincial Administration of Pavia which (finalised by means of subsequent resolution dated 20 December 2013 approving the related Service Agreement) took steps to assign the Integrated Water Service to Pavia Acque S.c.a.r.l. for the entire provincial territory for twenty years according to the "in house providing" model, a company which has been responsible as from 1 January 2014 for the joint and co-ordinated management of the Service within the ATO of Pavia.

It should also be noted that on 15 July 2008 the CAP Group carried out the first assignment to the company Pavia Acque S.c.a.r.l. of business units related to the water networks of various municipalities located in the Pavia area, with a second contribution of water properties in 2016 for a net value of € 5,451,715.

A third contribution of € 315,078 relating to receivables of the CAP Group from Pavia Acque S.c.a.r.l., was made with deed dated 1 February 2018, notary public Trotta index 140.125/54.195.

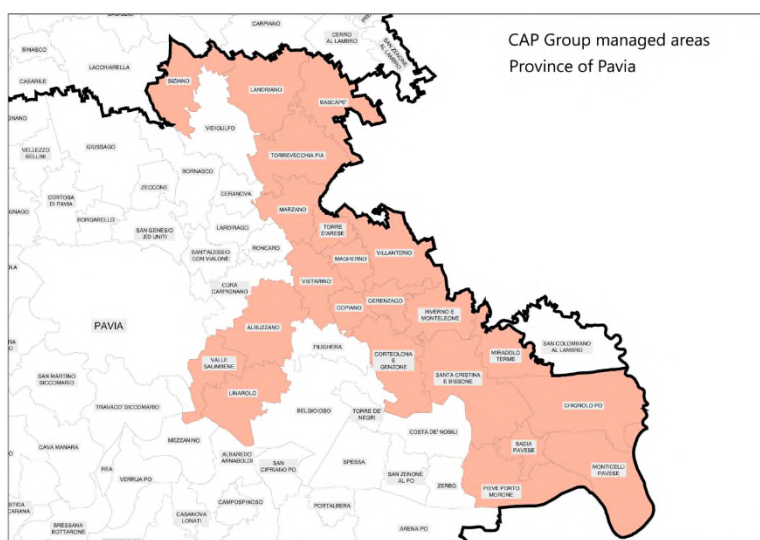
The assets of Pavia Acque S.c.a.r.l., in addition to a share capital of € 1,519,861 held by the CAP Group, include a capital reserve "registered" with reference to the same entity, amounting to € 12,872,952.

This “registered” reserve (in accordance with the provisions of the shareholders' meeting of Pavia Acque S.c.a.r.l. of 22 December 2016) will be non-distributable, not available for increases in share capital (with the only and exclusive exception of the case envisaged in Article 11.5 of the current Articles of Association of Pavia Acque S.c.a.r.l.), and may be used to cover any operating losses and/or other management events of the company just before the reduction of the share capital.

If PAVIA ACQUE S.c.a.r.l. is wound up, after honouring all payables, the plan for the distribution of the assets will provide for their return to the shareholders to whom they are attributable, as a matter of priority. Similarly, in the case of withdrawal, only the CAP Group will be entitled to the reserve.

Provisionally, the dealings for reimbursement, by Pavia Acque S.c.a.r.l. to the CAP Group remain for the portions of the loans undertaken by the latter, conferred on the former by means of deed of conferral dated 23 December 2016, but which have remained in the name of the CAP Group.

Besides the events in the capacity of “shareholder” of the Pavia-based operator, the CAP Group also carried out industrial activities on its behalf.



In the province of Varese.

In July 2019, the CAP Group and Alfa S.r.l. (manager of the integrated water service in the Province of Varese) signed a strategic collaboration agreement. The agreement aims to build new synergies in several areas including research and development, technological innovation, sustainability and service quality.

On 11 March 2020, the Strategic Policy Committee authorised the signing of a network contract between the two companies in order to pursue a synergic integration of their respective organisational systems so as to make efficient, also through economies of scale, the sharing of certain structures or resources, the management of the water service also in the perspective of an inter-area cooperation.

On 12 June 2020 (Volume no. 18396 File no. 10835 Notary Enrico Maria Sironi), a network contract was signed between the CAP Group and ALFA S.r.l., which, starting from the assumption of the significant interrelationships between the respective territories managed in terms of sewerage/cleaning and aqueducts, has as its strategic objective the synergic integration of their organisational systems in order to make the management of the water service in their areas more efficient, including through economies of scale or the sharing of certain structures or resources.

On 14 February 2022, an addendum to the network agreement was signed with Alfa S.r.l. for the construction and management of an infrastructure network of sludge bio-drying plants to support the purification service in the Province of Varese (INTERBIODRY BASIN SYSTEM).

In May 2022, the Board of Directors of CAP resolved to take note of the conclusion of the development phase of the network contract with ALFA S.r.l. on 30 May 2022 and to continue with the subsequent consolidation phase of the contract under the terms indicated in the same network contract signed on 12 June 2020.

With regard to the management of the integrated water service for the Municipality of Castellanza (VA), please see the section relating to the Metropolitan City of Milan.

Other areas

The CAP Group is present in certain other areas where it acts, via the role of "wholesaler" recognised by the EGA of the Metropolitan City of Milan as from 1 January 2016 by virtue of the resolution of the Board of Directors of above-mentioned EGA No. 1 dated 31 May 2016 - Annexe A. These cases are as follows:

- purification service carried out through the CAP Holding S.p.A. purification plant located in the municipality of San Colombano al Lambro (enclave of the Metropolitan City of Milan in the territory of Lodi) for 3 municipalities in the Lodi area (Borghetto Lodigiano, Graffignana, Livraga) in which the main Operator is SAL Società Acqua Lodigiana S.r.l.;
- purification service provided to 2 municipalities of the ATO of Como (Cabiato and Mariano Comense, for the latter case there are very few utilities) through the Pero purification plant located in the Metropolitan area of Milan.
- purification service carried out by the Peschiera Borromeo plant (located in the Metropolitan City of Milan) that also serves the eastern districts of the City of Milan, where the main Operator is MM S.p.A.

As already illustrated with reference to the services managed in the Area of the Metropolitan City of Milan, in the light of ATO resolution no. 6 of 16 December 2019, also due to the above mentioned "wholesaler" situations, starting from 2020, the principle of the application of a special exchange tariff, equal to the tariff applied to its users by the CAP Group, implemented in the tariff arrangement of the ATO of the Metropolitan City of Milan pursuant to MTI-3, was defined.

The switch to the exchange tariff necessarily had to take into account the aspects of tariff sustainability pursuant to resolution 665/2017/R/Idr (TICSI), envisaging a convergence mechanism from the "wholesale" tariff to the exchange tariff, where the difference between the two tariffs was more than 10%. Situation occurred for the purification service for the eastern districts of Milan (rendered in favour of MM S.p.A.) and the municipalities of Cabiato/Mariano Comense (rendered in favour of Brianzacque S.r.l. and Como Acqua S.r.l.).

In addition to the above-mentioned situations, mention should also be made of:

- The water supply service provided to some hamlets in the municipalities of Ceriano Laghetto and Limbiate (managed by Brianzacque) through the closed aqueduct network commonly known as "Ex-Brollo";
- The water supply service rendered by CAP Holding and SAL Società Acqua Lodigiana s.r.l. at the Borghetto Lodigiano (Casoni) aqueduct plant.
- The transportation service provided to Pavia Acque S.c.a.r.l. for residual portions of the municipalities of Lacchiarella, Siziano and Chignolo Po.

Special projects

CAP Holding S.p.A., in order to better achieve its corporate purpose, established Neutalia S.r.l. in the summer of 2021, in partnership with the AMGA Group of Legnano and AGESP of Busto Arsizio, and took over 80% of the capital of ZERO C S.p.A.

With regard to NEUTALIA S.r.l., at the time of its establishment on 30 June 2021 (deed drawn up by Notary Pietro Sormani of Milan, vol. 412073, file 94464) the founding shareholders AMGA Legnano S.p.A., CAP Holding S.p.A.,

AGESP S.p.A. and AEMME Linea Ambiente S.r.l., subscribed and paid up the share capital of € 10,000, divided into shares pursuant to Article 2468 of the Italian Civil Code, of which € 3,300 by CAP Holding S.p.A.

Subsequently, on 14 July 2021 (deed drawn up by Notary Stefano Ajello of Milan, volume no. 70827 file no. 15470), the share capital was increased to € 500,000 with a share premium of € 2,500,000.

CAP Holding S.p.A. participated in this transaction by contribution in kind (of a movable asset "turbine unit") of € 546,000 (divided between € 89,478.26 for share capital and € 456,521.74 to the share premium reserve) and in cash of € 440,700 (divided between € 72,221.74 for share capital and € 368,478.26 to the share premium reserve). After these operations, CAP Holding S.p.A.'s stake was 33% of the share capital.

Subsequently, in November 2021 - as per the Plan -, the shareholders granted NEUTALIA S.r.l. a total shareholder loan of € 2,030,000 (of which € 670,000 by CAP Holding S.p.A. on 8 November 2021).

On 2 September 2021, CAP holding S.p.A. signed an "in-house providing contract with Neutalia S.r.l. for the final disposal service of special screened waste from urban wastewater treatment";

In June 2022, NEUTALIA S.r.l. requested a further cash contribution from its shareholders for a total of € 1,500,000, which CAP implemented in July 2022 for its portion of € 495,000.

This capital on hand was also part of the needs relating to the revamping of the thermal treatment plant located in Borsano that has since become its property (first, NEUTALIA S.r.l. rented the relative business unit from ACCAM S.p.A., and then, having acquired 100% of its share capital, incorporated ACCAM itself with a merger deed dated 24 November 2022, under the hand and seal of the notary De Marchi of Milan).

Moreover, on 2 November 2022, the CAP Holding S.p.A., in compliance with the plan, issued a surety for 33% of NEUTALIA S.r.l.'s lending bank, to guarantee a loan for a total principal amount of € 3,000,000.00, granted to the latter, with a 5-year term and expiring in 2027 (repayable in 10 deferred six-monthly instalments).

For NEUTALIA S.r.l., 2023 was the year in which the industrial development plan was approved, postponing the deadline from 2032 to 2047.

With this Plan, the company aims to be a player in the region's green transition.

In particular, with this latter plan, which envisaged capex of approximately € 111 million in the period covered by the plan, NEUTALIA S.r.l. is planning a project financing operation for the construction, at the Borsano waste-to-energy plant in the municipality of Busto Arsizio (VA), of two pre-treatment plants for bulky and unsorted waste at the beginning of the waste-to-energy process and two integrated plants at the end of the process for the recovery of dust and slag from the waste treatment process, as well as the integration of the existing waste-to-energy plant into the local district heating networks and investments to improve the efficiency of the waste-to-energy plant itself and exceptional maintenance work. The plant will also process waste supplied by the shareholders of NEUTALIA S.r.l. According to the Plan's documents, the NPV is estimated at € 16.4 million, with an IRR of just over 13%.

In 2023 - in accordance with the Plan - CAP Holding S.p.A. first transferred an additional € 660,000 to NEUTALIA S.r.l. on 21 June 2023, as a capital contribution, and made a payment of € 330,000 by way of a non-interest-bearing shareholder loan on 2 November 2023, as part of the commitments made to NEUTALIA S.r.l.'s other main shareholders, formalised on 27 July 2023 in a special "development agreement" accompanying a Development Business Plan for the period from 2023 to 2047.

The CAP Group provides various services/secondment for the company NEUTALIA S.r.l. (approximately € 1,176,455 from 2021 to 2023 and approximately 420 thousand in 2024 alone) having waived - together with the other shareholders - the consideration for certain "service" provisions, for the second half of 2022 and 2023 (approx. € 232 thousand), the period in which there was the greatest increase in energy and material costs.

Neutalia S.r.l. has taken the form of a B corp (in accordance with the provisions of Law 208/2015), whose general purpose is to pursue - in addition to the economic objectives proper to a business activity - purposes of common benefit and to operate in a responsible, sustainable and transparent manner. In particular, Neutalia S.r.l. aims to improve the quality of the environment and the territory by helping to reduce the environmental impact of waste and discards in terms of circular economy.

With regard to the company ZeroC S.p.A., in addition to CAP Holding S.p.A., the Municipalities of Sesto San Giovanni, Cormano, Cologno Monzese, Pioltello, Segrate and Cinisello Balsamo are listed as shareholders. The company aims, among other things, to manage the treatment of FORSU for the territory of its members, exploiting the strong synergies that the related facility will have with the thermal treatment of sewage sludge produced by CAP Holding S.p.A.

In particular, on 5 February 2021, 1,584,000 shares of CORE - Consorzio Recupero Energetici - S.p.A. were acquired by Cap Holding S.p.A. Share capital, divided into shares of €1 each, of €2,000,000.00 fully paid up. Companies' Register and Tax Code 85004470150 - VAT No. 02733400960, owned by the municipalities of Sesto San Giovanni, Cologno Monzese, Cormano, Pioltello and Segrate, equal to 79.2%.

On 22 March 2021, CAP Holding S.p.A. acquired a further 16,000 shares in the company CORE S.p.A., owned by the Municipality of Cologno Monzese, equal to 0.80% of the company's capital. Therefore, CAP Holding's stake in CORE totals 80% of the share capital. In May 2021, the company changed its name to ZeroC S.p.A.

In November 2022, the activities related to the verification and commissioning of the plant began, and in March 2023, the plant began treatment activities with the simultaneous start of Forsu deliveries by the Municipalities of Sesto San Giovanni, Segrate and Cinisello Balsamo and, from May 2023, by the Municipality of Pioltello.

In this respect, it should be noted that the Member Municipalities of Sesto San Giovanni, with Municipal Council resolution no. 3 of 24 January 2023, of Pioltello, with Municipal Council resolution no. 4 of 26 January 2023, of Segrate, with Municipal Council resolution no. 1 of 30 January 2023, and of Cinisello Balsamo, with Municipal Council Resolution no. 25 of 22 June 2023, have decided to directly entrust "in house providing" to the company Zeroc for the duration of 14 years the service of "*disposal, treatment and recovery of the organic fraction "FORSU" and related production and sale of biogas and biomethane*" as a service of general economic interest at local level in concession.

In February 2023, the company Montello S.p.A. notified three appeals before the Lombardy Regional Administrative Court - Milan, against the Municipality of Sesto San Giovanni, the Municipality of Segrate and the Municipality of Pioltello, respectively for the annulment, with a request for the prior granting of appropriate precautionary measures, of the resolutions of the Municipal Council with which the above-mentioned Municipalities in January 2023 ordered the direct "in-house providing" assignment to the company ZEROC S.p.a (former CORE S.P.A.) of the service of "disposal, treatment and recovery of the organic fraction "FORSU" and related production and sale of biogas and biomethane".

On 22 March 2023, the date set for the hearing to discuss the suspension, the appellant Montello withdrew the application for precautionary suspension relating to the appeals filed against the Municipality of Sesto San Giovanni and Segrate and the Lombardy Regional Administrative Court set the hearing on the merits for 4 October 2023. On the other hand, the discussion on the request for a precautionary suspension concerning the appeal filed against the municipality of Pioltello was held. On 3 April 2023, the Lombardy Regional Administrative Court published the order by which it rejected the precautionary application made by Montello S.p.A. and set the public hearing on the merits for 4 October 2023.

The Lombardy Regional Administrative Court - Milan, Section I, first of all declared unfounded the first ground of appeal, in so far as it held that the absence of a municipal monopoly precluded the Municipality from taking over the service, on the following grounds "*The fact that the municipal monopoly no longer applies to municipal waste*

recovery activities does not mean that those activities are no longer public services of economic importance. "It must therefore be concluded that the absence of municipal monopoly does not exclude the possibility of the municipality taking over the FORSU collection service from the public sector".

The Regional Administrative Court, on the other hand, upheld the second ground of appeal "(...) in so far as the Municipality did not justify the creation of the local public service for the management of the treatment of the organic fraction of municipal solid waste or FORSU (...) for violations of Article 10 paragraphs 3, 4 and 5 of Italian Legislative Decree 201/22 (which entered into force on 1 January 2023), specifying that the annulment does not extend to the previous deeds in so far as they form part of the autonomous procedures for the management of the network and the establishment of the in-house company (...) The upholding of the second ground of appeal allows the other grounds of appeal to be dismissed on the ground of "logical prejudice".

It should be noted that the whole discussion on whether the FORSU service should be considered as a public service or not was only developed in 2023 and resulted in the Council of State's decision no. 10550/2023, which confirmed the decision of the Lombardy Regional Administrative Court (decision 486/2023) on the "minimum plants" (i.e. cycle closing plants) and therefore accepted the request to cancel the Arera decision 363/2021, which approved the tariff method (Mtr-2) for 2022-2025.

The judgement achieves this by reconstructing the system of management of the waste service, which, in addition to motivating the choice of the Council of State, is useful in defining for the future the limits of the competences of the various actors in the field, i.e. the State, ARERA and the Regions, which are also complicated by an evolving regulatory framework, and is based on a confirmation: "The case law of the Council of State has long held (...) that the regulation of waste falls within (...) the exclusive competence of the State (...), leaving to the Regions the competence to take care of interests that are functionally linked to those of an environmental nature".

It will now be up to the Lombardy region to identify the "minimum plants", i.e. those that are essential for closing the cycle, which will be subject to a regulated tariff system. Only this time, and this is the big news, they will have to do so on the basis of what is set out in Chapter 9 of the National Waste Management Plan, which sets out "criteria and strategic guidelines for the development of regional plans", but which had not yet been adopted when ARERA launched its "gate fee" system in 2021.

Having thus clarified the content of the judgements, it should be noted that the same Regional Administrative Court did not declare the service contracts entered into in the meantime with the contracting municipalities to be null and void, despite the fact that the appellant company had declared in the appeal that it intended to obtain a declaration of nullity of the contract concluded in the meantime.

In the light of the above, the Municipalities concerned by the aforementioned judgements shall adopt all the necessary deeds to comply with these judgements, in particular by providing solid and exhaustive reasons, duly documented, for the establishment of the service of general economic interest at local level concerning the FORSU, pursuant to Article 10, paragraphs 3, 4 and 5, of Italian Legislative Decree no. 201 of 23 December 2022.

In the meantime, in view of the continuing validity of the service contracts entered into, it was ordered, in the public interest, that they be enforced for the time necessary to examine these measures, in accordance with the direction taken by the case-law in cases similar to the one at issue.

For these reasons, no appeal was lodged against the decisions of the Regional Administrative Court.

With regard to the Municipality of Cinisello Balsamo, whose measures taken with Resolution of the Municipal Council no. 25 of 22 June 2023 have not been contested and are therefore final, the service contract was signed between the Municipality of Cinisello Balsamo and ZeroC S.p.A., as the latter has a fully valid and effective assignment.

Summary of the macro-organisational-strategic plan.

In 2013, through a series of extraordinary transactions, an economic entity (the CAP Group) that previously did not exist (2013 was the first consolidated accounting period) took shape.

In 2014, this new economic entity completed the final exit, in terms of equity, but also in terms of social composition, from the Lodi area and received the formal twenty-year assignment ¹⁰ of the integrated water services for the area of the former Province of Milan (provincial capital excluded).

In 2015, it by contrast proceeded with an equity expansion and social enhancement towards the North, by means of the Project for the merger of Idra Milano S.r.l., which had taken root back in 2014.

In 2016 and 2017, the management of the Monza area was settled and rationalised, in agreement with the manager of that area, up to the formal recognition of the CAP Group's role as wholesale service provider for that area until the end of the concession that the CAP Group has for the Metropolitan City area.

At the same time, the rationalisation process in the Pavia area was completed, with a series of contributions between 2016 and 2018, completing the 2008 one, aimed at strengthening the equity of the subsidiary Pavia Acque s.c. a r.l., manager of that area.

Lastly, in 2018, the "out of scope" management for the municipality of Gorla Minore (VA) resigned.

In 2019, the foundations were laid for a solid collaboration with the operator of the Varese province area, which culminated in 2020 with the signing of a network contract with which the parties began working together for the common purpose of improving, in their respective areas, the management of public services for the collection, transportation, distribution, purification for civil uses, sewerage and wastewater treatment, as well as encouraging the implementation of the related organisation policies. In 2021, the network contract allowed ALFA to complete the process to become Integrated Operator of the province of Varese and the CAP Group to share expertise acquired especially in the IT field with the opening of platforms in the form of SaaS. In 2022, an addendum to the network agreement was signed with Alfa S.r.l. for the construction and management of an infrastructure network of sludge bio-drying plants, as shown in the paragraph "Other areas".

Following the year of the Covid-19 pandemic (2020), which the CAP Group nevertheless went through with operational continuity and satisfactory results, 2021, 2022 and 2023 were years of consolidation and development of the business strategies, albeit in a complex and uncertain context, particularly in macroeconomic terms. In 2023, the CAP Group took over the management of the aqueduct in the Municipality of Corsico (about 35 thousand inhabitants).

In 2023, the CAP Group continued its involvement in activities that are not strictly water-related, albeit related, such as the "forsu" project at the symbiosis bio-platform for the optimal use of organic waste" at the Sesto purification plant, through the corporate vehicle ZERO C S.p.A., and synergies with other industrial entities operating in the waste field for the treatment of the screenings produced by purification plants, through the corporate vehicle NEUTALIA S.r.l.

In addition to the "extraordinary" aspects of corporate architecture, scope and governance, the CAP Group continued to focus on internal organisational aspects and the development of investments in water infrastructure.

We will examine some aspects, also useful for analysing the company's policy in risk management.

¹⁰ Partial demerger for the benefit of P.I.L. S.r.l., later merged into SAL Società Acqua Lodigiana S.r.l.

Measurement of company crisis risk

CAP Holding S.p.A. it is not required to apply the provisions of Article 6, paragraph 2 of Italian Legislative Decree 175/2016 as it falls under the hypothesis referred to in article 26, paragraph 5 of this decree.

Internal Control and Risk Management System

The CAP Group has an internal control and risk management system integrated into the organisational, administrative and accounting structure and, more generally, into corporate governance, which ensures compliance with the law and company procedures, the protection of company assets, and contributes to the management of its activities by giving solidity to the accounting and financial data processed, and guarantees the management of risks and the compliance of company operations with regulations.

The Internal Control System has been defined following a number of fundamental principles:

- 1) the dissemination of controls at all levels of the organisational structure in line with the operational responsibilities assigned and, where possible, providing for sufficient separation between the operational and control functions, taking care to avoid situations of conflict of interest in the assignment of responsibilities;
- 2) the sustainability of the controls over time so that their performance is integrated and compatible with the operational requirements.

The structure of the CAP Group's Internal Control System envisages controls at the level of entities that operate transversally with respect to the reference entity (Group/ individual company) and controls at process level.

The Internal Control System is also called upon to:

- adequately identify, gauge and monitor the main risks undertaken in the various operating segments, including those that could generate risks of error, unintentional error or fraud that could have a material impact on the financial statements;
- permit the registration on the operating transactions with a sufficient level of detail and correct allocation with regard to accruals accounting;
- use reliable information systems that can produce reports suitable for the units tasked with the control activities.

With regard to the control functions, the System is divided into several levels. The main ones are:

- **first level controls:** aimed at ensuring the correct performance of the daily operations and the individual activities entrusted to the same production structures (e.g. hierarchical control);
- **second level controls:** entrusted to structures other than the production ones, which have the aim of checking the observance of the limits assigned to the various operating units (e.g. ex ante budget control, including therein the subsequent accounting destinations by the non-operative unit Planning and Management Control Division) and checking the consistency of the operations of the individual production areas (e.g. Quality Management, Environment and Safety Systems unit for the control of the processes and the results. With regard to this specific point, see the dedicated section "Integrated Quality System" in this report) and check the risk appetite (e.g.: Risk Management and Corporate Compliance department);

- **third level controls:** this context in particular includes the Internal Audit unit, aimed at identifying anomalous trends, violations of the procedures and the regulations, as well as assessing the functioning of the overall system of internal controls. With regard to this point, see the section “Internal Audit and checking of the internal control system” in this report.

The Internal Control System also involves:

- The Board of Directors – which is reserved the powers regarding the policies and the internal control of the Company and (with regard to the Board of Directors of the parent company) of the Group (e.g. the power to define the policies of the internal control system, as well as periodically check its suitability and effective operation, making sure that the main company risks are identified and managed adequately and that the controls required for monitoring the performance of the Company trend exist);
- the Internal Audit unit whose head reports hierarchically to the Board of Directors, also responsible for the Prevention of Corruption and Transparency;
- The Risk Management Dept. & Compliance function, whose manager reports hierarchically to the General Manager and plays a leading role in the implementation of the Enterprise Risk Management Model of CAP Holding S.p.A. and its subsidiaries with the cooperation of the Corporate Social Responsibility (CSR) department in the area of ESG risks;
- the Board of Statutory Auditors that oversees (by means of inspection and control activities) the observance of the law, the articles of association and the principles of correct administration and that, specifically, must assess the adequacy of the organisational, administrative and accounting structure and supervise its effective operation;
- The parent company’s Internal Control Committee (coinciding with its Board of Statutory Auditors) that oversees a series of aspects that pertain to the internal and external controls system for bodies of public interest, in particular with regard to: financial disclosure process; efficacy of the internal control, internal audit, if applicable, and risk management systems; external audit of the annual and consolidated accounts; independence of the external auditor or Independent auditors. In order to strengthen the prerogatives of the committee it is also envisaged that the auditor submits a report to this body on key issues emerging during the external audit, especially with regard to the short falls identified in the internal control system, which have an impact on the financial reporting process.
- The Risk Control and Sustainability Work Group (RC&SWG), which is responsible for providing supervisory and investigative support to the Board and, as far as it is concerned, the Chairman and Managing Director of the Company, in making assessments and decisions relating to the internal control and risk management system and sustainability.

Enterprise Risk Management

To support and complement the existing risk management systems, the CAP Group has undertaken since 2020 a process aimed at adopting a structured system for analysing, managing and monitoring risks, which led the Group to implement an "Enterprise Risk Management" model.

This model, which is inspired by national and international best practices, such as the Corporate Governance Code and the CoSO ERM Framework, is aimed at identifying and prioritising the main risks that could compromise the achievement of both the Group's business and sustainability objectives, with the ultimate goal of supporting decision-making processes, creating awareness in the organisation and improving the ability to create value for stakeholders.

Therefore, the Enterprise Risk Management model allows an effective monitoring of the main risks to which the CAP Group, due to the nature of its business and strategies adopted, is potentially exposed and ensures that the Group's risk profile is consistent with the objectives of the Business Plan and the Sustainability Plan.

In order to pursue the outlined objectives, the ERM model is based on an approach that is:

- **Strategic** in that it provides CAP Holding S.p.A.'s Management and Board of Directors (BoD) with relevant information on risk factors related to the Group's strategic objectives;
- **Enterprise-wide** extended to all types of risks potentially significant for the CAP Group, also integrating environmental, social and governance risks;
- **Value-driven**: it focuses on the most significant/identified risk events that are material to the Group, which could impact the company's value drivers, the achievement of strategic objectives and/or the sustainability of the business in the medium to long term.

The benefits expected from the model and that CAP Group intends to pursue are:

- **Awareness** of the risks to which the company is exposed and the overall risk profile;
- **Confidence** in the achievement of set goals and the ability to respond to changes in the context;
- **Consistency** of objectives and strategies with the risk profile assumed;
- **Assumption of responsibility** of players involved in risk management and monitoring;
- **Transparency** in relation to the company's risk profile vis-à-vis the Board of Directors and Management on risk;
- **Integration of** risk culture into business processes.

The operation and governance model of the ERM model.

On 15 October 2020, the Board of Directors of CAP Holding S.p.A. approved the "Enterprise Risk Management" policy, which defines the ERM Governance model of the CAP Group, understood as the roles and responsibilities of the main actors involved in the risk management system, and the Operating Model on an annual basis, taking into account the timing of the main Group Planning and Reporting activities in the ESG area (NFS).

Due to recent organisational and business developments in the company, the ERM Policy was updated in July 2022.

ERM Governance envisages that the ERM function is responsible for supporting corporate structures in identifying and managing company risks through the development of frameworks, methodologies and tools and for ensuring periodic reporting on the development of the risk profile to management, senior management and corporate bodies.

On the other hand, the Management is the primary owner of the identification, assessment and management of risks related to its areas of competence.

The ERM process envisages a six-monthly risk assessment and periodic monitoring involving all corporate structures in order to identify the most relevant risks, related control units and mitigation plans.

The results of the risk assessment and monitoring and the related mitigation actions are presented to the Management Committee and the Risk and Sustainability Work Group with which the risk profile and intervention priorities are discussed, as well as with the Board of Directors, which plays a steering and supervisory role.

In this context, the ERM unit also carries out awareness-raising and training activities for directors on the methods applied and evolutions of the CAP Group's ERM model.

The results are also shared with the Internal Audit Office, which uses them in the preparation of audit plans, and with the QAS Office. Moreover, the results are also shared with the CSR Unit to complement planning and in defining strategies for managing ESG issues.

A characteristic element of the CAP Group's ERM Model is the assessment of the impact of each risk event on two macro-categories of impact: on the CAP Group and on the environment and society.

The risks identified through the ERM process are classified into financial, operational, strategic and legal & compliance. Among these risks, risks related to ESG issues are also identified.

Strategic	An ineffective implementation of strategic initiatives could jeopardise the achievement of the set goals. These risks arise for both short-term and long-term initiatives, as well as for development and investment activities.
Financial	Risks related to capital availability, credit and liquidity management, and/or related to the volatility of key market variables (interest rates, commodity prices, etc.).
Operative	The CAP Group is exposed to the risk of plant downtime or critical maintenance management issues. Moreover, it also includes risks related to the conduct of business activities with negative consequences on the Group's performance and operations
Legal&Compliance	Risks related to the management of legal and contractual aspects and compliance with internal regulations, regulatory frameworks and/or laws and regulations applicable to the Group.

Integrated Quality Management System.

The CAP Group adopted an Integrated Policy, updated in January 2024, in line with its vision, mission and ethical commitment; this is implemented through an Integrated management System certified by an independent third party, in order to achieve the strategic objectives and implement the Policy itself.

In 2023, the CAP Group confirmed its focus on maintaining the certifications already achieved in the past, i.e. ISO 9001, ISO 14001, ISO 45001, ISO 50001, ISO 22000, ISO 17025 and SA 8000, as well as the Carbon Footprint for the year 2022 in relation to the emissions of the Group companies.

The new certification for circular economy projects according to AFNOR XPX30-901 was also confirmed.

The commitment made by Top Management to improve quality standards to satisfy the expectations of Customers and stakeholders in general, with a view to continuous improvement, was strengthened.

The CAP Group's commitment and work continues, therefore, in the adoption and development of an Integrated Management System, which combines the various reference standards.

Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001

The companies of the CAP Group operate on the basis of a Corporate Management System, which consists of an Organisational System and a Regulatory System that define roles, responsibilities, powers and rules of behaviour to be followed in running the company business.

Both Group companies have an Ethical Commitment and the Organisation, management and control model pursuant to Italian Legislative Decree No. 231/2001, adapted to Italian Law No. 190/2012 "Provisions for the prevention and repression of corruption and illegality within general Government Bodies".

The aforementioned documents have been updated also in 2023 to acknowledge the legislative amendments introduced by the legislator as well as organisational and business innovations and were reviewed with the aim of harmonising at Group level the processes and procedures, while respecting the autonomy of the two companies.

The CAP Group has kept the Catalogue of offences enclosed with the Organisation, Management and Control Model updated to the new types of offences applicable

In January 2023, the Board of Directors approved the update of the CAP Group's Ethical Commitment to make it more user-friendly and in line with the new company. In particular, with a view to simplification, a single document was prepared for both CAP Group companies (Cap Holding S.p.A. and Cap Evolution S.r.l.). The Code of Ethics consists of three documents: "Code of Ethics of the CAP Group", "Code of Conduct for Suppliers" and "Anti-Corruption Policy".

During the year, the Ethical Commitment was also updated to include the new features introduced by the Diversity, Fairness, Inclusion and Equal Opportunities Policy adopted by the CAP Group, as well as the new features introduced regarding internal whistle-blowing with the new IT platform dedicated to whistle-blowing reports.

The "*Anti-Corruption Policy*" completes the framework for the prevention of offences provided for by Italian Legislative Decree 231/01 and Italian Law 190/2012 by defining the values, principles and responsibilities in the fight against corruption.

The framework of the Anti-corruption policy is completed by the UNI ISO 37001:2016 management system, an international standard adopted by the parent company as the first integrated water service company and aimed at preventing, identifying and responding to corrupt phenomena.

In 2021, the CAP Group adopted the "Tax Strategy of the CAP Group" was approved as a document in which the CAP Group defines the objectives and principles adopted in the management of taxation - both its own and that of Group companies - and outlines the main guidelines for applying these principles and ensuring uniform tax management. The tax strategy is part of the broader design of the Internal Control and Risk Management System adopted by the CAP Group.

Organisational Model consistent with the prevention of corruption (Italian Law No. 190/2012)

On 23 June 2014, each management body of the two companies of the Group approved the "Three-year corruption prevention plan", pursuant to Italian Law No. 190/2012, and the "Three-year programme for transparency and integrity", pursuant to Italian Legislative Decree No. 33/2013.

According to the indications formulated by ANAC in the 2022 National Anti-Corruption Plan, as well as in the 2023 Update to the NAP, the Boards of Directors of both companies, in the sessions held on 25 January 2024 and 30 January 2024, approved the update of the Three-year corruption prevention and transparency plans - years for the period from 2024 to 2026.

The PTPCT is the tool through which the CAP Group plans actions and measures to prevent corruption and organises internal activities to implement transparency regulations.

In coordination with the Ethical Commitment and Anti-Corruption Policy, the Plan confirms the CAP Group's commitment to promoting ethical and responsible business conduct, in full compliance with applicable laws, regulations, standards and guidelines.

On 21 January 2015, the Italian Antitrust Authority (AGCM) assigned the legality rating pursuant to Italian Decree Law No. 1/2012, converted into Italian Law No. 62/2012 to CAP Holding S.p.A., with the acknowledgement of a maximum score of 3 "stars".

On 14 March 2023, the Company obtained from the AGCM the renewal of the legality rating confirming the maximum score of three stars, with a duration of two years. The rating is a tool that recognises rewards to companies that operate according to the principles of legality, transparency and social responsibility.

CAP Holding S.p.A. is registered on the WebRating platform activated by the AGCM, which is now the only tool for obtaining or renewing the Rating and for notifying the Authority of any changes to the data contained in its Chamber of Commerce certificates and of any event affecting its possession of the requirements.

Compliance with transparency requirements

The CAP Group considers transparency to be a fundamental instrument for the prevention of corruption and for the efficiency/effectiveness of the administrative action.

In line with the principle of administrative transparency, the CAP Group has equipped itself with an internal policy aimed at characterising each administrative procedure according to transparency and accessibility criteria.

According to Article 9 of Italian Legislative Decree no. 33/2013, a special section called "Transparent Company" has been set up on the website of the CAP Group, in which all data and information concerning the organisation, activities, planning of the measures and methods for achieving the measures of the 190 Transparency Plan, as set out in Italian Legislative Decree no. 33/2013, Law no. 190/2012 and the National Anti-Corruption Plan, are published.

The CAP Group is aware that transparency is an essential corruption prevention measure and a strategic objective that must be translated into organisational and individual objectives and, for this reason, it has adopted specific procedural rules based on making offices responsible for active participation under the coordination of the Head of Corruption Prevention and Transparency.

In 2023, the quantity and quality of public data that can be consulted and downloaded from the CAP Group portal were increased.

The CAP Group developed a functional logic of correlated databases in order to allow an efficient service and a simple publication and/or disclosure of information. This also facilitates the active role of citizens in the production, modification, updating and exchange of information.

Also through the exchange and sharing of data between the CAP Group and the PA (Lombardy Region, Metropolitan City of Milan, Municipalities), information relating to the Group's activities is fully accessible to citizens.

The Three-year corruption prevention and transparency plan of CAP Holding S.p.A. and CAP Evolution S.r.l. is published in the "Transparent company" section of the corporate website.

Internal Audit and checking of the internal control system

CAP Holding S.p.A. and its subsidiary company CAP Evolution S.r.l. have had a Group Internal Auditing Unit (hereinafter also "IA").

The Internal Auditing Unit supports the other players (Board of Directors, Top management) in the fulfilment of their duties with regard to internal control and has the task of assessing the adequacy and efficacy of the entire Internal Control System with reasonable certainty. Internal Auditing is an independent and objective activity for assurance and consulting aimed at assessing the completeness, adequacy and reliability in terms of efficiency and efficacy of the internal control system as well as identifying misalignments and/or violations of the procedures and the standards applicable to the CAP Group.

The Head of the IA Unit reports hierarchically to the Board of Directors, is not responsible for any operations area and has been appointed as Individual responsible for Corruption prevention and Transparency. The Board of Directors of each Group company approves, annually, the Audit Plan drawn up by the Head of the Internal Auditing Unit.

The Board of Directors may request the Head of Internal Auditing to carry out checks on specific operating areas and on the observance of the internal procedures and rules in the carrying-out of business transactions.

The Head of IA organises regular meetings with the control bodies for the purpose of establishing a reciprocal exchange of information with the Board of Statutory Auditors, the Supervisory Body and the Independent auditors

of the CAP Group companies reporting on the activities carried out and on the suitability of the internal control system. The objective of the meeting is to obtain disclosure on the planning of the assurance measures of the various bodies for the purpose of avoiding overlapping, duplication of activities and maximising possible synergies.

Internal regulations to ensure compliance with regulations protecting competition.

The CAP Group applies, among other things, the principles of the EU Treaty for the protection of competition and industry regulations in the management of tender contracts.

The CAP Group, with its own regulations, guarantees the quality of its services in accordance with the arm's length principles, cost-effectiveness, efficiency, impartiality, equal treatment, transparency, proportionality, publicity and non-discrimination. The criteria for participation in the assignment procedures are such as to ensure that micro, small and medium-sized enterprises are not excluded and have an effective opportunity to participate.

The Regulations of public works, service and supply contracts in the special sectors and the Regulations on the Qualification System are published on the website www.gruppocap.it.

No internal regulations for the protection of industrial or intellectual property (e.g. rights to inventions, industrial patents) are currently applicable.

Environmental risks.

As mentioned above, the CAP Group operates in a typically capital-intensive sector where the technical and pricing life of fixed assets is particularly long. This raises the issue of possible changes in the medium to long term of interest to the company. It is now generally recognised that we are in the midst of climate change¹¹ and that infrastructures must be designed, built and maintained taking into account the potential impacts that a change in the weather system may have on their operation.

The "physical risks" that can arise directly from climate change can be "acute" or "chronic". The former can be traced to those related to extreme weather events and the latter to longer-term changes in climate scenarios.

The latter, insofar as they are "chronic" (a more frequent manifestation of extreme events) and therefore tend to be structural, have been considered in the design of the works already carried out and in the CAP Group's Sustainability Plan and must be taken into account in the company's planning as well as, obviously, in that of the Area Plan.

In addition to direct risks, there are also some indirect risks (or transition risks) such as amendments to regulations (ref. Regional Regulation 06/2019), public policies, technological changes, changes in customer focus, induced by climate change.

The above prompts the CAP Group to take into account, both by means of instruments to hedge the risk of liabilities that may arise as a result of acute physical events (insurance coverage for compensation for damages, for example, due to flooding and spillage of the managed sewerage networks; the inclusion of environmental issues related to the multiplicity of services provided by the CAP Group in the Organisation and Management Model pursuant to Italian Legislative Decree no. 231/01, in the E.R.M.) and by means of a careful assessment in the planning of operating and investment activities of chronic risks (e.g.: hydraulic invariance, management of mixed networks, flyovers, etc.), as far as they may be required of the water services operator (but see also below).

From an economic point of view, the fact that the CAP Group operates in a regulated sector and that at the end of its concession the economic value (terminal value) of the infrastructures built in the course of its operation is indemnified and therefore removed from the future risk of fluctuations in demand, partly reassures the impact of climate risks.

¹¹ "The world is already 1.1°C warmer than at the dawn of the industrial revolution, with a significant impact on the planet and on people's lives". Cop25: the UN Climate Change Conference, 5 things to know (<https://unric.org/it/cop25-la-conferenza-onu-sul-cambiamento-climatico-5-cose-da-sapere/>)

However, it is important for the CAP Group that, as a public company seeking to be present in its area even after the concession has come to an end, the classic technical and industrial planning approach (capturing the resource, transporting it efficiently and economically, etc.) is immediately integrated with the more typical approaches of sustainability plans (assumptions about quantity, changes in demand and availability of supply in the long term), as the best preventive tool that the CAP Group has for managing the risks of long-term climate change. Long-term economic and financial forecasts also tend to be more reliable, partly thanks to the adopted risk management approach.

Regarding transition risks, it is possible that climate change, together with the weakness of Italian public finance, will push public authorities in the future to try to bring rainwater management closer to that of the integrated water service, just as has happened with regard to the CAP Group as from 2021 (ref. Note prot. no. 1641 of 10/0272020 ATO Metropolitan City of Milan). This implied for the operator a push to increase its knowledge of the served territory, not only limited to the aspect of the water infrastructure directly managed, but also of those indirectly connected. This approach was also confirmed by the publications of ARERA Resolutions 2023 on technical quality: in fact, with Resolution 637/2023/R/idr, ARERA intervened in the regulation of the technical quality of the integrated water service (RQTI), with some highly topical elements such as:

1. A new macro-indicator (M0-water resilience) to measure operators' actions to mitigate the effects of climate change and their ability to respond to the needs of the areas they serve.
2. A new approach to rainwater management.

Therefore, the CAP Group confirms the commitment to closely monitor the issue of climate change and its developments at EU and international level (COPs - Conference of the Parties and European legislation).

The environmental risk is also taken into account in all activities to promote the circular economy - in compliance with both the guidelines of the Sustainability Plan and with the Kyoto Project approved by the Shareholders' Meeting in 2019, which allocated approximately € 34 million to promote activities closely related to the water service but, in fact, operating in related sectors (such as waste management, etc.).

In particular - as in the procedure started for the construction of the Bio-Platform in Sesto San Giovanni - even in minor projects, compliance with specific legal procedures (AUA, AIA, etc.) requires the Operator to carry out a thorough analysis of the impact of its activities on the environment.

In terms of new project development - in accordance with the ERM model - specific environmental due diligence is activated, as far as applicable.

Finally, the CAP Group closely monitors the issue of climate change and its developments at EU and international level (COPs - Conference of the Parties and European legislation).

Security risks to corporate systems and data.

The CAP Group adopted a risk assessment document specifically related to Information Technology (IT risks and the processes governing their activities). The CAP Group adopted rules to ensure compliance with the company's standards and procedures on *Information Technology*.

In particular, an assessment of the ISMS (*Information Security Management System*) was carried out in 2023 to identify areas for improvement based on the ISO27001:2022 information security standard.

In detail, the following risks with their risk mitigation and cancellation procedures were identified within the risk management process:

1. Cyber attack resulting in the blocking of ERP and/or Internet portals (e.g. supplier portal) for 2/3 weeks and subsequent:
 - inability to access administrative and management data (e.g. registration/payment of invoices, taxes) by the CAP Group persons and/or internet portals by suppliers and/or users;
 - theft of sensitive data (e.g. user/supplier data);

- theft of credentials with an impact on both the Group's operations and reputation in the medium-short term.

This operational block could also result in economic losses.

Any penalties for the theft of sensitive data would be proportionate to the extent of the damage and the mitigation measures implemented by the company.

2. Cyber attack on remote infrastructure control systems, resulting in partial visibility of the operation and security of purification and drinking water supply plants, resulting in disruption of the provision of water services.

The current geopolitical situation of the Russian-Ukrainian and Israeli-Palestinian conflicts, which increases the risk of cyber-attacks, also affects the probability assessment.

3. Temporary unavailability of Data centres with an operational block of internal business processes of one week depending on the type of physical damage to the hardware and procurement time.

A number of actions have been taken to comprehensively mitigate the above risk, the main ones being :

- Disaster recovery system to mitigate cryptolocker attacks (blocking of data and ransom demand to restore them);
- Cover through Cyber Policy with adequate coverage for damages to third parties due to data loss and/or business interruption damages;
- Crisis Communication Management programme to deliver targeted and timely communications;
- Increase in permanent monitoring systems for safety parameters, upgrading of firewall devices and security appliances for both IT and OT (Operational Technology) infrastructure;
- Upgrading of monitoring systems for email protection;
- Training to raise personnel awareness.
- Specific OT safety training according to IEC62443;
- Drinking water purification and supply systems can also be manually activated to restore the service.

Economic performance

The consolidated financial statements of the CAP Group, accompanied by this report, illustrate the accounting data relating to financial year 2023 and that of the financial statements as at 31 December 2022, presented on the basis of the application of the International Financial Reporting Standards (IFRS) adopted by the European Union.¹²

¹² The adoption of the IAS/IFRS accounting standards was approved by the Board of Directors of CAP Holding S.p.A. at the meeting of 26 June 2017 (as regards the suspensive condition, then occurred on 2 August 2017, of the actual admission to negotiations on the Main Securities Market of the Irish Stock Exchange of a bond of € 40 million issued by CAP Holding S.p.A.)

(values in units of €)

Statement of comprehensive income	Notes	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Revenues	8.1	268,008,827	281,622,670	(13,613,843)	-5%
Increases for internal work	8.2	2,328,071	3,846,369	(1,518,298)	-39%
Revenues for work on assets under concession	8.3	98,521,965	114,232,631	(15,710,665)	-14%
Other revenues and income	8.4	44,665,143	33,033,651	11,631,492	35%
Total revenues and other income		413,524,007	432,735,320	(19,211,314)	-4%
Costs for raw materials, consumables and goods	8.5	(15,077,753)	(15,917,845)	840,092	-5%
Costs for services	8.6	(165,056,197)	(196,155,816)	31,099,620	-16%
Costs for work on assets under concession	8.7	(61,838,915)	(65,573,721)	3,734,807	-6%
Personnel costs	8.8	(53,749,931)	(51,413,091)	(2,336,840)	5%
Amortisation, depreciation, provisions and write-downs	8.9	(85,320,925)	(81,896,132)	(3,424,793)	4.2%
Other operating costs	8.10	(9,813,782)	(14,693,359)	4,879,577	-33%
Non-recurring operations	8.11	0	0	0	0%
Total costs		(390,857,502)	(425,649,965)	34,792,463	-8%
Operating result		22,666,504	7,085,355	15,581,149	220%
Financial income	8.12	3,434,521	2,978,189	456,333	15%
Financial expense	8.12	(9,647,496)	(5,909,153)	(3,738,343)	63%
Result before taxes		16,453,529	4,154,391	12,299,139	296%
Taxes	8.13	(3,968,415)	1,570,250	(5,538,665)	-353%
Profit (loss) from assets held for sale or disposed of	8.14	0	0	0	0%
Net result for the year (A)		12,485,115	5,724,641	6,760,474	118%

The table shows a net operating result that represents around 5.5% of total revenues of the CAP group (up from € 7,085,355 in the previous year) and a partial increase in margins by the financial area.

Total revenues for 2023 decreased with respect to those of the previous financial year (-4%) mainly due, in particular, to the decrease in Revenues and Revenues for works on assets under concession.

On the other hand, the total costs for 2023 varied by -8% compared to 2022, mainly due to differences in the specific components of Costs for services, Costs for work on assets under concession and Other operating costs.

Total Revenues of the Group.

Total Revenues of the CAP Group in 2023 were:

(Values in units of €)

Revenues and other income	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Revenues	268,008,827	281,622,670	(13,613,843)	-4.8%
Increases for internal work	2,328,071	3,846,369	(1,518,298)	-39.5%
Revenues for work on assets under concession	98,521,965	114,232,631	(15,710,665)	-13.8%
Other revenues and income	44,665,143	33,033,651	11,631,492	35.2%
Total revenues and other income	413,524,007	432,735,320	(19,211,314)	-4.4%

Some details follow.

The Revenues

These are mainly made up of revenues for Integrated Water Service tariffs.

Their amount (€ 268,008,827) changed by -4.8% compared to that of 2022 Restated (€ 281,622,670) as a result of the decrease in revenues of the Integrated Water Service due to negative adjustments by the VRG in the tariffs of production customers, wholesaler tariff revenues and contingent assets by tariffs.

In particular, for the areas of the Metropolitan City of Milan and the other areas where it operates as a wholesaler, the 2023-2023 tariff multiplier updates already provisionally approved in 2020 were approved in 2022.

With regard to the **Manager Tariff of CAP Holding S.p.A. in the area of the Milan Metropolitan City**, on 3 October 2022, the Conference of Municipalities of the same ATO approved the tariff update proposal, which was followed on 22 November 2022 by the approval by ARERA with Resolution 612/2022/R/IDR.

The tariff multiplier ϑ approved for 2023 is **1.153** (on a 1.000 basis in 2019). In order to keep the tariff increase within the limits of the applicable regulatory scheme, adjustments amounting to **€ 9,819,922** were deferred to annual instalments after 2023. The Authority, pending open disputes concerning the tariff calculation rules for 2012 and 2013, temporarily suspended the approval of further adjustments of approximately € 2.5 million.

With regard to the **Wholesaler Tariffs applied by CAP Holding S.p.A. for services rendered in the ATO of the Province of Monza-Brianza**, on 4 October 2022, the Conference of Municipalities of the same ATO approved the tariff update proposal, which was followed on 20 December 2022 by the approval by ARERA with Resolution 709/2022/R/IDR.

For the **Aqueduct Wholesaler** service, the tariff multiplier ϑ approved for 2023 is **1.320** (on a 1.000 basis in 2019). In order to keep the tariff increase within the limits of the applicable regulatory scheme, adjustments amounting to **€ 6,175,671** were deferred to annual instalments after 2023.

For the **Purification Wholesaler** service, the tariff multiplier ϑ approved for 2023 is **1.166** (on a 1.000 basis in 2019).

Returning to the Tariff Method, it should be noted that Article 2.1 letter e) of resolution no. 639/2023/R/IDR of 28 December 2023 (MTI -4) establishes that, for tariff purposes, the adjustments required to cover the approved costs relating to previous years (known as "regulatory adjustments") are defined as one of the cost components of the service.

These adjustments contribute to the determination of the *theta* tariff multiplier (ϑ) to be applied to the tariffs of year $n+2$ in respect of the accrual of the adjustments themselves, in the manner provided for in Article 28 of Annexe A to the abovementioned resolution.

The components considered in the mechanism of the regulatory adjustments include that on "invoiced volumes" Rc_{vol}^a .

The regulatory model determines the commitment to the revenues of the operator (VRG) for year "a" basing the entire forecast on the amount of the volumes of water sold up to year "a-2" or rather two years prior to the determination of the tariff. The "volumes" adjustment (which will be in the VRG for year $a+2$) originates precisely from that portion of revenues not collected, or collected in excess, due to the change in resource demand.

Article 28 of Annexe A to MTI-4 identifies other "exogenous" cost items to be recovered, in particular mention is made of those of greater interest:

- Rc_{EE}^a defined as the deviation between the component covering the electricity costs envisaged in the VRG and that effectively due.
- Rc_{Altro}^a component within which there are items such as the contribution paid to ARERA, the local charges which include taxes and duties paid to local authorities.
- Rc_{ws}^a component within which there is a recovery of the difference between the component covering the wholesale costs of the second previous year ($a-2$) and the costs actually due.

The mechanism described above replicates that already contemplated in previous Tariff Methods, creating a *continuum* of tariff logic over time.

The matters stated already provide initial evidence that the portion of the future 2025 VRG will be designated to adjust costs incurred and not covered by the tariff, or to recover the differential on revenues earned as a result of "volumes", relating to 2023.

The conclusion of the aforementioned is that the ARERA's tariff method is based on a "guaranteed revenue" approach, defined at the time of approving the tariff and function of various elements of economic cost (operational and capital). Even if with a certain simplification it can be said that a part of the guaranteed revenues for 2023, which was not requested to be billed to users in the year 2023, or was requested in excess of the expected amount, can be recovered or returned with the tariffs of 2025.

Compared to the "normal" scheme described above, the update of the exogenous cost of electricity is introduced by Resolution 639/2021/R/idr of 30 December 2021, followed by the subsequent Resolution 139/2022/R/idr and finally by Resolution 229/2022/R/idr of 24 May 2022. CAP Holding S.p.A. filed an application to advance the recognition already in the 2022 tariff of part of the budgeted cost of electricity for that year.

In the Operator Tariff for the ATO of the Metropolitan City of Milan, € 2.6 million was requested and included in the 2022 tariff and € 2.5 million in the 2023 tariff. In practice, this cost component had no impact on the tariffs applied to users, as the operator, in order to keep the tariff increase within the limits set by the regulatory scheme, postponed the adjustments and shifted a large part of them beyond 2023. These amounts are therefore likely to be invoiced to users in the next regulatory period.

Similarly, € 0.3 million was included in the tariff for each of the years 2022-2023 also for the Purification Wholesaler Tariff for the ATO of the Province of Monza Brianza. In this case, the maximum recognisable amount, which contributes to the tariff increase already applied during the two-year period 2022-2023, was used.

As mentioned above, the sharp increase and volatility in electricity prices resulted in the CAP Group being supplied at a cost of €/kWh above the average cost for the sector. This resulted in lower electricity costs being included in the tariff of approximately € 12 million in 2022 and € 4 million in 2023.

With regard to the 2022 shortfall, as allowed by the new MTI-4 tariff method (art. 28.1 letter f) of Annexe A to resolution 639/2023/R/idr), the CAP Group will request the full recognition of these costs in the tariff preparation for the 2024-2029 period.

With regard to the 2023 shortfall, there are currently no regulatory instruments envisaged by ARERA to require full coverage of the electricity costs for that year.

In both cases, should these costs be recovered, they will be recognised as income in the years in which they are incurred.

See also the previous paragraph "Operating Performance in 2023, the tariff aspect of the service".

The value of the tariff portions, operator and wholesaler, belonging to the CAP group amounted to a total of € 262,348,745 (€ 276,214,882 in 2022).

The comparison of the revenue for the year 2023 with that of 2022 shows a change in the revenue from tariffs of € 13,866,137, equal to -5%, mainly as a result of the above.

Following is a table showing revenues from tariff by Province, Wholesale revenues and the contingent assets of the item Revenues of the income statement.

(values in units of €)

Tariff revenues	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Tariff revenues				
Province of Milan	243,986,947	252,661,034	(8,674,087)	-3.4%
City of Milan	3,078,487	2,759,872	318,616	11.5%
Province of Lodi	550,047	696,447	(146,400)	-21.0%
Province of Como	251,204	242,015	9,189	3.8%
Total Tariff Revenues	247,866,685	256,359,368	(8,492,683)	-3.3%
Wholesaler revenues				
Province of Monza and Brianza	14,199,845	15,575,824	(1,375,979)	-8.8%
Total Wholesaler Revenues	14,199,845	15,575,824	(1,375,979)	-8.8%
Contingencies				
Contingent assets by tariff	282,215	4,279,690	(3,997,475)	-93.4%
Total Tariff Revenues	262,348,745	276,214,882	(13,866,137)	-5.0%

Moreover, please note, as shown in the table below for the Pavia area, the additional revenues for services rendered for the carrying-out of technical activities pertaining to the running and ordinary maintenance of the works of the IWS for part of the territory of Pavia carried out in favour of the operator of that area.

(values in units of €)

Revenues for industrial services to other operators	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Province of Pavia	4,112,129	4,496,657	(384,528)	-8.55%
Total Revenues for industrial services to other operators	4,112,129	4,496,657	(384,528)	-8.55%

Revenues for work on assets under concession

Revenues for work on assets under concession amounted to € 98,521,965 for financial year ended 31 December 2023. Revenues in 2022 amounted to € 114,232,631 for financial year ended 31 December 2022. Revenues in 2021 amounted to € 110,811,283 (in 2020 they were € 88,134,590). These revenues correspond, in accordance with IFRIC 12, to the work carried out on the assets under concession owned and used by the Group for its core activities.

Other revenues and income

Other revenues and income for financial year ended 31 December 2023 amounted to € 44,665,143. In 2022, they amounted to € 33,033,651. The main components include:

- Other contingent assets/liabilities of € 5,741,606 ,consisting mainly of the refund from A2A Energia S.p.A. of the 2010-2011 provincial excise tax surcharge due to judgement 12960/2021 of € 3,258,745, adjustment of the bad debt provision from civil and productive users of € 446,681, settlement of the 2022 result bonus of € 495,264, collection of reimbursements on closed user accounts and unallocated receipts of € 215,144 thousand, reversal of barred receivables of € 138,258 thousand, release of Foni for grant association of € 171,356, non-existent assets for lower sundry costs from previous years of € 827,803.
- Other revenues and income of € 22,835,262, consisting mainly of: the design, management and execution of works mainly for Municipalities, ATO of the Milan Metropolitan City and Alfa S.r.l. (e 8,442,664); fees accrued to Cassa Servizi Energetici e Ambientali (€ 7,874,425 euro) for the application of the incentive mechanism on bonuses and penalties activated by ARERA, to ALFA s.r.l. (€ 2,459,902) for the provision of IT services, for works in the Municipality of Brebbia, for information Technology services and services for the updating and development of the Gis/Webgis software, etc.; to Brianzacque S.r.l. (€ 798,430) for services in the field of information technologies and in the field of cartography and hydraulic modelling services, etc; to Lario Reti holding s.p.A. (€ 395,260) for information technology services and services for

the updating and development of the Gis/Webgis software; to NEUTALIA S.r.l. (€ 249,595) for corporate performance and activities to implement an internal control system, etc.; to the Metropolitan City of Milan (€ 375,568) for interference resolution work; to Green Fuel Company (€ 259,615) for sale of biomethane produced at the Bresso/Niguarda plant;

- Adjustments decreasing provisions for future expenses and risks of € 2,493,098;
- reimbursement for personnel seconded to companies of € 1,148,703;
- penalties to users for fire hydrants and to suppliers of € 940,775;
- operating grants of € 5,902,022 and consist mainly of tax credits for expenses incurred for the energy component for non-energy-intensive enterprises totalling € 4,256,481 of which € 3,159,156 for the first quarter of 2023 and € 1,097,325 for the second quarter of 2023 envisaged by Italian Law no. 50 of 17 May 2022 ("Aiuti" Decree) as amended.

Of the aforementioned adjustment decreasing provisions:

- € 350,000 relate to the adjustment of the provision for "sundry charges" due to the expiry of the TOSAP/COSAP assessment terms for 2017;
- € 1,623,427 relate to the adjustment of the fund for "pending litigations";
- € 519,671 are related to the partial excess of the fund for "amicable settlements" formed until 2016 pursuant to Article 12 of Italian Presidential Decree no. 207 of 5 October 2010. The unused portion of the fund is in fact released as the scheduled works of the investment programme for which the sums set aside, are completed.

The total costs of the CAP Group

It should be noted that, as permitted by IAS No. 1 (Presentation of the financial statements), the CAP Group presents an income statement that displays the cost analysis through a classification based on their nature.

In 2023, the CAP Group recorded total costs for € 390,857,502, down compared to 2022 (€ 425,649,965).

There are some details in the following table:

(values in units of €)

Total costs	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Costs for raw materials, consumables and goods	15,077,753	15,917,845	(840,092)	-5.3%
Costs for services	165,056,197	196,155,816	(31,099,620)	-15.9%
Costs for work on assets under concession	61,838,915	65,573,721	(3,734,807)	-5.7%
Personnel costs	53,749,931	51,413,091	2,336,840	4.5%
Amortisation, depreciation, provisions and write-downs	85,320,925	81,896,132	3,424,793	4.2%
Other operating costs	9,813,782	14,693,359	(4,879,577)	-33.2%
Total costs	390,857,502	425,649,965	(34,792,463)	-8.2%

This is mainly due to the decrease in costs for services, costs for work on assets under concession and Other operating costs.

Costs for raw materials, consumables and goods.

This item mainly includes the costs for the purchase of consumables and maintenance of the Integrated Water Service (€ 15,077,753 in 2023 against € 15,917,845 in 2022).

Costs for services

Costs for services in 2023 amounted to € 165,056,197 compared with € 196,155,816 in 2022.

The main items include: electricity, ordinary maintenance and sludge disposal which therefore merit particular mention.

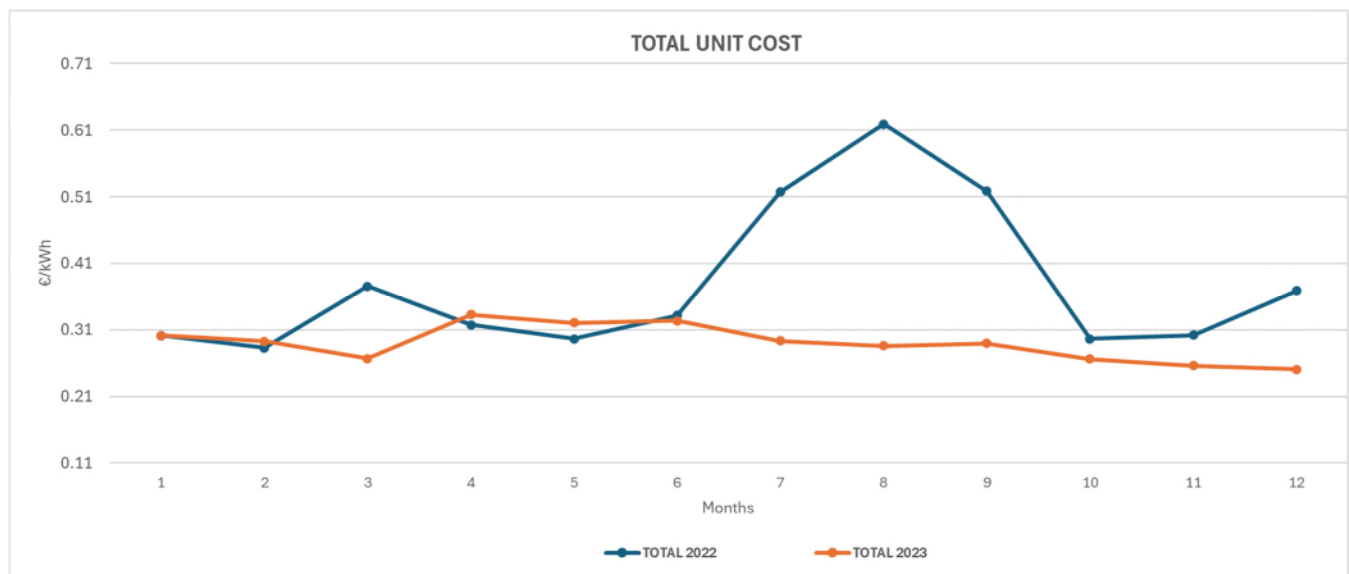
The cost of electricity related to plants came to € 52,733,541, down by 25% compared to 2022 (€ 69.9 million). In 2021, this expense amounted to € 29.2 million; in 2020 to € 29.8 million; in 2019 to € 31.3 million; in 2018, to € 26.9 million; in 2017 to € 29.4 million, in 2016 to € 32.0 million.

In addition to the cost of electricity for plants in 2023, there is a cost of electricity for company premises of € 1,091,458 million (€ 1.522 million in 2022).

Electricity

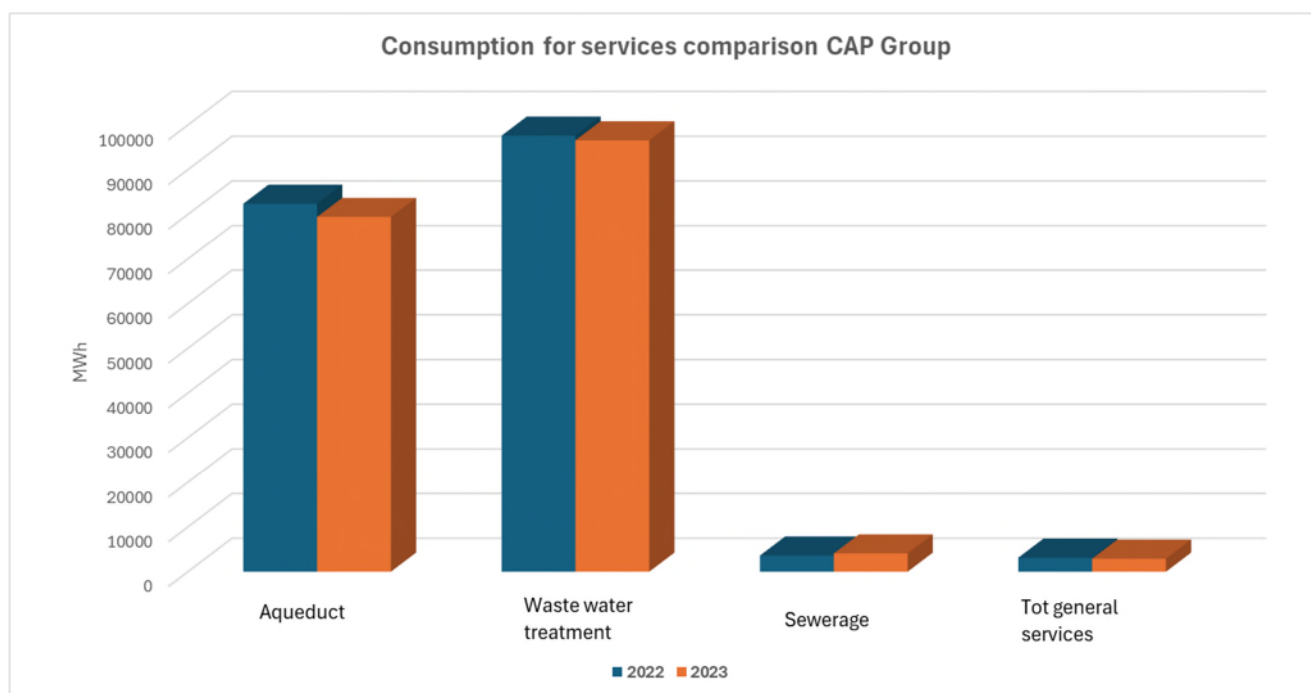
The electricity market in 2023 was characterised by a gradual reduction in prices compared to 2022.

In 2023, energy supply continued under a Portfolio Management contract with partial price fixing in 2022, aimed at reducing the risks of potential price increases.



In quantitative terms, overall energy consumption was 2.01 % lower than in the previous year.

The reduction in consumption is mainly due to energy efficiency measures, increased production from renewable sources and efficiency improvements in the aqueduct sector, which have led to a significant reduction in water losses.



Concerning the adjustments of the component Rc_{EE}^a , please refer to the paragraph "tariff aspects of the service" above.

Maintenance and sludge

We then witnessed in 2023:

- ordinary maintenance costs of € 14,771,100 changed by -12% from the previous year (€ 16,828,368 in 2022, € 15,466,507 in 2021, € 16,814,755 in 2020, € 13,629,848 in 2019, € 13,248,041 in 2018 compared to € 10,358,341 in 2017);
- cost of sludge disposal of approximately € 11,502,099 (inclusive of all roll-up waste disposal costs 1035) changed by -10% compared to the previous year (€ 12,786,329 was spent in 2022; € 11,991,995 in 2021; € 10,353,709 in 2020; € 10,087,865 in 2019; € 8,536,854 in 2018).

It should be noted that already in 2019 and even more so in 2020, 2021, 2022 and 2023, there has been substantial stability in the regulatory framework of reference, which has allowed a containment of the increase in the costs of awarding new tenders, as shown, for example, in the tender for the disposal of sludge in agriculture made on the perimeter of the Water Alliance, which has led to a general homogenisation of the unit costs incurred by the various operators, allowing significant savings, on the WA perimeter, compared to previous contracts. However, there is a trend of increasing €/tonne costs for the different destinations related to the overall general increase in market prices.

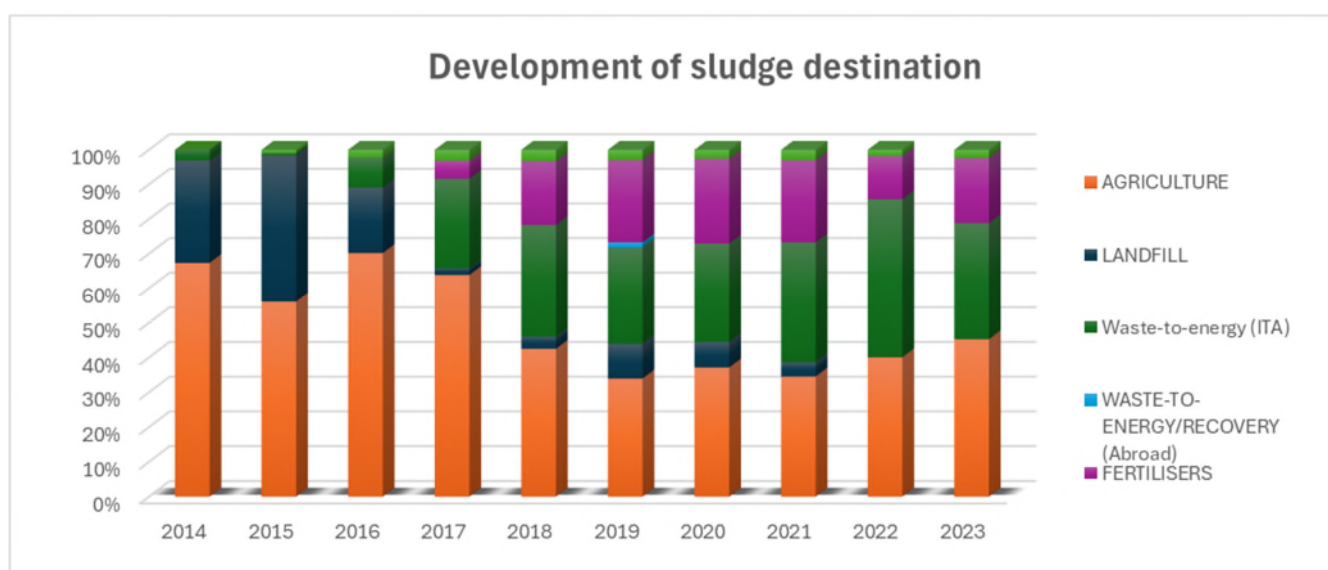
	Transfer costs (€/ton)								
DESTINATION	2015	2016	2017	2018	2019	2020	2021	2022	2023
Sludge in agriculture	55.00	55.00	82.00	85.00	103.00	104.32	105.37	112.28	118.04
Sludge in landfill	104.00	104.00	115.00	175.00	202.00	-	202.00	-	-
Sludge to cement factory	75.00	75.00	87.00	87.00	110.00	157.34	132.08	184.93	146.67
Sludge to waste-to-energy plant	81.40	81.40	90.20	99.00	120.00	160.34	158.57	159.68	161.70
Fertilisers	-	-	75.50	75.50	75.30	75.30	95.22	117.32	117.48
Sludge recovery – Abroad	-	-	-	202.00	188.00	201.78	-	-	-
Bio-dried sludge to waste-to-energy plant	-	-	-	-	-	140.00	140.00	140.00	144.90
AVERAGE COST (with Fertilisers)	75.83	71.74	82.06	98.87	114.84	119.30	125.10	136.00	132.42
AVERAGE COST (without Fertilisers)			82.42	104.20	125.45	133.80	134.70	138.70	135.96

As the table shows, there was a significant downward shift in the €/tonne costs of the sludge to the cement factory: in 2023, the cement factory was operating regularly and the more expensive sludge was only used for the short periods of routine maintenance of the cement factory.

Both the energy and sludge areas have been subject to specific action by the Group aimed at their containment and rationalisation.

With regard to sludge, the following are especially mentioned:

1. The optimisation of all processes aimed at reducing the volume of sludge, therefore anaerobic digestion and classical dehydration, up to the optimisation in the yield of the drying plant, making sure to maximise the availability of the plant itself, at the San Giuliano site, reducing the introduction of sludge into the environment.
2. The installation of a further 6 bio-drying modules at the Robecco sul Naviglio wastewater treatment plant, with direct savings in sludge disposal due to the reduction in moisture content.
3. Careful management has allowed us to consolidate the sludge valorisation process despite the complexities faced in recent years: important results have been reached in relation to the growing production of fertilisers and the thermal recovery of sludge, which is becoming a valid alternative in terms of circular economy and in an uncertain regulatory context.



Use of the assets owned by third parties

Another significant item of costs for services is the cost recognised for the use of the infrastructures and/or third-party assets, thus further composed:

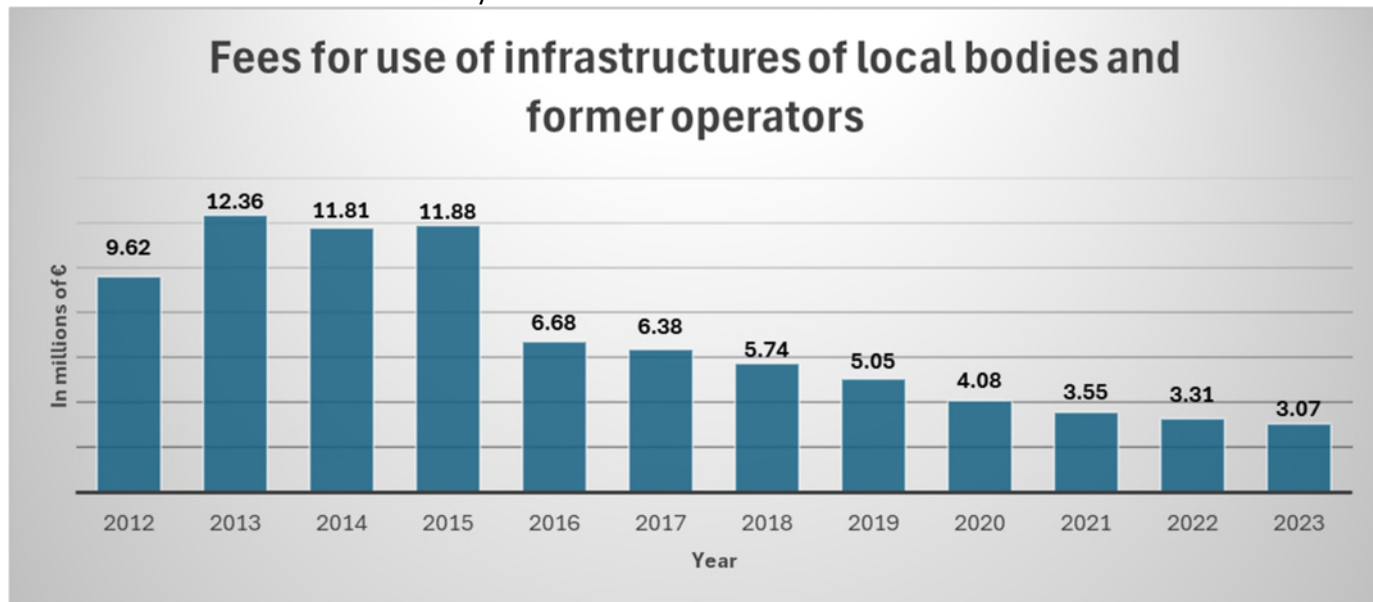
Values in units of €

Costs for use of third-party assets	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Repayments of loans and concession fees	3,069,214	3,307,089	(237,876)	-7.2%
Rental and licence fees	5,154,594	3,514,933	1,639,661	46.6%
Fee for use of well and crossings	2,273,735	2,489,129	(215,394)	-8.7%
Hiring	420,675	459,308	(38,633)	-8.4%
Total Costs for use of third-party assets	10,918,218	9,770,459	1,147,759	11.7%

The significant portion of these costs is represented by the annual fee paid to the EE.LL.'s for the use of the infrastructures they own and parameterised to the annual repayment instalments of the mortgage loans taken out by the same for the construction of said infrastructures.

The value of € 3,069,214 as at 31 December 2023 (€ 3,307,089 in 2022) also includes the fees paid to the former operators for the use of the respective infrastructures when they continued to be owned by them, on the basis of the amount agreed conventionally.

The trend of this cost over the last few years is shown below.



Initially, the item increased considerably as CAP Holding S.p.A. gradually overcame the “shoestring” and/or “non-compliant” operations throughout the territory.

It is destined to decrease gradually as the repayment plans of the underlying loans progress.

Provisions

The item costs for services includes, among others, € 3,751,954 (€ 11,547,839 in 2022) in annual provisions for risks and charges, in accordance with IAS No. 37 (Provisions, contingent liabilities and contingent assets).

These include:

- € 2,008,679 concern the adaptation of a fund for environmental reclamation and restoration interventions relating to the grounds of the purification plants, evaluated in consideration of the reasonably expected condition of the lands underlying the sections, in particular pre-treatment and anaerobic digestion at the end of their useful life, as well as an estimate of the charges necessary to eliminate the statistically occurring contaminations. In 2022, the provision in question was € 2,704,668;
- € 386,191 for reclamation risks due to damages from sewerage percolation (€ 4,171,750 in 2022);
- € 742,624 for expenses for tank reclamation (€ 1,458,966 in 2022);
- € 281,460 was related to the adjustment of the provision for asphalt expenses (€ 129,030 in 2022);
- € 333,000 for asbestos disposal in abandoned water networks (€ 3,083,424 in 2022).

Other services

Following is a breakdown of the cost item (indemnity and contributions) relating to the **directors and statutory auditors** included in the item “services” of the Group.

(values in units of €)

Allowance for corporate bodies	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Board of Directors' allowance	219,481	230,768	(11,287)	-4.9%
Board of Statutory Auditors' allowance	135,088	134,496	592	0.4%
Total allowances	354,569	365,263	(10,694)	-2.9%

With regard to the costs of the Board of Directors and the Board of Statutory Auditors, it should be noted that the amount is the amount recognised by the shareholders' meetings. In addition to this, there is the cost of the SB of € 106,661.

Costs for work on assets under concession

Costs for work on assets under concession amounted to € 61,838,915 for the financial year ended 31 December 2023 and represented changes relating to the work carried out on assets under concession. Capitalised internal costs were recognised by nature within the specific Income Statement items. In 2022, they amounted to € 65,573,721.

Personnel costs

The item Personnel costs, € 53,749,931 in 2023 compared to € 51,413,091 in 2022, slightly increased, + 4.5%).

The change, also thanks to policies of rationalisation and containment of personnel costs developed over time, shows a substantial maintenance of personnel costs compared to 2022, without prejudice to the new recruitments decided by the Strategic Policy Committee for the new services (29 in total for upgrading facilities).

Personnel employed as at 31 December 2023 with the Parent Company changed by 288 units compared to 31 December 2022, for a total of 722 employees.

Personnel in service as at 31 December 2023 at CAP Evolution S.r.l. changed compared to 31 December 2022 by 275 units, for a total of 200 employees.

It should be noted that as a result of the internal reorganisation of the Cap Group between CAP Evolution S.r.l. and Cap Holding S.p.A., 259 units were transferred.

Overall, for the Group there were 922 employees as at 31 December 2023 (an increase of 13 units; 909 as at 31 December 2022).

Personnel costs, as will be explained in greater detail below, accounted for 13.75% of Total Costs, therefore, below the limit set by the Shareholders' Meeting of 18 May 2018 (20%).

It should be noted that the shareholders' meeting of CAP Holding S.p.A. on 17 May 2023 resolved, among other things, to keep personnel costs within the limit of 20% of total costs.

Therefore, the limit of containment of the cost established by the Shareholders' Meeting remains active even if the company is no longer subject to the constraints set forth in Italian Legislative Decree 175/2016. The internal staff incentive policies that promote the company remained within the aforementioned limit.

Amortisation, depreciation, provisions and write-downs

The item of € 85,320,925 in 2023, compared with € 81,896,132 in 2022, increased by 4.2% mainly due to the depreciation of assets under concession, of intangible and tangible assets and increase in bad debts.

In this item we highlight:

- 1) € 19,437,004 for write-downs of "rights on assets under concession (€ 23,481,221 in 2022);
- 2) € 701,757 for allocation to provisions for future liabilities and/or deemed probable (€ 1,096,040 in 2022), of which:
 - o € 674,757 for provisions for legal disputes;
 - o € 27,000 for provision for environmental damage from sewers;
- 3) € 52,187,776 for depreciation of assets under concession, of intangible and tangible assets;
- 4) € 1,913,134 for depreciations of rights of use IFRS 16 Leases;
- 5) € 11,081,254 for bad debt provision.

The write-down of € 19,437,004 of rights on assets under concession (assets instrumental to the integrated water service revertible at the end of the concession) measures an impairment loss as at 31 December 2023 of these fixed assets, which emerged following the periodic annual impairment test procedure according to IAS 36. It reflects a worsening of expected future operating cash flows (measured up to 31 December 2033, the year in which the CAP Group's IWS concession expires), related in particular to the increase in prices, already commented on above, of raw materials (construction materials, etc.) both on the opex side (the latter in particular, for those not automatically recovered as is in the tariff) and on the scheduled capex side, and also reflects the increase in discount rates used to measure the value in use of rights on assets under concession.

With regard to capex (the cost of which is also expected to increase), it should be noted that the amortisation rates used by ARERA to calculate tariffs are particularly "low" and correspond to very long durations, so that the present value of the flows generated by the investments (flows within which the value of the RAB at the time of the end of the concession has a significant "weight"), being "distant" in time, decreases as the financial rates increase.

In particular, the discount rate used (WACC of 4.9% vs. 3.51% last year) mainly reflects the increase in the debt cost parameter Kd (5.1% in 2023, vs. 2.4% in 2022).

Other operating costs

One last item of some importance is other operating costs the value of which as at 31 December 2023 (€ 9,813,782) decreased compared to 2022 (€ 14,693,359).

The item "other operating costs" also includes other charges paid to local authorities (EGA operating expenses of € 1,251,986, state fees, COSAP/ TOSAP, IMU, etc. of € 2,638,169), water bonus of € 1,678,604 and other contingent liabilities and non-existent liabilities consisting mainly of: concession fees of € 434,735, tariff adjustments for invoicing of bills to civil users pertaining to the years prior to 2023 of € 535,141, fees for water supply services and fire-fighting penalties of € 76,200, donation for education and training of € 230,000, other taxes of € 106,751.

Net operating result

The net operating result for 2023 amounted to € 22,666,504, a change of +220% (+€ 15,581,149) compared to 2022 (+ € 7,085,355).

Financial income and expense

The balance between financial income and expense for 2023 amounted to - € 6,212,975, up compared to that of 2022, amounting to - € 2,930,964.

Taxes

The balance between taxes for the year and deferred tax assets amounted to € 3,968,415 (taxes € 1,570,250 in 2022).

Net result for the year

The balance for the year 2023 amounted to € 12,485,115 (€ 5,724,641 in 2022).

Financial result indicators

In order to allow an analysis of the asset and financial structure and the operating results and in particular for the analysis of the profitability of the operations as well as the conditions of financial equilibrium, the following indicators have been developed, compared with those presented for 2022.

(values in units of €)

Contents	Notes	31/12/2023	31/12/2022
Shareholders' equity	Consolidated shareholders' equity	864,822,665	853,373,897
Fixed assets	Total non-current assets	993,871,341	966,237,704
Consolidated liabilities	Total non-current liabilities	383,338,183	304,055,332
Current liabilities	Total current liabilities	153,467,344	159,011,517
Loan liabilities	Current and non-current payables to banks and other lenders	284,980,902	209,185,581
Current assets	Current assets	407,756,852	350,203,041
Immediate + deferred liquidity	Cash and cash equivalents + current portion restricted a/c+trade receivables+other current receivables	399,411,265	342,068,358
Net invested capital	Total current assets - liabilities	1,248,160,848	1,157,429,228

(values in units of €)

PROFITABILITY INDICATORS	31/12/2023	31/12/2022
EBIT	22,666,504	7,085,355
EBITDA (*)	110,589,179	93,480,032
GROSS RESULT	16,453,529	4,154,391
NET RESULT	12,485,115	5,724,641
SALES REVENUES	268,008,827	281,622,670

(*) In application of Consob Communication of 3 December 2015, which transposes in Italy the guidelines on Alternative Performance Indicators (hereinafter also "IAP") issued by the European Securities and Markets Authority (ESMA) with ESMA/2015/1415 orientation, the meaning and content of the indicator "Gross operating profit (EBITDA)" is described below.

EBITDA is a measure used by the Company's management to monitor and evaluate its operational performance and is not identified as an accounting measure under the IFRS ("Non-GAAP Measure") principles.

The "gross operating margin" (EBITDA) is calculated as the difference between operating revenues and costs before non-monetary costs relating to depreciation/amortisation, write-downs (net of any write-backs) of current and non-current assets and provisions, identified in any item.

PROFITABILITY RATIOS		31/12/2023	31/12/2022
NET ROE	Net result / Shareholders' equity	1.4%	0.7%
GROSS ROE	Gross result / Shareholders' equity	1.9%	0.5%
ROI	Operating result / Net invested capital	1.8%	0.6%
ROS	Operating result / Sales revenues	8.5%	2.5%

(values in units of € and percentages)

FIXED ASSET FINANCING RATIOS		31/12/2023	31/12/2022
FIXED ASSETS TO EQUITY CAPITAL MARGIN	Shareholders' equity - Fixed assets	(129,048,676)	(112,863,807)
FIXED ASSETS TO EQUITY CAPITAL RATIO	Shareholders' equity / Fixed assets	87.0%	88.3%
	(Shareholders' equity + Consolidated liabilities) - Fixed assets	245,943,921	183,056,841
	(Shareholders' equity + Consolidated liabilities) / Fixed assets	260.3%	215.1%

The fixed asset funding ratios confirm that the raising of medium and long-term financial resources in total exceeds the investments in fixed assets, ensuring a satisfactory level of financial coverage of the investments.

The trend in the structure of the loans shows an increasing financial exposure.

RATIOS ON THE STRUCTURE OF LOANS		31/12/2023	31/12/2022
TOTAL DEBT RATIO	(Consolidated liabilities + Current liabilities) / Shareholders' equity	62.1%	54.3%
FINANCIAL DEBT RATIO	Funding liabilities / Shareholders' equity	32.9%	24.5%

(values in units of € and percentages)

SOLVENCY INDICATORS		31/12/2023	31/12/2022
LIQUIDITY MARGIN	Current assets - Current liabilities	254,289,507	191,191,525
LIQUIDITY RATIO	Current assets / Current liabilities	266%	220%
	(Deferred liquidity + Immediate liquidity) - Current liabilities	245,943,921	183,056,841
	(Deferred liquidity + Immediate liquidity) / Current liabilities	260%	215%

The solvency indicators show a ratio greater than one of short-term assets and liabilities.

Group investments

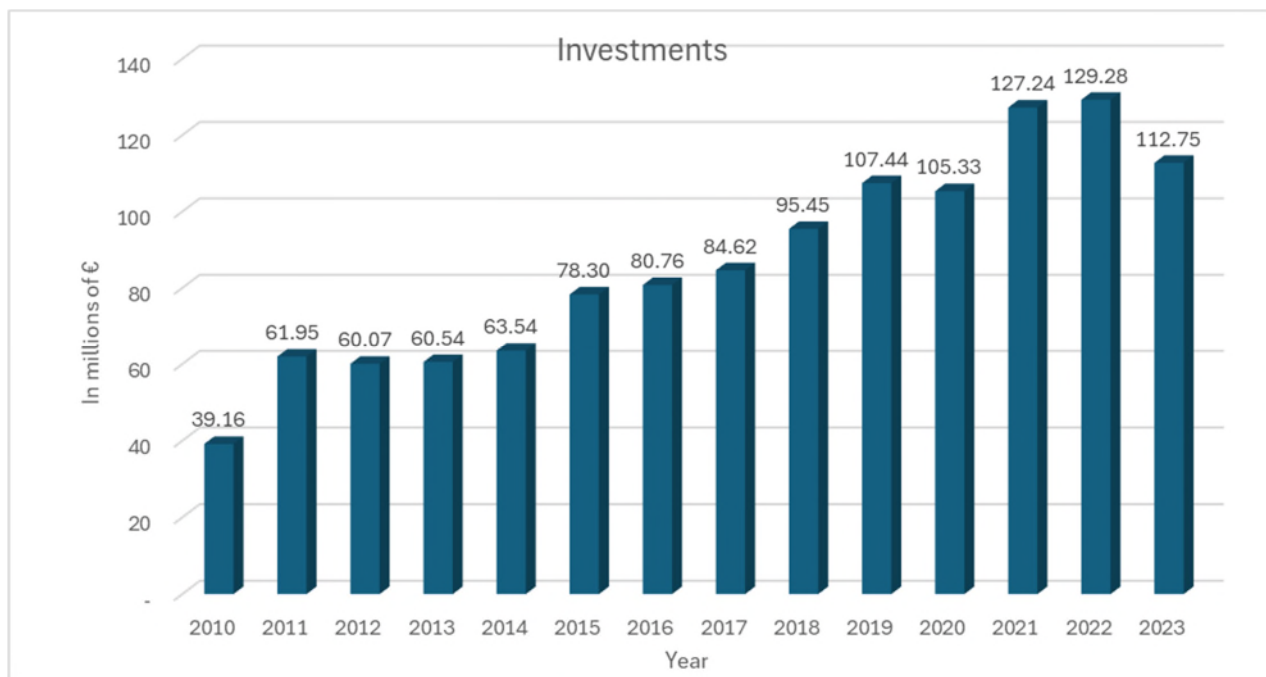
Investments in tangible and intangible fixed assets recorded by the Group in 2023 amounted to € 112,747,174 (€ 129,277,874 in 2022, € 127,242,516 in 2021, € 105,331,819 in 2020, € 107,441,854 in 2019, € 95,452,714 in 2018, € 84,623,580 in 2017, € 80,760,064 in 2016, € 78,301,805 in 2015 and € 63,539,506 in 2014)¹³.

It should be noted that, as mentioned in 2022, on 27 December 2022, the sale and purchase agreement was signed with the municipality of Milan for the purchase of IWS assets in the municipality of Corsico, effective as from 1 January 2023, for € 7,477,130.

All the investments mentioned above were carried out by the CAP Group.

Year 2023	Investments from processing
CAP Evolution s.r.l.	111,865,464
Parent Company	881,710
Group Total	112,747,174

¹³ Amounts to be intended net of those acquired through the purchase of business units and/or "universality of assets built and already used by former operators"



Also, the amount invested per inhabitant indicator (estimated at around 1.9 million) reported a value of € 60.43, despite it being still distant from the European average of € 100 per inhabitant, in the presence however of an average higher tariff of € 4 per cubic metre.

In order to highlight the historical series of the last few years, you are reminded that this ratio was 20.5 in 2010, 33.1 in 2014, 41 in 2015, 42.5 in 2016, 45.4 in 2017, 51.12 in 2018, 57.53 in 2019, 56.77 in 2020, 68.28 in 2021 and 69.47 in 2022.

The investments almost all concern infrastructures dedicated to the integrated water service.

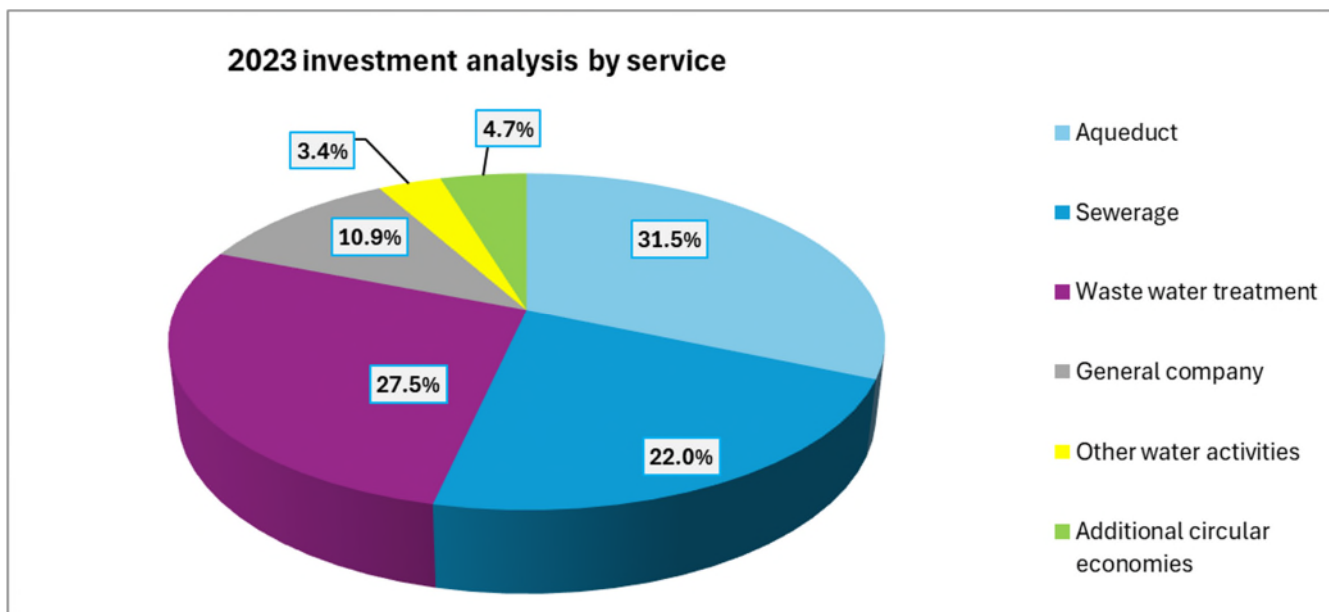
Investments, within the organisational logic of the Group, are mainly seen to by the Parent Company, which undertakes the most complex part (in general public works, site supervision and safety projects).

The important sums planned and realised by the parent company in the last two years are shown below.

	Year 2023	Year 2022
planned:	27,972,810	61,517,131
completed:	56,629,748	53,624,175

The above 2023 total investments can be divided up also by segment, as follows (in €):

AQUEDUCT	SEWERAGE	WASTE WATER TREATMENT	GENERAL COMPANY	OTHER WATER ASSETS	ADDITIONAL CIRCULAR	TOTAL
35,473,607	24,842,233	31,035,148	12,277,359	3,854,462	5,264,365	112,747,174



The General Company investments mainly refer to the completion of projects aimed at energy saving, Information Technology and extraordinary maintenance of premises; the investments in Other Water Activities, by contrast, mainly refer to the construction of water houses and surface groundwater wells.

These types of interventions testify to the company's commitment to invest not only in water infrastructures, but also in works whose purpose is to achieve a saving for the municipalities in the use on non-drinking water and, consequently, a correct use of the water resource.

The service type "Additional Circular Economies" refers to the projects "Sesto - Core Forsu: industrial symbiosis platform for the optimal use of organic waste" and "Development of biomethane chain with organic matrices (Kyoto) outside established price range; from the year 2020 onwards, these interventions in the field of the circular economy are gaining in importance in terms of both the actual figures for the year and the investments planned for the coming years.

In 2023, the CAP Group, as part of the "Search, recovery and control of water leaks" plan, also included in the investment plan of the contract for the assignment of the integrated water service of the municipalities of the Area of the Metropolitan City of Milan, developed the following activities:

- replacement of 16,085 meters, including 14,334 small-diameter utility meters and 1,751 flanged meters;
- 701 km of network subjected to leak detection (within the ATO of Milan) while identifying 188 hidden leaks. The length of the network monitored and the number of leaks detected in 2023 were lower than in previous years because the operational teams were involved in network verification activities in preparation for the development of the RRP project, which started in the second half of 2023.

The management strategy that the CAP Group intends to develop, pursues two main aims:

- Improve the overall performance of the distribution network by means of districtualisation and modelling policies;
- Ensure equity and correctness in the measurement.

In detail, the project for the replacement of old meters envisaged a commitment of € 60 million for the replacement of obsolete meters to be carried out in the period from 2018 to 2033, continuing the related

campaign started in 2015, which has led to reporting in 2023 a value for replaced meters (excluding Smart Metering) of € 4,094,300.

With Resolution 917/2017/R/IDR as amended, the sector Authority (ARERA) identified specific performance indicators and regulated the technical quality of the integrated water service in order to identify the main guidelines for achieving adequate levels of performance, for an efficient and effective service, promoting benefits for customers of the different services. The regulation model identified is inspired, in particular, by principles such as selectivity, correspondence, effectiveness, rewarding, gradualness and stability.

The Resolution envisaged the application of the system of indicators underlying the technical quality, as well as the start of the monitoring of the data underlying them, starting from 1 January 2018 (based on the value assumed by the macro-indicators for the year 2016, while from 1 January 2019 it will be on the basis of the value in the previous year, where available), and from 1 January 2019 the application of the rules concerning the obligation to enter and file data, provided by the same provision.

With regard to water leaks, the specific indicators identified by ARERA are represented by the M1a and M1b indicators.

The results achieved during the year 2023 further improved the performance of the previous year, confirming the class B of the aqueducts located within the perimeter of the Milan ATO and achieving the ARERA target of a 5.53% reduction.

Considering the 2022 intermediate year according to the new methods introduced by ARERA with Resolution 639/21, the CAP Group achieves the linear water leak reduction target laid down by ARERA by registering a reduction in the M1a indicator totalling 7.54%. On the other hand, the M1b indicator shows a reduction of 2.96%.

Overall, Class B was therefore achieved in 2023.

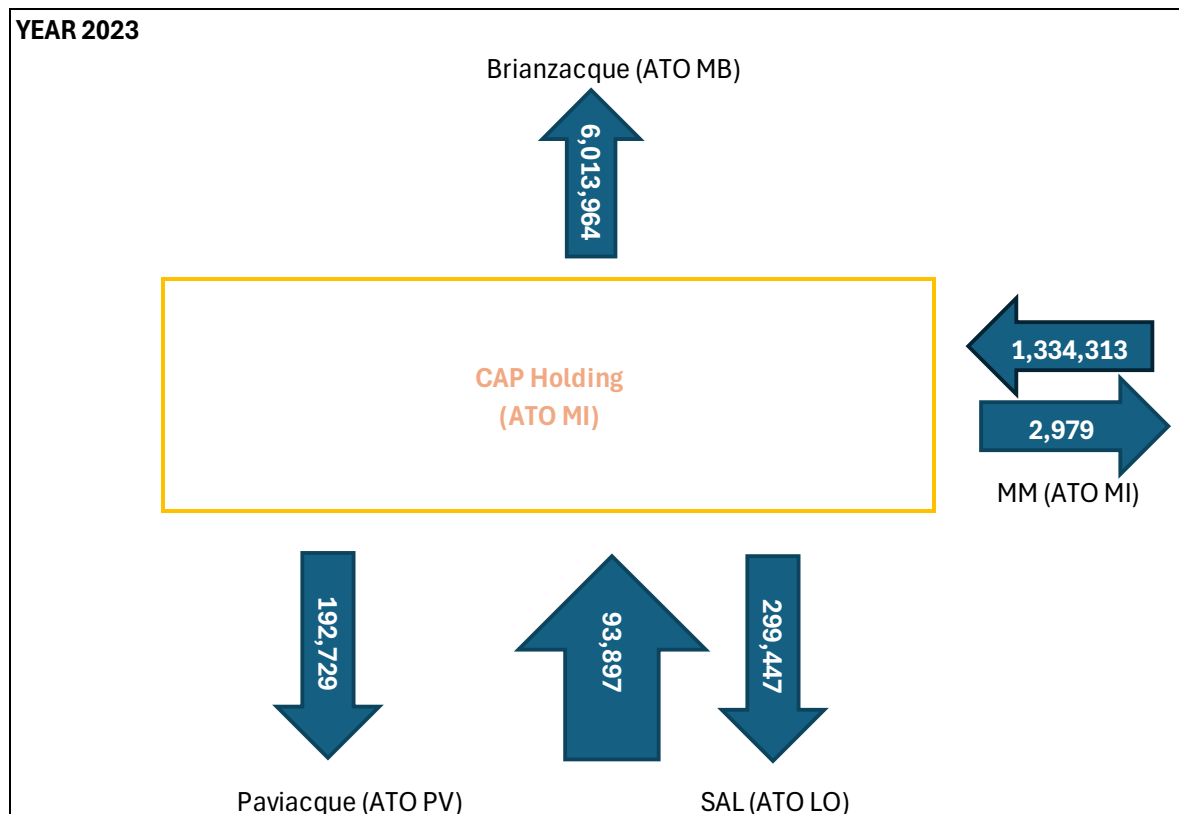
	M1a (m³/km/gg)	M1b	class
Year 2018	20.04	21.95%	B
Year 2019	19.60	21.47%	B
Year 2020	18.95	21.00%	B
Year 2021	18.28	20.59%	B
Year 2022	17.89	20.49%	B
Year 2023	16.90	19.98%	B

More generally, the trend in the volumes of water withdrawn from the environment, supplied and exchanged with other operators is shown in the tables below.

M1 indicator calculation (ARERA) - YEAR 2023

Volume taken from the environment (Lifted)	WAM	243,845,614 [m3]
Volume imported from other systems	Wimp	1,428,210 [m3]
Total volume ENTERING the system	ΣWIN	245,273,824 [m3]
Invoiced Authorised Volume	RW	184,815,167 [m3]
Authorised volume NOT invoiced Drains	WLT1	63,119 [m3]
Authorised volume NOT measured and not invoiced PASC	Wnm, NF	1,274,720 [m3]
Volume exported to other systems	Wesp	6,509,119 [m3]
Technological Volumes Direct Measures	WLT1	1,620,101 [m3]
Technological Volumes Indirect Measures	WLT1	1,181,875 [m3]
Measured authorised volume not invoiced	Wm, NFut	810,299
Total volume EXITING the system	ΣWOUT	196,274,400 [m3]
Total Loss Volume	WL TOT	48,999,424 [m3]
Network length	L p	6,530 [km]
Distribution network length	L d	6,423 [km]
Linear water leaks	M1a	16.90 [m3/km/dd]
Percentage water leaks	M1b	19.98 [%]

Values expressed in cubic metres (m³)



M1 trend breakdown showing improvements

The improvement is the result of policies aimed at reducing apparent and actual water losses that include the application of all international best practices such as, including, but not limited to:

- Pressure management;
- Active control of water leaks;
- Speed and quality of repair of hidden and surfacing leaks;
- Asset management: such as, including, but not limited to, sealing of hydrants to prevent misuse, replacement of damaged pipes, the elimination of water hammers, etc.

Based on international best practices, the CAP Group developed an action plan shared by the various company structures, which is implemented progressively over the years in the municipalities with the highest level of losses.

The shared schedule is broken down as follows:

1. Plant inspections and implementation of actions aimed at:
 - i. Checking the plant meters
 - ii. Solving plant problems
 - iii. Inserting meters for disbursed/raised quantities to optimise the balance
 - iv. Interventions derived from the risk analysis within the WSP to mitigate vulnerability;
2. Systematic search for hidden leaks;
3. New system calibrations with pressure optimisation that will lead to a progressive reduction in losses;
4. Division into districts and calibration of the hydraulic model;
5. Repair of recognised hidden leaks;
6. Search for loss of control following repair and refinement of system calibrations;
7. Completion of surveys and possible search for non-surveyed sections;
8. Verification of the correct effectiveness of cathodic protection, where present, or planning of new installations;
9. Sealing of hydrants to prevent unauthorised water use;
10. Replacement of outdated meters and "SMART METERING" project";
11. Conversion of unmetered fire-fighting users into metered fire-fighting connections;
12. Cuts in unused catchments;
13. Replacement of damaged network sections.

The action plan is cyclical and involves several successive stages of loss detection and possible adjustments of calibrations to take account of changes in consumption due to seasonality and the results monitored following the first actions, according to the principle of the Deming cycle, which envisages:

- Action planning;
- Their application;
- Checking effectiveness;
- Possible corrective or implementation actions.

As part of the investments aimed at ensuring the control and consequent saving of water resources (reduction of water losses), the investment for the construction of a unified remote control centre, started in 2012 in order to remotely monitor and manage corrective actions on parameters to achieve savings in water resources and consequent reduction in energy consumption.

The project included several implementations on the aqueduct portion:

- the unification of the 4 remote control systems in a single supervision centre connected with the company Databases;
- the extension of the remote-controlled aqueduct plants (98% can be managed remotely, the remainder remotely controlled by display);
- the integration in the system of water houses;
- installation of network water withdrawal points for monitoring sewage pipe and street washing operations;
- monitoring of surface groundwater wells
- the installation of points for the on-going quality control of the chemical and physical parameters of the water;
- Implementation of district monitoring (flow rate and pressure) in order to continuously monitor the efficiency of the water network, night minimum to identify any water losses, monitor and actively regulate aqueduct pressures

In 2023, work continued on replacing the old aqueduct stations to allow their integration with the system, thus allowing remote management of all parameters, bypassing local management.

There are currently under remote control, aqueduct management:

- 565 aqueduct plants (excluding the Pavia region) (98.05% can be managed remotely, the remainder remotely controlled by display);
- 120 interconnection measurers between remote-controlled aqueducts;
- 31 network water withdrawal points for washing sewage pipes;
- 158 water houses;
- 29 surface groundwater wells;
- 142 district manholes for pressure and flow rate monitoring.

As at 31 December 2023, remote control was installed for the other services of the integrated water system:

- 658 detection systems for the activation of sewer overflows, of which 641 belonging to the Metropolitan City of Milan, 7 belonging to the Province of Monza and Brianza and 10 belonging to the province of Varese,
- 39 purification plants;
- 380 sewage lifts;
- 76 floodwater culverts.

In 2023, CAP Holding, together with the ATO of the Metropolitan City of Milan, was also the beneficiary of the loan from the resources of the National Recovery and Resilience Plan for the M2C4 - I4.2 investment line "Reducing leaks in water distribution networks, including network digitalisation and monitoring", for a total amount of € 42.5 million.

The main objectives of the loan, which contributes to the company's total investment of approximately € 80 million, are to complete 100% of the division onto districts by 31 December 2025, strengthen the digitalisation of the networks for the optimal management of resources, improve the quality of service to users and reduce water leaks, leading to a better understanding of the critical issues and opportunities for improvement in the aqueducts.

Settlement of the EU infringement procedures and investments in the quality of the resources and the environment.

Risks related to EU infringement procedures: convictions by the European Court of Justice 10 April 2014 case C85/13 (now Case C 515/23 of 10 August 2023), 6 October 2021 (infringement procedure no. 2014/2059 that became case C-668/19), infringement procedure 2017/2181 and internal pre-litigation

Case C85/13

All the planned interventions are completed and tested.

On 10 April 2014, the European Court of Justice ruled against 7 agglomerations of the ATO of the Metropolitan City of Milan for violations of Dir. 91/271/EEC. In 2017, following the assessment of the information provided by the Italian authorities between November 2015 and January 2017, the Commission considered that all the critical issues identified for four agglomerations had been addressed.

For the remaining 3 agglomerations, despite the fact that all corrective measures had been completed, the European Commission considered it necessary to obtain the laboratory reports on the results of the sampling of the discharges from the relevant treatment plant in order to confirm that conformity had been achieved.

The requested documents were sent by the Lombardy Region to MATTM on 14 February 2017 (prot. T1.2017.0009499) and subsequently sent to the Permanent Representation of Italy to the EU.

We are awaiting the European Commission opinion on what was previously communicated by the governing body of the area of the Metropolitan City of Milan for investigations on 3 agglomerations since the European Commission itself has deemed it necessary to acquire the laboratory reports for specific purification plants to confirm the achievement of compliance.

The procedure in question concluded with the exclusion of indirect fines for the CAP Group.

Infringement procedure No. 2014/2059 (in pre-cause)

All the planned interventions are completed and tested.

The EC infringement procedure 2014/2059, started in 2014 due to the non-implementation/incorrect application of EU Directive 91/271/EEC in relation to urban waste water collection and treatment systems in several Italian agglomerations, evolved into Case C668/2019 during the year 2019. In fact, the European Court of Justice on 10 September 2019, following an appeal by the European Commission, opened Case C-668/19 against the Italian State.

With regard to the 5 agglomerations of the ATO of the CMM concerned by the infringement procedure in question, it should be noted that they do not appear on the list of agglomerations in respect of which the European Commission has lodged a complaint for failure to comply with the provisions of Articles 3, 4 and 10 of Directive 91/271.

Therefore, the European Commission considered the responses and documentation provided in May 2017 as part of the "supplementary reasoned opinion", which demonstrated that the alleged violations have been overcome, to be satisfactory.

Directive 91/271/EEC – Infringement procedure 2017/2181

All the planned interventions are completed.

The result of the procedure is pending.

In particular, it is worth noting that the work to regularise the agglomeration AG01520901 - SESTO S. GIOVANNI - whose plant is affected by the important work for the thermal treatment of sewage sludge and for which the Area Office, when issuing the single authorisation measure of the Metropolitan City of Milan, prescribed the need to overcome the EU infringement procedure before starting the related activities - was completed at the end of December 2019.

The operator CAP Holding S.p.A., with notes of 22 May 2019 and 13 January 2020 (prot. Area Office no. 6000 of 23 May 2019 and no. 467 of 14 January 2020, respectively), sent the documentation proving the completion of the works and the testing of the works for the adaptation of the purification plant.

As part of the procedures for monitoring the interventions required to overcome the EU infringement, the Area Office sent this documentation to the Lombardy Region (via the S.I.Re regional database) in January 2020, for subsequent transmission to the European Commission.

In this regard, it should be noted that the Lombardy Region, with known protocol number Z1.2020.0027764 of 9 July 2020, has notified that, since all the measures notified to bring the agglomeration AG01520901 - SESTO S. GIOVANNI into conformity have been completed, it will notify the EC that the agglomeration in question is to be considered as conforming.

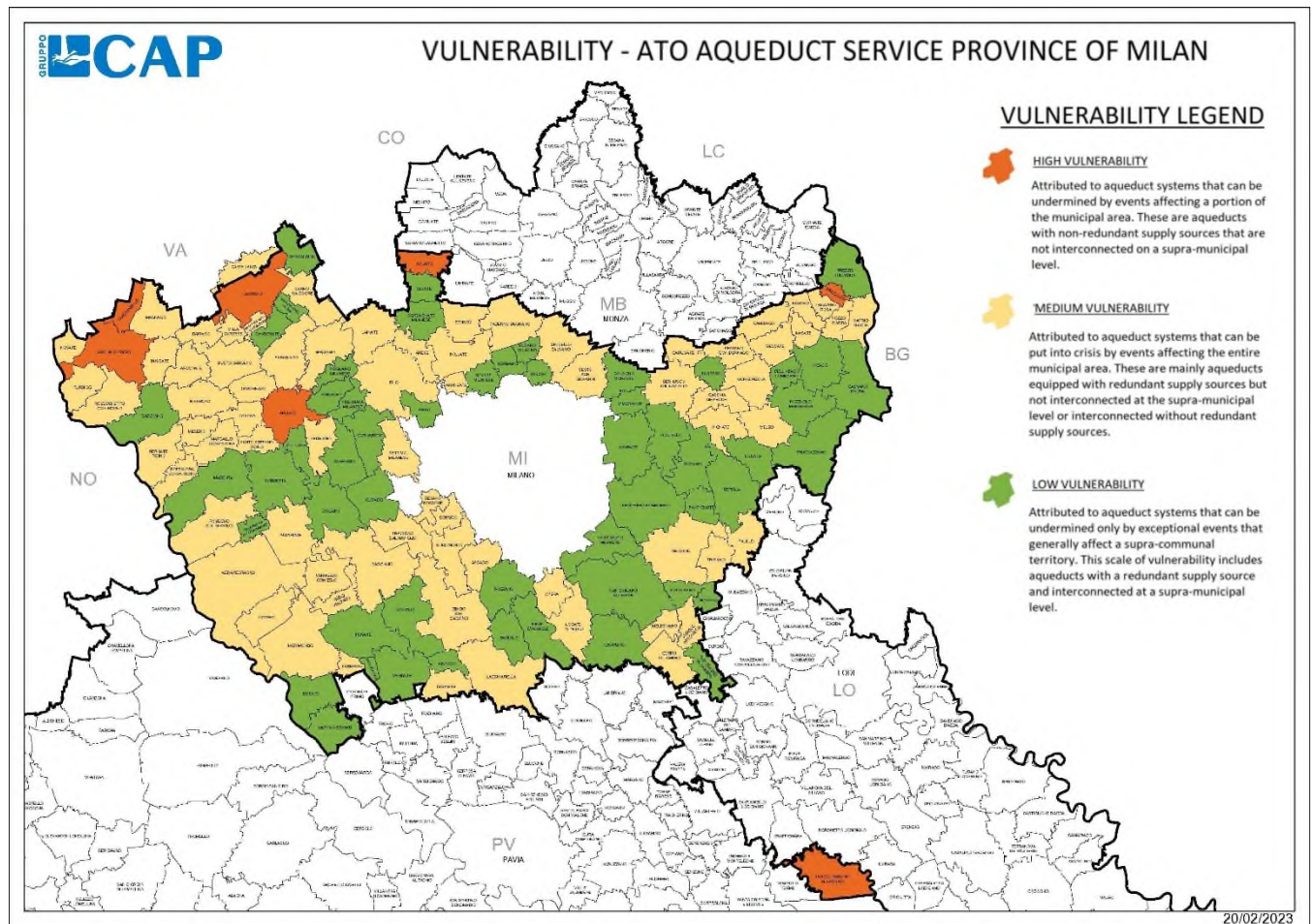
Pre-litigation interventions

With regard to the obligations under Directive 91/271/EEC, as at 31 December 2023, no. 4 agglomerations of the ATO of the Metropolitan City of Milan are the subject of attention for critical issues - which have emerged in recent years in the framework of the internal pre-litigation investigation between the Area Office and the Lombardy Region (on the basis of assessments made by ARPA) - not dealt with in the existing infringement procedures.

The state of implementation of measures still in progress as at 31 December 2023 is shown in the table below.

Agglomeration code and name	Internal code	Intervention name	Work start date	Work completion date	Testing function completion date	Technical-administrative testing completion date	IPC
	5861	MSD digester 1 Peschiera Borromeo	12-apr-21	12-dic-21	15-feb-24	15-mar-24	100.00%
	5862	MSD digester 2 Peschiera Borromeo	1-mag-24	1-lug-25	1-lug-25	1-gen-26	0.00%
	9290	Peschiera Borromeo - adaptation and upgrading of the purification plant	26-set-22	17-giu-24	17-giu-24	18-ott-24	22.00%
AG01518101 RESCALDINA							
	6965_1	Rescaldina collector – Parabiago (Lot 1)	31-ott-18	29-lug-19	2-mag-19	24-gen-20	100.00%
	6965_2	Rescaldina collector – Parabiago (Lot 2)	22-lug-19	10-ago-22	15-set-20	14-dic-22	100.00%
AG01517001 Olona Sud							
	9028_FPDA_22	Elimination of Sewer Drains and New Mixed Network Connection	18-lug-22	6-ago-22	31-dic-22	15-mar-23	100.00%
	9028_FPDA_23	Elimination of Sewer Drains	31-mag-23	1-giu-23	20-dic-23	20-dic-23	100.00%
	9028_FPDA_24	Elimination of Sewer Drains and New Mixed Network Connection	7-set-22	23-set-22	31-dic-22	15-mar-23	100.00%
	9028_FPDA_25	Elimination of Sewer Drains and New Mixed Network Connection	7-set-22	23-set-22	31-dic-22	15-mar-23	100.00%
	9028_FPDA_28	Elimination of Sewer Drains and New Mixed Network Connection	11-lug-22	15-lug-22	31-dic-22	15-mar-23	100.00%
	9027_2-2	Sewer network reconstruction in various streets in the municipality of Bollate with final delivery to the waste water treatment - Lot II	23-gen-23	1-apr-24	1-apr-24	31-lug-24	53.00%
	9028_3	elimination of sewer drains: Novate Milanese – via Amoretti	3-nov-21	11-lug-22	14-dic-21	30-set-22	100.00%
AG01522401 Truccazzano							
	9291_1	extraordinary maintenance and upgrading of Truccazzano agglomeration	23-nov-21	13-giu-23	4-ago-22	10-feb-24	85.00%
	9291_3	Upgrading the biological department of the Truccazzano (MI) purification plant	1-apr-24	1-apr-26	1-apr-26	1-ott-26	0.00%

a) Availability and quality of the resource



Investments in the quality of the water resource remain a priority in the CAP Group's strategy as they are functional to the following objectives:

1. Reduction of the vulnerability of the drinking water distribution system by means of the creation of interconnections, purification treatments and recovery of wells by means of extraordinary maintenance activities with insights aimed at the search for more protected groundwater tables;
2. Improving the quality of the water supplied by monitoring microbiological and chemical parameters within legal limits.

The measures aimed at the reduction of the risk related to the vulnerability of the resource also include those relating to the construction and activation of the plants and the related aqueduct Backbones, the degree of achievement of which is indicated below.

SAN COLOMBANO PLANT

The civil works as well as all 9 wells and all foundation works of the Plant, the anti-seismic floor, have been completed. The construction of the two 800 m³ stainless steel storage tanks is nearing completion. The prefabricated structure and its roofing have been completed, as has the installation of the filters and sand traps. Completion of pipework installation within the structure. Installation of external underground hydraulic collectors completed. The electrical installation and shallow excavations to facilitate the start of mechanical drilling are underway.

Extension granted, new completion date 17 May 2024; this will be followed by a three-month operational trial and the final commissioning of the plant in September/October 2024, after the summer in any case, to meet peak demand.

CORNAREDO PLANT

Following validation of the feasible project, the contract was awarded on 19 October 2023. To date, the contract is being drafted.

Delivery of works: 10 January 2025;

Completion of works: 01 July 2027;

Plant start-up: 10 October 2027.

CORNAREDO BACKBONE

Approves the Decisive Services Conference on the Final Project. The drafting of the EP is in progress with implementation of the requirements made during the CDS.

Delivery of works: 31 April 2024;

Completion of works 1 July 2027 (in line with the Cornaredo plant);

Plant start-up 10 October 2027 (in line with the Cornaredo plant).

With reference to the reduction in the load of pollutants introduced into the distribution network, in view of the implementation of the Drinking Water Directive 2020/2184 in Italian Legislative Decree 18/2023, campaigns are underway in the area managed by the CAP Group aimed at monitoring emerging pollutants.

The PFAS control campaign started in 2017 in compliance with the limit set by ISS opinion no. 24565/2015. Considering the more stringent limits expressed in the new Drinking Water Directive and in Italian Legislative Decree 18/2023 entered into force in Italy in March 2023, control campaigns are continuing in order to implement the initiatives deemed necessary and/or the adjustment interventions aimed at complying with the aforementioned limits.

By the end of January 2024, 63% of plant sampling points and 90% of plants were monitored. By 2026, all remaining points will be analysed in order to cover the entire managed territory, while continuing to monitor the points where values above the limit of quantification (LOQ) were found. From 2022, the monitoring of other parameters for which Italian Legislative Decree 18/2023 introduced legal limits, such as Bisphenol, Uranium and Chlorates, will be integrated. Moreover, the monitoring of the parameters 4n-nonylphenol and 17-beta-estradiol, which were added to the checklist in Implementing Decision 2022/679, started.

In relation to the Chromium parameter, Italian Legislative Decree 18/2023 imposes a limit of 25 µg/l for total chromium to be implemented no later than 12 January 2036. In Italy, this value must be absorbed by 12 January 2026, and until that date the limit of 50 µg/l for total chromium (without distinction with hexavalent chromium) applies. As a result, a study of the time series of laboratory data was carried out in 2022 with the aim of decommissioning chromium abatement plants where the raw water has values below 10 µg/l, and a study was carried out in 2023 to optimise the use of reagents in plants where chromium abatement by ferrous sulphate is required.

The above actions are consistent with the company's policy of implementing the Water Safety Plan (WSP), whose coverage as at 31 December 2022 is 100% of the served territory, which urges the CAP Group not to limit itself to providing good quality water, but to have a preventive safety vision with regard to all nodes of the drinking water supply chain.

In 2023, with the entry into force of Italian Legislative Decree 18/2023 and the publication of the new guidelines for the national implementation of WSPs, the importance of a risk-based approach will be reinforced, to be applied not only to the drinking water supply chain under the responsibility of the drinking water Operator, but also to inland water systems and to the recharge areas of water basins; the minimum contents for the approval of WSPs by the new national commission for the supervision of Water Safety Plans (CeNSia) are defined, and the

dynamic territorial registry of drinking water "AnTeA" is introduced, which will be used for the data entry of internal controls and the contents of WSPs.

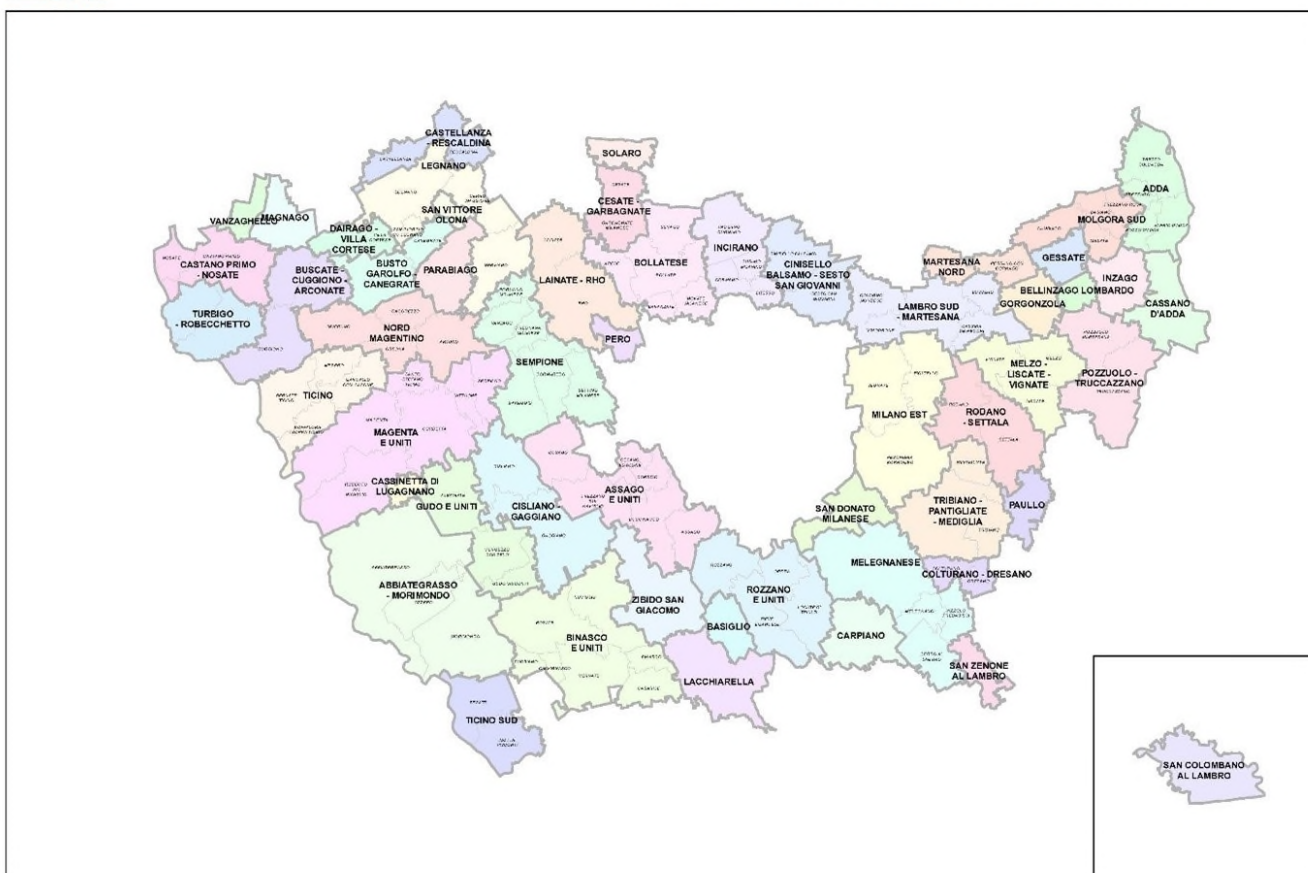
In the light of regulatory changes, the review and update phase of the WSPs began in 2023, starting with the Cassinetta di Lugagnano controlled aqueduct system. These updates will then be extended to the remaining SACs in the area by 12 January 2029, at which point the operator will be responsible for implementing WSPs for the entire managed area.

The map below shows the SACs to which the WSP model will be applied:

Water Safety Plan – SAC (Controlled Aqueduct Systems)



SAC MAP - CONTROLLED AQUEDUCT SYSTEM



b) Quality of the environment

To meet the requirements of European regulations on the protection of “sensitive areas”, to which the entire Po basin belongs, the CAP Group has, over the last few years, already launched a plan of measures on the purification plants aimed at reducing the “nutrients” such as nitrogen (N) and phosphorus (P) whose uncontrolled discharge leads to phenomena of water eutrophication (as occurred in the past in the Adriatic sea).

In particular, these interventions focused on plants with a potential greater than 10,000 EA (about three quarters of all the purification plants managed) and in detail: Assago, Bresso, Canegrate, Pero, Robecco sul Naviglio, Rozzano, Bareggio, Locate Triulzi, San Giuliano Est, Trezzano sul Naviglio, Turbigo, Abbiategrasso, Basiglio, Binasco, Calvignasco, Dresano, Gaggiano (provincial capital), Lacchiarella, Melegnano, Parabiago, San Giuliano Ovest and Settala.

The upgrading works on the purification plants resulted as from 2013 in a decisive improvement in the quality of the wastewater, both in terms of compliance of the performances and in terms of average values on Ntot and Ptot.

On 27 December 2017, with Resolution No. 917/2017/R/idr, ARERA introduced a specific indicator (called M6) to monitor purification performance under the Technical Quality Monitoring Regulation.

The result achieved in 2023 shows an improvement of -22.0% compared to 2022:

Macro indicator	Parameter	2019	2020	2021	2022	2023	Improvement 2023 vs. 2022
M6 - Purified water quality	Class	C	B	B	B	B	-20.39%
	Value	5.65%	4.86%	4.26%	3.58%	2.85%	

The precise assessment of emission limit values being exceeded was carried out with reference to the concentrations limited only to the parameters present in table 1 and table 2 of Annexe 5 to part III of Italian Legislative Decree 152/2006 as amended (BOD5, COD, suspended solids, total nitrogen and total phosphorus), where the concentration limits for these five parameters against which the absence of limit values being exceeded in the samples must be assessed are the most restrictive of the values in Tables 1 and 2 of Italian Legislative Decree 152/06 and any additional requirements included in the respective discharge authorisation documents.

Therefore, the maximum precise limit values that must not be exceeded indicated by the new authorisations issued in 2020 by the Metropolitan City of Milan were not taken into consideration, in line with what ATO CMM, at the time of the assessment of the two-year period from 2020 to 2021, considered less restrictive than those provided for by the RQTI.

Where applicable, the limits during irrigation and bathing periods were taken into account.

Overall, the indicator is improving, ensuring the achievement of the minimum two-year target 2022 2023 of 3.45%.

In addition to the aforementioned upgrading or revamping interventions, i.e. the Peschiera Borromeo (works currently underway) and San Colombano al Lambro (ended and tested) purification plants, over the next three years, planning and management of works will focus on the following lines of action, also for the Parabiago purification plant. Following the confirmation of the disposal of the Rescaldina purification plant and the delivery of wastewater to the Parabiago purification plant, a project to upgrade the plant to treat the new loads corresponding to 49,000 EA was necessary. This work will enable full compliance with Directive 91/271/EEC to be achieved as from 2021 for the Rescaldina agglomeration, which has been the subject matter of criticality reports by the Lombardy Region.

Macro indicator	Parameter	2019	2020	2021	2022	2023	Improvement 2023 vs. 2022
M6 - Purified water quality	Class	C	B	B	B	B	-20.39%
	Value	5.65%	4.86%	4.26%	3.58%	2.85%	

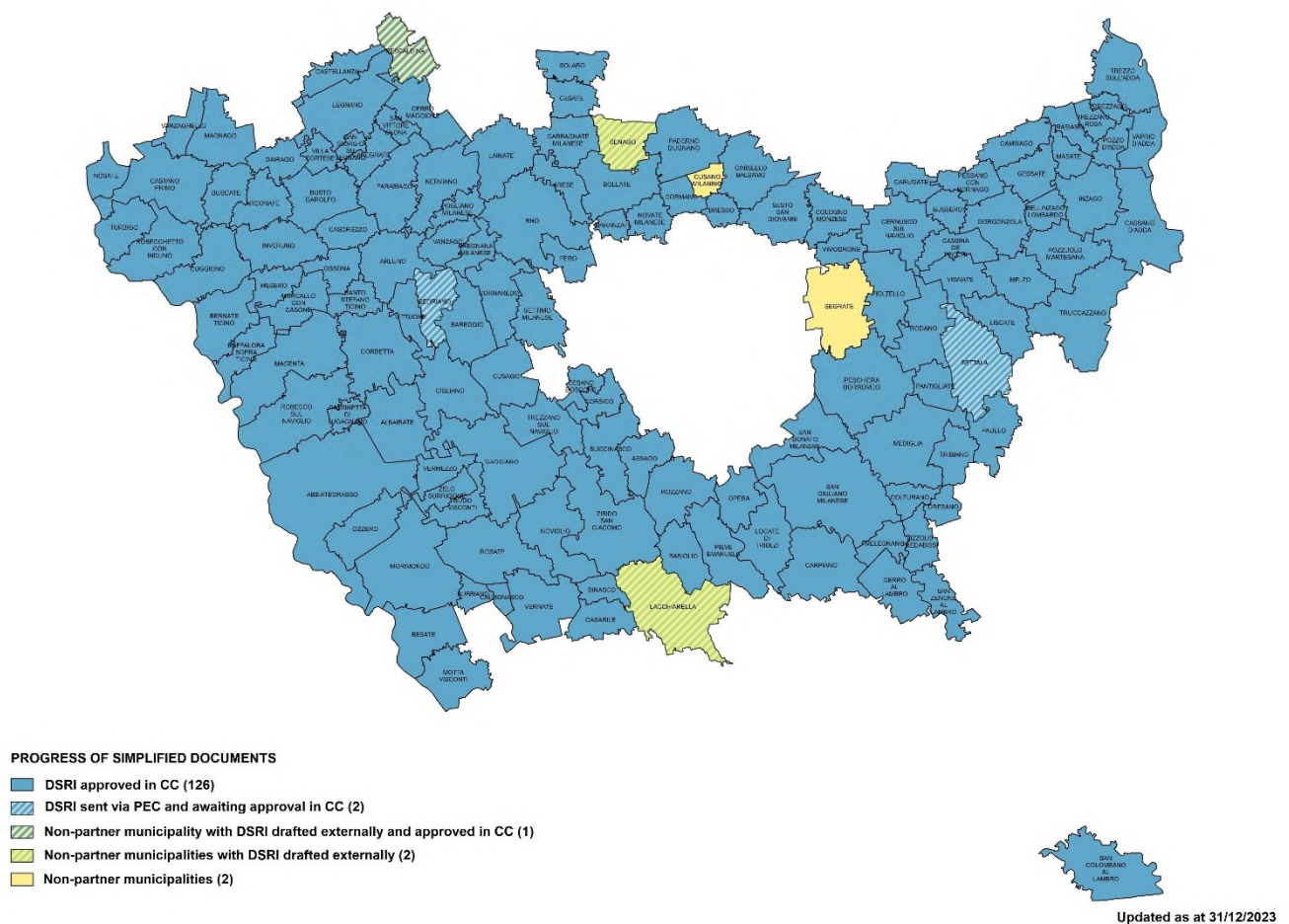
During 2018-2019, support activities for Municipalities were agreed upon with regard to the regulation containing criteria and methods for compliance with the principle of hydraulic and hydrological invariance pursuant to Article 58 bis of the regional law No. 12 of 11 March 2005, with the aim, on the one hand, of drafting the Simplified Document of the Hydraulic Risk directly as CAP Group, and on the other hand contributing to the homogenisation of all documents and analyses (including the Municipal Hydraulic Risk Study) with a view to harmonisation on a wider territorial level with a special reference to the wastewater treatment agglomerations and this also in view of the imminent entry into force of the new regulation on wastewater (RR 06/2018).

During 2022, the activities started in 2019 to draw up Simplified Documents of the Hydraulic Risk were continued in accordance with the indications given by the Regulation containing criteria and methods for complying with the principle of hydraulic and hydrological invariance pursuant to Article 58 bis of Italian Regional Law no. 12 of 11 March 2005.

As at 31 December 2023, 128 member municipalities had signed agreements, of which 126 had approved the DSRI (Sedriano and Settala are missing). In addition, the Municipality of Rescaldina drew up the DSRI on its own and the council approved it as required by law.

Finally, Senago and Lacchiarella drew up the DSRI independently but it was not approved by the council, while Cusano Milanino and Segrate did not draw up any DSRI.

The following image shows the status of Simplified Documents as at 31 December 2023.



Moreover, the support to external professionals appointed by municipalities for the drafting of Municipal Hydraulic Risk Management Studies continued, with a special attention to the compliance with the "Guidelines for the drafting of the Municipal Hydraulic Risk Study". These guidelines were drawn up in 2019 as further support for municipalities and were published on the "Hydraulic Invariance" page on the CAP Group website.

As at 31 December 2023, work has begun on the preparation of the Municipal Hydraulic Risk Study for 76 municipalities, 28 of which have been approved by the Municipal Council.

By using the data collected from the simplified documents, in particular from the interventions mapped on the territory, it was possible to participate in regional funding calls on the subject of urban regeneration and land waterproofing, laying the foundations for the construction of the CMM-Spugna Project:

- Design activities on behalf of third parties (i.e. on behalf of municipal administrations or other entities) for hydraulic invariance works and sustainable urban drainage works (disconnection works in Varedo, new road in Carpiano, ecological lay-by in Cormano, etc.);
- Integration of the SiRIC database (acronym for Information System of Hydrological Invariance and Municipal Hydraulic Risk Management) for the analysis of the collected data and the procedures that will be implemented for both data analysis and design activities. The data structure is currently based on the results of 123 Simplified Documents. Link to the SiRIC presentation video: <https://smartgreen.unimi.it/2020/09/10/presentazione-siric/>;
- loading of the Siric DB into the Acque di Lombardia webGIS platform, which will be finalised in May 2022;
- Development of in-house calculation software for the design of sustainable urban drainage works and hydraulic invariance: a demo was realised at <https://smartgreen.unimi.it/2020/09/10/presentazione-smart-green/>

In 2022, CAP Holding S.p.A. developed the "Città Metropolitana Spugna" project together with Metropolitan City of Milan, i.e. a set of 90 sustainable urban drainage interventions, financed with € 50 million of the RRP funds.

These interventions, planned in 32 municipalities, are aimed at the redevelopment of squares, car parks and streets. Although different from each other, the works share the same objectives of environmental resilience, urban regeneration, adaptation to climate change, recovery/reconfiguration of spaces and sustainable urbanisation. In particular, design solutions include de-sealing works and the disconnection of sealed surfaces from the sewerage network, which, in addition to their street furniture function, allow rainwater to infiltrate into the ground, reducing heat island effects and the risk of flooding.

This is why urban greenery is configured as the protagonist of the interventions and is used not only as simple street furniture, but also as a social and environmental enhancing element capable of adapting to different situations, improving the quality of life and environmental protection.

At the end of 2022, the final design of the CMM Spugna operations was completed. During 2023, it was necessary to draw up the Feasible Project for 42 interventions and to revise the Final Project for the remaining 48. As at 31 December 2023, work started on 28 interventions.

With regard to the flyover systems on the sewage network, details are provided in accordance with the latest updates as per Minute Prot. 13 of 2 January 2023.

As a result, 82 buildings indicated below are managed as at 31 December 2023:

	MUNICIPALITY	VIA	TYPE
1	ABBIATEGRASSO	Via Fausto Coppi	Underground sealed tank
2	ABBIATEGRASSO	Via Stignani	Underground sealed tank
3	ARCONATE	Via degli Aceri	Surface sealed tank + dispersing
4	ARLUNO	Via Elisa Restelli (VITTUONE)	Underground sealed tank
5	BERNATE TICINO	Via Vittorio Emanuele	Dispersing tank
6	BOFFALORA SOPRA TICINO	Via 25 Aprile	Underground sealed tank
7	BOFFALORA SOPRA TICINO	Via Marzabotto	Underground sealed tank
8	BOFFALORA SOPRA TICINO	Via Alessandro Volta	Underground sealed tank
9	BRUGHERIO	Via Guzzina	Surface sealed tank

10	BUSCATE	Via per Cuggiono	Surface sealed tank + dispersing
11	BUSTO GAROLFO	Via per Furato	Surface sealed tank
12	BUSTO GAROLFO	Via Giuseppe Di Vittorio (Olcella)	Surface sealed tank + dispersing
13	CAMBIAGO	Via Matteotti	Surface sealed tank
14	CARPIANO	Via Caduti	Underground sealed tank
15	CARPIANO	Via Cascina Liberia	Underground sealed tank
16	CARUGATE	Via Fratelli Bandiera	Surface sealed tank
17	CASOREZZO	Via Fiume	Surface sealed tank + dispersing
18	CASSINA DE PECCHI	Via Leonardo da Vinci	Underground sealed tank
19	CASSINETTA DI LUGAGNANO	Viale Lombardia	Underground sealed tank + dispersing
20	CASSINETTA DI LUGAGNANO	Via Trento	Underground sealed tank + dispersing
21	CASTANO PRIMO	SP31	Surface sealed tank
22	CERIANO LAGHETTO	Via Vicinale del Nosetto	Dispersing tank
23	CERRO MAGGIORE	Via dei Cerri	Surface sealed tank
24	CERRO MAGGIORE	Via Pastrengo	Dispersing tank
25	CERRO MAGGIORE	Via Carlo Calvi	Surface sealed tank
26	CESATE	Via Giuseppe Garibaldi	Underground sealed tank
27	CINISELLO BALSAMO	Via 20 Settembre (BRESCO)	Surface sealed tank
28	CORSICO	Via Giuseppe Verdi	Underground sealed tank
29	CORSICO	Via Elio Vittorini	Surface sealed tank
30	CUGGIONO	Via Foscolo	Dispersing tank
31	DAIRAGO	Viale della Circonvallazione	Surface sealed tank + dispersing
32	GORGONZOLA	Via Milano	Underground sealed tank
33	GORGONZOLA	Via Buoizzi	Underground sealed tank
34	INVERUNO	Corso Italia	Dispersing tank
35	INVERUNO	Via Milano	Underground sealed tank
36	INZAGO	SP103dir	Dispersing tank
37	LISCATE	Via Alighieri	Underground sealed tank
38	MAGNAGO	Via Trento	Dispersing tank
39	MARCALLO CON CASONE	SP 224	Underground sealed tank
40	MELZO	Via Leonardo da Vinci	Underground sealed tank
41	MESERO	Via Matelda	Dispersing tank
42	MISINTO	Via San Siro	Dispersing tank
43	MOTTA VISCONTI	Via De Gasperi	Underground sealed tank + dispersing
44	NERVIANO	Via Isonzo	Surface sealed tank + dispersing
45	NERVIANO	Novella/Via Montello	Dispersing tank
46	NERVIANO	Novella/via Indipendenza	Dispersing tank
47	NERVIANO	Via Giovanni XXIII	Surface sealed tank
48	NERVIANO	via Giovanni XXIII Loc. Lazzaretto	Underground sealed tank
49	OSSONA	Via per Magenta	Surface sealed tank + dispersing
50	PADERNO DUGNANO	Piazza della Resistenza	Underground sealed tank
51	PARABIAGO	Via Volturmo	Surface sealed tank + dispersing
52	PAULLO	Via Caduti del Lavoro	Underground sealed tank

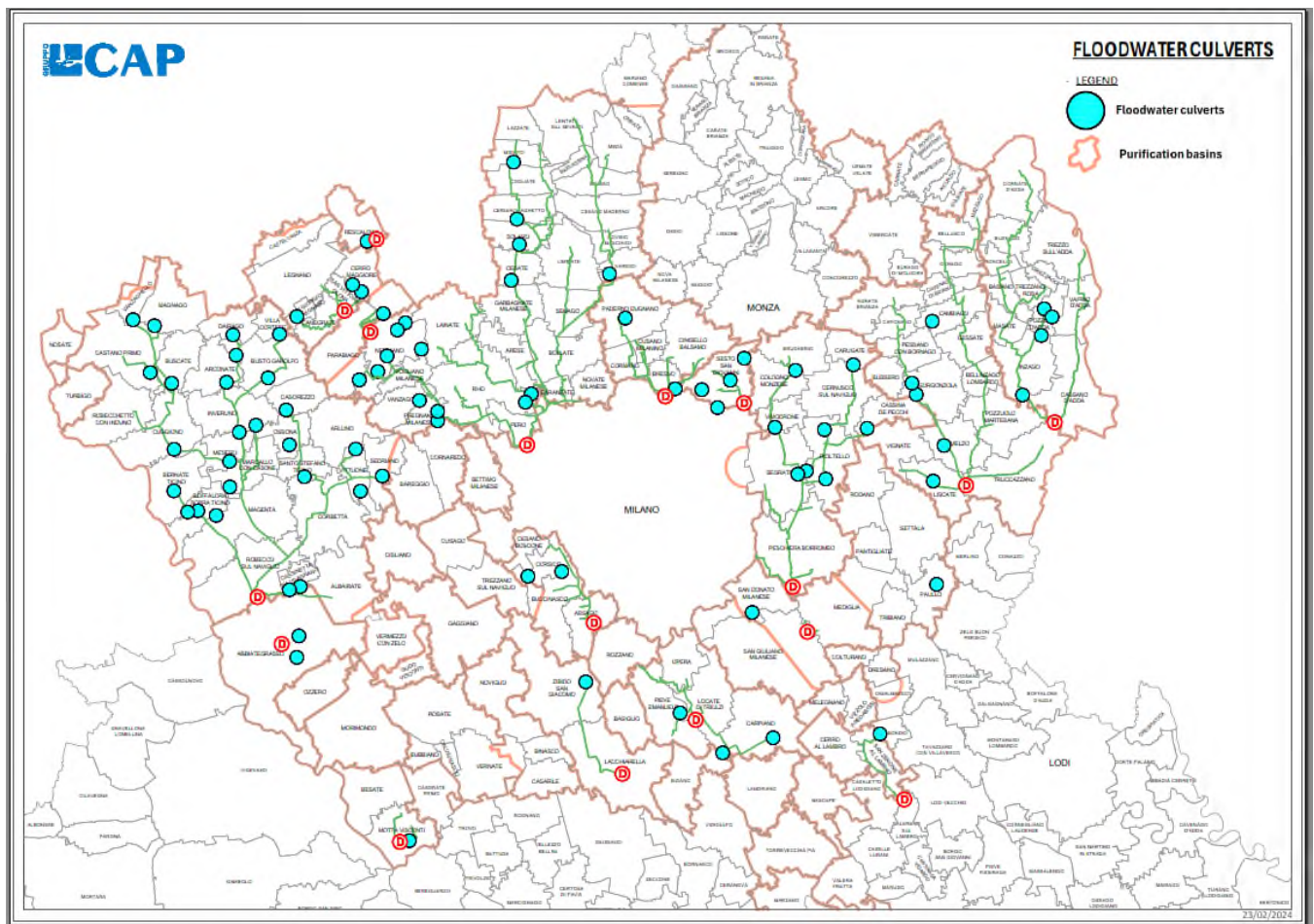
53	PIEVE EMANUELE	Via Brodolini (Valle Volpi)	Surface sealed tank
54	PIOLTELLO	Via Rugacesio	Surface sealed tank
55	PIOLTELLO	Viale San Francesco	Surface sealed tank
56	PIOLTELLO	Via Dante Alighieri	Underground sealed tank
57	POZZO D'ADDA	via fratelli Cervi frazione Bettola	Surface sealed tank + dispersing
58	POZZO D'ADDA	Via Unità d'Italia	Underground sealed tank
59	POZZO D'ADDA	Via Leonardo da Vinci	Surface sealed tank
60	PREGNANA MILANESE	Via dei Rovedi	Dispersing tank
61	PREGNANA MILANESE	Via Repubblica	Underground sealed tank + dispersing
62	RESCALDINA	Via Provinciale Saronnese	Surface sealed tank
63	RHO	Via Alcide De Gasperi	Underground sealed tank + dispersing
64	RHO	Via Risorgimento	Underground sealed tank
65	SAN DONATO MILANESE	Via Non codificata	Underground sealed tank
66	SAN GIORGIO SU LEGNANO	Via Don Luigi Sturzo	Dispersing tank
67	SAN ZENONE AL LAMBRO	Via Don Gnocchi	Underground sealed tank
68	SANTO STEFANO TICINO	Viale della Stazione	Underground sealed tank
69	SEDRIANO	Via per Cascina Magna	Dispersing tank
70	SEGRATE	Via Rugacesio	Surface sealed tank
71	SESTO SAN GIOVANNI	Via Giovanni XXIII	Underground sealed tank
72	SESTO SAN GIOVANNI	Via Adamello	Underground sealed tank
73	SESTO SAN GIOVANNI	Viale Italia	Underground sealed tank
74	SESTO SAN GIOVANNI	Via L. Granelli	Underground sealed tank
75	SOLARO	Corso Italia	Dispersing tank
76	VANZAGHELLO	Via Gallarate	Dispersing tank
77	VANZAGO	Via I Maggio	Dispersing tank
78	VAREDO	Via Colombi	Underground sealed tank
79	VILLA CORTESE	Via dell'Industria	Surface sealed tank + dispersing
80	VIMODRONE	Via Pio La Torre	Underground sealed tank
81	VITTUONE	Via Cadorna	Dispersing tank
82	ZIBIDO SAN GIACOMO	Via Asilo Salterio	Underground sealed tank

Starting from 2020, with reference to the tanks serving the sewerage network, planning has been carried out both to comply with the provisions of Regional Regulation 06/2019 and to improve the efficiency and functionality of the network. This implements what was already provided in the 2018-2022 PDI in terms of planning the interventions.

In 2022, the design of the tanks of Trezzano Sul Naviglio (first rain tank + floodwater culvert), Sedriano (first rain tank and dispersing tank), Marcallo con Casone (dispersing tank), Bareggio (plant head tank) and San Colombano (plant head tank) were completed). The design of the tanks of Novate Milanese (first rain tank), Paderno Dugnano (phytodepuration and dispersion), and Vanzago (first rain tank and adaptation of dispersion tank) continues. Moreover, the design of the Canegrate (first rain tank and dispersing tank), Magnago (first rain tank and adaptation of dispersing tank), Cambiago (first rain tank and adaptation of dispersing tank) and Legnano (first rain tank and floodwater culvert) was started.

With regard to interventions in 2023, works are still currently underway on the construction of the tanks at Parabiago Via Foscolo (floodwater culvert), Parabiago Via Matteotti (floodwater culvert) and Trezzano Sul Naviglio (first rain tank + floodwater culvert) while the Misinto first rain tank has been completed and is being tested.

The following image shows the location of the 82 tanks under management as at 31 December 2023 together with the mapping of the various collectors under management:



Personnel and the environment.

With regard to the information pertaining to the environment and the personnel required by section 1 bis of Article 40 of Italian Legislative Decree No. 127/91, it should be noted that in 2023:

- there were no deaths in the workplace, nor charges have been made with regard to occupational diseases affecting employees or former employees or lawsuits concerning mobbing, in relation to which responsibility of the company has been definitively ascertained;
- no damages were caused to the environment for which the company has been definitively declared guilty, nor any sanctions or fines have been inflicted on the company for environmental offences or damages;

With regard to organisational development measures, the main action adopted in 2023 is illustrated below.

As part of the consolidation process of the policy and co-ordination activities of CAP Holding - which holds the twenty-year concession for managing the Integrated Water Service in the reference area - 2023 was also characterised by internal reorganisation measures aimed at making the management of said service more effective and efficient, with a view to ongoing improvement, focusing on a greater enhancement of the functions of the Parent Company.

With a view to industrial policies aimed at enhancing in-house management of the integrated water service with the aim of maximising coordinated management of the integrated water service in highly interconnected territories:

- management under co-employment (envisaged by Article 30, paragraph 4-ter of Italian Legislative Decree 276/2003) continued under the network contract with BrianzAcque S.r.l., Lario Reti Holding S.p.A. and ALFA S.r.l. for the Information Technology Department;
- during 2023, the shared process of cooperation with ALFA s.r.l. was consolidated: it had led on 12 June 2020 to the signing of the network agreement in which a common process that provides, among other things, for the establishment of single offices subject to unified and coordinated management, was identified.

The coordinated management of the integrated water service in interconnected territories led to the maintenance of 74 on secondment to Alfa S.r.l. for the following areas:

- o Administration and Finance;
- o Engineering;
- o Legal and Contracts;
- o Operation Intelligence;
- o Planning and Control;
- o Research and Development/laboratories.

On 1 April 2021, a Network contract was signed with the company CORE S.p.A./ZEROC S.p.A. for the development of circular economy policies through the establishment and management of the Sesto San Giovanni Bioplatform. On 17 May 2021, the Ministry of Labour and Social Policies approved the company reorganisation programme for the period from 3 May 2021 to 2 January 2022, and the minutes of the agreement with the trade unions were signed for the placement of Core/ZeroC's personnel on furlough. The aforementioned agreement provided for a lay-off period of eight months, starting on 3 May 2021, for approximately 10 employees of CORE S.p.A. As at 31 December 2023, all ZeroC S.p.A. personnel were seconded to CAP Holding S.p.A. (CAP GROUP), which is the majority shareholder company, with the ascertained and acquired 80% of the shares.

On 17 February 2023, the statement of agreement was signed with the trade unions and the Single Trade Union Representative Body, pursuant to art. 47 of Italian law no. 428 of 29 December 1990, in relation to the aforementioned internal organisational restructuring operation of the Group, which then culminated in the deed of demerger of 31 July 2023, volume no. 78688, drawn up by Notary AJELLO Stefano of Milan, which involved the intra-group transfer of 259 employees of AMIACQUE S.r.l. (now CAP Evolution s.r.l.) to CAP Holding S.p.A.

Analysis of the trend in the number of personnel

The personnel in service as at 31 December 2023 numbered 922 employees.

The changes registered for the year concern:

- no. 87 incoming employees for activation of selections pursuant to the current Recruitment Regulation;
- no. 59 outgoing employees due to termination of work contract;
- no. 15 outgoing employees for retirement requirements.

For the number of CAP Group employees, broken down by category, please refer to the notes to the financial statements.

Analysis of the trend of personnel costs with reference to the value of Costs

With regard to the analysis of the incidence of personnel costs on production Costs, the following table is shown:

	Limits	2015	2016	2017	2018	2019	2019 Restated	2020	2021	2022	2023
% INCIDENCE PERSONNEL COSTS/TOTAL COSTS	20.00%	19.50%	17.34%	14.64%	14.59%	14.44%	14.61%	14.56%	14.47%	12.08%	13.75%
% INCIDENCE PERSONNEL COSTS/TOTAL REVENUES	20.00%	16.27%	14.41%	12.57%	12.45%	12.40%	12.75%	13.27%	12.73%	11.88%	13.00%

It should be noted that the shareholders' meeting of CAP Holding S.p.A. on 17 May 2023 resolved, among other things, to keep personnel costs within the limit of 20% of total costs. The trend is compliant with the forecasts of the Business Plan.

Other personnel management costs include total investments for staff training activities.

In 2023, total expenditure for personnel training activities amounted to € 238,391 for a total of 30,296 hours of training, involving 993 people, of which € 133,987 on safety in the workplace (€ 0 Safety and € 133,987 Compulsory Safety), for a total of 13,981 hours (1,759 Safety and 12,222 Compulsory Safety) involving a total of 741 people.

Incentive systems adopted

With regard to the incentive systems applied for the year 2023, it should be noted that:

- pursuant to Article 9 of the Consolidated Gas Water CCNL, with reference to the incentive systems applied for the year 2022, the "Result bonus project for the four-year period 2020-2022" signed on 12 December 2019 was applied;
- as part of the company policy for developing the responsibilities that aims to enhance the professionalism and individual skills of management personnel, the individual incentive policy instrument launched in 2014 was strengthened, already aimed at recognising and rewarding the best achievement of the business targets and the carrying-out of better performances;
- in 2022, the following were introduced on an experimental basis:
 - o GAIN SHARING and PROFIT SHARING incentive tools: forms of variable remuneration, in addition to the MBO and intended for management, middle management and executives. Both of these instruments will generate self-financing: GAIN SHARING through cost containment while PROFIT SHARING through the search for new value;
 - o the 2021-2023 Sustainability Performance Plan, addressed to management staff. The purpose of the Plan is to incentivise the executives of the CAP Group companies, vested with functions of strategic importance, to achieve long-term corporate objectives with a view to creating value on environmental and social sustainability issues (in accordance with the Environmental, Social & Governance criteria) and, at the same time, to create a means of building their loyalty by granting them the right to receive a bonus under the terms and conditions set forth in this Regulation.

As at 31 December 2023, the CAP Group was in line with the provisions envisaged by Italian Law No. 68/69, Provisions for right to work of people with disabilities, having entered into with the Milan Provincial Authority, on 19 September 2022, an agreement for the employment of individuals with disabilities pursuant to Article 11 of Italian Law No. 68/99 for both CAP Holding S.p.A. and AMIACQUE S.r.l. (now CAP Evolution S.r.l.).

Research and development activities

In continuity with the guidelines launched in previous years, the CAP Group further increased - also in collaboration with industrial and scientific partners, such as Universities and Research Institutions - research and development activities aimed at acquiring specific know-how on technologies that serve the integrated water

cycle. The Group carries out innovation activities operating at various levels and focuses its activity on three types of projects:

- **Financed Projects**, which are developed in the framework of regional, national and international funding calls;
- **Self-Financed Projects**, which are research and innovation activities, entirely financed by the CAP Group, and which have a short potential industrialisation frontier in the order of 1-3 years;
- **Special Projects**, which are developed with a view to exploring new speculative development opportunities, either within the Group or in collaboration with external parties, such as innovative start-ups.

As part of the Financed Projects, the main activities were as follows:

LIFE Freedom project

CAP Group is taking part in the LIFE FREEDOM project - Solving treatment of wastewater sewage sludge with new HTL technology to produce hydrocarbons, asphalts and fertilisers, which aims to test the applicability of the process known as hydrothermal liquefaction (HTL) for the treatment of sludge from wastewater treatment. In fact, the most common solutions at the moment involve reuse in agriculture, landfilling or waste-to-energy; however, each of these solutions has undesirable environmental (e.g. CO₂ emissions from landfilling) or social (social acceptability of waste-to-energy plants) impacts. In this sense, hydrothermal liquefaction will make it possible to reduce the amount of sludge to be treated and to recover materials that can be put back on the market as secondary raw materials for the production of biofuels or asphalt. Moreover, such a solution can allow the recovery of phosphorus for use in agriculture as fertiliser, an element whose availability is decreasing worldwide and for which Italy is dependent on imports.

The pilot plant was installed at the Cassano d'Adda wastewater treatment plant in 2022 and several experimental campaigns characterising the productions were carried out during 2023. Project activities will continue until mid-2025.

CIRCULAR BIOCARBON Project

The CAP Group participates in the CIRCULAR BIOCARBON project (title in full: Turning carbon of complex organic urban waste streams into value-added products) which aims to create new business models based on the treatment of urban waste with circular economy approach. In two different case studies, in Zaragoza (Spain) and in Sesto San Giovanni, a first-of-a-kind biorefinery based on the valorisation of OFMSW will be developed to obtain high value-added products from urban organic streams, going a step further than classical anaerobic digestion and composting systems.

CIRCULAR BIOCARBON envisages the construction on two parallel sites in Sesto San Giovanni and Zaragoza (Spain) of an integrated biorefinery fuelled by urban organic waste (sewage sludge and FORSU) and intended for the production of materials for various product sectors, such as agriculture, precision industry and sustainable packaging. In particular, at the Sesto San Giovanni site, the production of Polyhydroxyalkanoates (PHA), a family of biodegradable polymers that Novamont will use for the formulation of bags for separate waste collection and mulching sheets, will be validated by the CAP Group.

During 2023, the preliminary works necessary for the construction of the biorefinery and the upgrading of existing compartments continued. Moreover, the budgeting and scouting phase for the PHA production pilot plant, designed by Università Politecnica delle Marche and Università di Verona, was carried out and the tender for the supply of the plant was issued and awarded. Research and development activities will be carried out until 2027.

BIOMETHAVERSE project

The CAP Group participates in the BIOMETHAVERSE innovation project, (Demonstrating and Connecting Production Innovations in the BIOMETHane uniVERSE) which aims to diversify the technology base for biomethane production in Europe in order to increase cost-effectiveness and contribute to the dissemination of innovative processes for biomethane production.

The aim of the project is to implement a series of innovations in the biomethane sector that can increase biomethane production, reduce costs and couple the electricity and gas grid to enable the transition to renewable energy in all energy sectors.

To achieve this goal, BIOMETHAVERSE brings together industrial partners, associations and universities from 8 European countries. The project consortium includes 23 organisations that will develop 5 case studies in France, Italy, Ukraine, Sweden and Greece. ISINNOVA, an independent Italian research institute based in Rome, is coordinating the European project.

The Italian case study involves the collaboration of the CAP Group, Politecnico di Milano, SIAD and Consorzio Italiano dei Compostatori and will focus on the creation of an integrated technological platform to increase the quality and quantity of biomethane produced at the Bresso - Niguarda wastewater treatment plant where biogas is already converted into biomethane and fed into the grid.

The project officially started on 1 October 2022, and during 2023 the pilots for the project demonstration - including the ozonolysis reactor - were designed and the safety aspects for installation in the plant were finalised.

BIORECER project

The BIRECER (Biological Resources Certifications Schemes) project was eligible for funding as part of the call for proposal HORIZON-CL6-2021-ZEROPOLLUTION-01-05 Environmental sustainability criteria for biological resources production and trade in bio-based systems: impacts and trade-offs”.

The objective of BIRECER is to stimulate European stakeholders in the use and trade of biological resources through the definition, promotion and transfer of competitive and efficient bio-based circular systems. To achieve this goal, BIRECER will be structured around three main activities:

- develop a multi-dimensional digital framework for the analysis of biological feedstocks and their supply chains;
- create an innovation ecosystem with a multi-player approach to test the framework on four case studies based on different bio-based systems and supply chains;
- Complement existing certification schemes with new criteria for certifying the sustainability, origin and traceability of organic resources, ensuring their applicability at European and global level.

The CAP Group participates in the project, together with the other Italian partners UNIVPM and Cluster Spring, for the case study on biological resources from activities in urban areas. Therefore, different matrices of potential interest such as liquid waste from the food industry, treatment sludge, FORSU and cellulose were included in the case study.

The project officially started in September 2022. During 2023, data and methods were shared to facilitate the creation of enabling certifications for the biobased ecosystem.

UPSTREAM

Project co-funded by the European Commission under the Horizon Europe framework programme. The project involves the effective monitoring of waste, plastics and microplastics from different sources of pollution and the testing of innovative solutions for the prevention, collection, reuse and treatment of plastics and microplastics. Officially launched in September 2023.

AWARD

Project co-funded by the European Commission under the Horizon Europe framework programme. AWARD aims to develop evidence-based knowledge on how to integrate alternative, reliable and acceptable water resources into water supply planning. The CAP Group participates in the project, together with the other Italian partners

Metropolitan City of Milan and Iridra, for the case study on the "low-cost" monitoring of the impact of sustainable drainage carried out during the Metro Adapt life project, for the valorisation and dissemination of the impact that the "Città Spugna" interventions can generate. Project started at the end of 2023.

As part of the Self-financed Projects, the main activities were as follows:

MICODEP project

During 2023, the Micodep project continued its activities on the laboratory-scale testing of fungal strains, identified in 2019 within the mycoflora present in the wastewater, to assess their properties towards the reduction of suspended solids in the thickened sludge, with a view to reducing the final amount of sludge to be disposed of.

At the same time, pilot trials were carried out with the support of Galatea Bio Tech and the use of a bioreactor for the growth and use of the selected species directly at the purification plants. A new collaboration has also been established with Biochem Solution to investigate the possibility of optimising fungal growth on an industrial scale.

Rinnova supply chain

Project co-funded by the Lombardy Region as part of the "Filiere" (supply chains) call for proposals to strengthen a territorial symbiosis capable of stimulating circular economy processes and the diffusion of renewable energies. In partnership with "Acqua & Sole", the CAP Group has carried out feasibility studies and assessed the possibility of setting up an efficient user system (SUE) and directly reusing the water purified at the Binasco purification plant for agricultural purposes. The collaboration also led to the identification of a European funding call at the end of 2023 for carrying out activities in which the partners will participate in 2024.

The Gis - WebGis system

One of the strengths of the company is certainly the GIS system, which has now been extended to the following water operators: BrianzAcque S.r.l., Uniacque S.p.A., Lario Reti Holding S.p.A., PaviaAcque S.c.a r.l., Acque Bresciane S.r.l., ALFA S.r.l. di Varese, Acque Novara VCO S.p.A. It should be noted that ATS (Alto Trevigiano Servizi) is in the process of registration.

On the basis of these conditions, the integrated system has become for all purposes a system used 70% by the founders of Water Alliance with the consequent creation of a new concept of GIS/WEBGIS, the WebGIS regional water – <https://sit.acquedilombardia.it/Gallery/>.

This was further expanded by extension outside the region, including Piedmont and Veneto.

A system highly interconnected with the ERP Company Oracle E business suite, with the network maintenance software and with the mobile world for optimum geographic management.

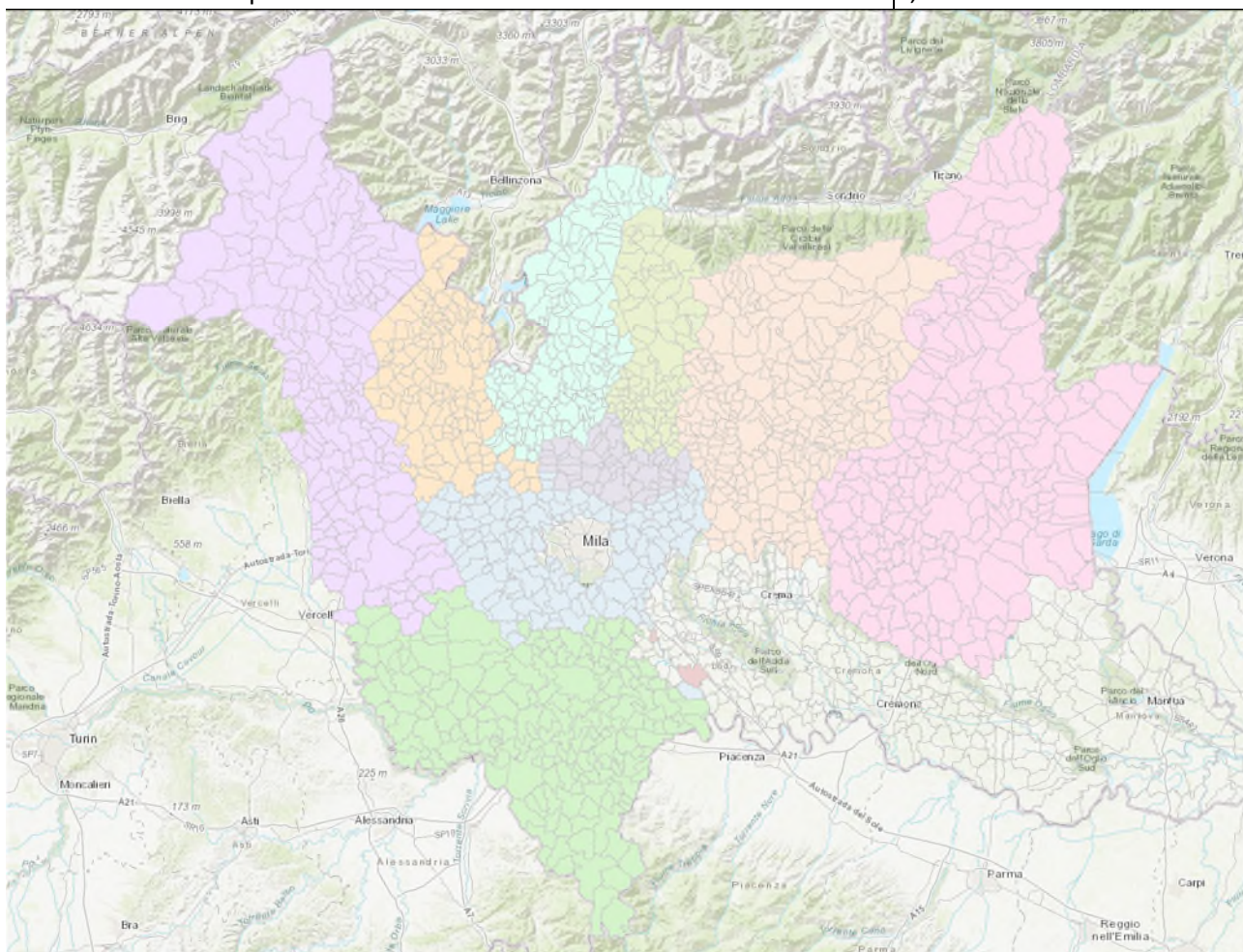
The real process of change in 2020 and consolidated in the two following years, was the overall renewal of the entire application map dedicated to GIS/WEBGIS, with the start of operations on 23 November 2020 of the new set of applications dedicated to land management.

The new application, based on market technologies, world leaders on proprietary source code, allows and will allow all subscribing companies and in particular the CAP Group to start a development process, integrating artificial intelligence and predictive concepts within the system itself.

Real time	Centralised control	Data sharing	Redundancy reduction
Independence of the data structure	Direct access	Security	Versatility

In order to be able to appreciate the development of the system of the new GIS and WebGIS, the following quantitative data is illustrated:

WebGIS ACQUE DI LOMBARDIA	2023
km of sewer mains included in the system	33,160
km of aqueduct network included in the system;	36,826
Number of manholes of the sewerage system	686,166
Number of wells – aqueduct network	9,393



Furthermore, the following data is also reported, referring to the area served by the CAP Group.

Focus: CAP Group WebGIS	2023
Number of investments entered on WEB GIS	90
Number of sewerage drains entered on WEB GIS	943
Number of industrial drains entered on WEB GIS	1,734
Number of extraordinary maintenance interventions entered on WEB GIS	48

Number of corrective maintenance interventions entered on WEB GIS	2
Number of as built by third parties entered on WEB GIS	67
Number of km of aqueduct and sewerage network entered on WEB GIS	13,061
Number of well monographs entered on WEB GIS	718
Number of inspection videos entered on WEB GIS	3
Trap maintenance service entered on WEB GIS	4,856
Number of discharge authorisations entered on WEB GIS	943
Number of monographs for sewerage network manholes accessible on WEB GIS	165,781

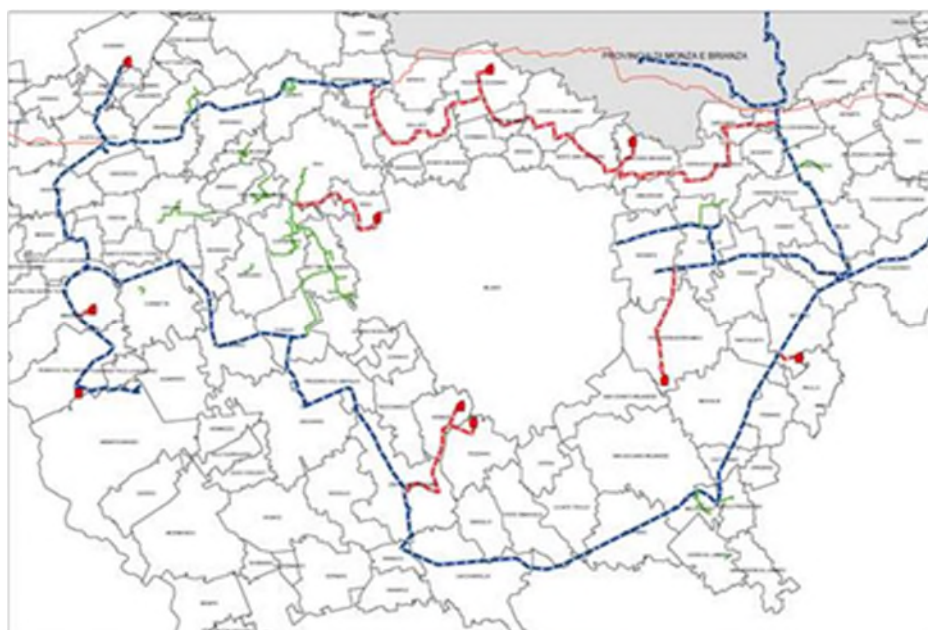
Several agreements with the Lombardy Region and other Italian operators make the platform one of the most advanced both at Italian and international level.

In conclusion, it is disclosed how, in a tangible manner, the project is for all purposes a virtuous example of sharing economy and will allow the new partners to avoid long timescales and costs for the launch of software by now fundamental for the management of the service.

In 2015, the CAP Group, with a view to optimisation of the connectivity costs and, above all else, to improve the work performances increasingly oriented towards the new technologies and Mobile logics, undertook a process aimed at the possibility of use of its right to 20% of the fibre optics laid by the Metropolitan City of Milan within the sewer pipelines and other proprietary sub-services.

For this purpose, on 16 June 2015 a decree was issued by the metropolitan mayor (Gen. Vol. No. 191/2015) concerning “The collaboration between the Metropolitan City of Milan and CAP Holding S.p.A. for the development and valorisation of the telematic backbone”, aimed at the drafting of a shared business plan so as to be able to conclude the cabling of the metropolitan city network.

Subsequently, during the agreement as per the previous point, given the excellent results and the possibilities emerging during work, a second agreement was reached in reference to the decree issued on 29 October 2015 (Gen. Vol. 283/2015) by means of which the role of the CAP Group in the Closure of the telematic backbone was defined.



The CAP Group, in compliance with the agreements entered into, as from March 2016 started to lay around 65 km of fibre optic infrastructure using the sewer pipelines managed with the aim of closing the backbone ring and reach the 11 main offices of the Group (in the diagram alongside, see the line in red) permitting a saving on the Opexes referring to the connectivity costs incurred to date.

The necessary investment that is envisaged comes to € 2,254,104. Between March 2016 and

December 2016, installation work commenced and continued, permitting the work group to lay around 23 km of infrastructure referring to the closure of the backbone ring, closure which then took place in February 2017.

In December 2017, further to the work brought forward during the entire space of the year, the project was preliminarily completed with the reaching of the main offices of the Group and the activation of the first 3 operational offices with an Opex saving already of € 43,700.

The site connections in the scope of the project were completed in 2018, bringing an overall saving of € 138,330 per year. As a continuation of the project, opex's savings were consolidated in 2019, decreasing on a proportional basis, i.e. without taking into account the new locations to be connected and the organisational changes that have occurred since the start of the project to date, by € 189,430. Finally, the completion of the process allowed the group to benefit from the investment during the pandemic period of the year 2020, having at its disposal enabling drivers of redundant connectivity and allowing immediately to guarantee smart working to more than 500 people of the group.

Business Outlook

It should be specified that the CAP Group is involved, as more fully illustrated in this report, in highly regulated activities, especially for the part relating to the revenues and investments.

The CAP Group budget, examined by the Board of Directors of CAP Holding S.p.A. on 20 December 2023, shows the following trend in 2024:

<i>(units in €)</i>	2024 Budget
Total Revenues	443,114,565
(Total Costs)	(388,633,712)
Net operating result	54,480,853
Financial income (financial expense + write-down of equity investments)	(10,129,651)
Taxes	(13,305,361)
Net result for the year	31,045,841

The forecast for the cost of electricity in 2024 was estimated at about € 47.3 million.

The risk of a high volatility of raw material prices is confirmed for 2024 as well, which requires the utmost care in the continuous monitoring of this cost item.

On the transfer of this cost with respect to the guaranteed revenue, please refer to the previous paragraphs.

The above trend also presupposes the total reuse of the operating balance indicated in the company.

Therefore, in terms of profitability, which is more aimed at producing results to be reused in the Group for investments, the opinion is for expected positive results.

However, it must be pointed out that, at the moment, it cannot be completely ruled out that the uncertainties concerning the economic and international scenario, as well as the current variability and growth of raw materials and especially of electricity may in the future affect the Group beyond the extent already dealt with as a basis for drawing up the above forecasts, as a reflection of the effects induced by the crisis above all at a macroeconomic

level, but also at a local and indirect level, and therefore also subsequently reflect on the Group's credit management and liquidity.

Financial risk management

As part of the performance of its activities the CAP Group is exposed to certain financial risks such as the interest rate risk, the liquidity risk and the credit/counterparty risk.

The financial risks to which the Group is exposed and the formalities by means of which they are managed are listed in greater details below.

(a) Interest Rate Risk

The portion of financial indebtedness that has a floating rate is however somewhat contained. As at 31 December 2023, it totalled € 9,619,010, equal to around 3% of the total indebtedness outstanding as at 31 December 2023.

On the same date, part of this indebtedness, as at 31 December 2023, € 1,153,846 at a floating rate, was accompanied by a non-speculative purely hedging interest rate swap agreement.

With reference to the residual interest rate risk, the Group prepared a sensitivity analysis to determine the impact on the income statement (result before taxes) that would result from a hypothetical positive/negative change in interest rates compared to those actually recorded in each period.

The following table shows the results of the analysis carried out.

<i>in euro</i>	Case A)	Case B)
Sensitivity analysis	-200 basis points	+200 basis points
Financial year ended 31/12/2023	277,409	-277,409

The objective of the CAP Group is to limit its exposure to the increases in the interest rates keeping the loan costs acceptable. The risks related to the increase in the interest rates are monitored as non-speculative.

There is no guarantee that the hedging policy adopted by the Group, intended to reduce to a minimum the losses associated with fluctuations in the interest rates in the event of floating rate indebtedness transforming them into fixed rate borrowing, will have the effect of reducing any of these losses. If the above does not take place on an absolutely remote basis, negative effects could come about on the activities of the Group, on the financial situation and on the results of the operations.

(b) Liquidity risk

The liquidity risk represents the risk that, due to the inability to procure new funds or liquidate assets on the market, the CAP Group is unable to meet its payment commitments, causing an impact on the economic result in the event that it is forced to incur additional costs to meet its commitments or a situation of insolvency.

The objective of the CAP Group is the maintenance over time of a balanced management of its financial exposure, aimed at ensuring a liability structure balanced with the composition of the financial statement assets and capable of ensuring the necessary operating flexibility by using the liquidity generated by the current operating activities and the recourse to bank loans.

The ability to generate liquidity from the core operations, together with the borrowing capacity, permits the Group to adequately satisfy its operating requirements, those for financing the working capital and investment needs, as well as the observance of its financial obligations.

The CAP Group is characterised by a policy involving the use of temporary liquidity in financial instruments with a low and/or average-to-low level of risk.

In particular, the parent company adopted a regulation for the use of liquidity as early as 2013 and updated it by a resolution of the board of directors on 18 February 2021, which excludes investments in high-risk financial assets. Please see the notes to the financial statements with regard to the loans existing at the end of reporting period.

Thus, the CAP Group also takes steps to hedge the liquidity risk by means of taking out a number of short-term credit facilities with banks.

The facilities for liquidity amount as at 31 December 2023 to € 17.55 million and none have yet been used.

As from June 2014, with the need of defining internal procedures aimed at optimising the allocation of the total financial resources at CAP Group level and endowing itself with a sole direction in the financial field for the purpose of rendering the financial operations of the entire group more efficient and rational, a sweeping cash pooling agreement was entered into between CAP Holding S.p.A. and AMIACQUE S.r.l. (now CAP Evolution S.r.l.), or rather an agreement for the centralisation of the handling of the liquidity, also operative for 2023 and extended until 31 May 2024.

As at 31 December 2023, this item amounted to € 18.0 million payable by the parent company to the subsidiary (as at 31 December 2022, this item was nil).

Finally, we would like to inform you that on 5 December 2023 CAP Holding S.p.A. issued a bond of € 105 million (ISIN: XS2726850881), which was collected on the same day and listed on the regulated market in Dublin (Euronext).

(c) Credit risk

The credit risk represents the company's exposure to potential losses that may arise if a commercial or financial counterparty does not meet their obligations.

The main credit risks for the CAP Group derive from the trade receivables from the supply of the integrated water services, collected by the Group or by other companies (Operators of other ATOs, where CAP Holding S.p.A. is the "wholesale operator").

The CAP Group tries to deal with this risk adopting policies and procedures that regulate the monitoring of the expected funding flows, the granting of extended credit terms and if necessary the implementation of suitable recovery measures, both with regard to the users directly managed and with regard to the operators which it is the Wholesaler of. For the majority of the latter, specific and direct agreements have been reached.

Notwithstanding the foregoing, a general increase in default rates could have a substantial negative effect on the Group's business, financial situation and results of operations as well as on the Group's ability to fulfil its payment obligations.

Trade receivables are recognised in the financial statements net of the write-down calculated on the basis of the risk of default of the counterparty, determined considering the available information on the solvency of the

customer and considering past and future data. The positions, if individually significant, for which there is an objective condition of partial or total non-payment, are subject to individual write-down.

(d) Covenants and Negative pledges and similar.

Part of the CAP Group's indebtedness as at 31 December 2023 derives from loan agreements or from bonds that, in line with similar market transactions, envisage a number of restrictions and commitments for the Group. These include the commitment not to grant, unless within pre-established limits, to future lenders encumbrances on its assets (negative pledge), change of control, *pari passu* and cross default clauses. A number of restrictive clauses are also envisaged on the accomplishment of specific extraordinary transactions and on the disposal of assets. Financial covenants are also envisaged, the possible non-observance of the which may lead to the operation of the acceleration clause to the detriment of the Group.

Use of financial instruments

As at 31 December 2023, the CAP Group used a financial instrument. In particular, during 2015, it acquired an IRS from the merged company Idra Milano S.r.l. (of which Banca Nazionale del Lavoro S.p.A. is the counterparty).

This Interest Rate Swap (IRS), referring to an underlying financial liability, dates back to 16 May 2011 (agreement entered into by Idra Patrimonio S.p.A., which CAP Holding S.p.A. took over further to the merger of Idra Milano S.r.l. that took place in 2015): IRS for a nominal of € 6,000,000 (in repayment) expiring on 16 May 2026.

The open position is pure (and at least partial) hedge with respect to the interest rate fluctuation risk.

type of derivative contract	interest rate swap with BNL
	1
contract date	16/05/2011
purpose	rate hedging
contract number	5963433
notional value	6,000,000
existing principal	1,153,846
settlement date	16/05/2026
financial risk	
mark to market as at 31/12/2023	-5,836
hedged asset/liability	BNL loan (former Idra Patrimonio)

It is possible to add that:

- there are no significant concentrations of liquidity risk;
- there are no risks related to the trend in exchange rates;
- there are no significant risks related to the trend in interest rates;
- the trend in the prices of the services provided is linked to the tariffs and the Tariff Method determined by the sector Authority (ARERA).

Relations with affiliated companies and other investees

With regard to transactions with Neutalia S.r.l. and Zeroc S.p.A., Rocca Brivio Sforza S.r.l. in liquidation, refer to what has already been discussed above and the other details summarised in the notes to the financial statements.

Indirect equity investments

There are none.

*The Chairman of the Board of Directors
Yuri Santagostino*

FINANCIAL STATEMENTS OF THE CAP GROUP AS AT 31/12/2023

**Prepared in accordance with IFRS adopted by the
European Union ("EU IFRS").**

Statement of financial position

Statement of financial position	Notes	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
ASSETS					
Non-current assets					
Rights on assets under concession	7.1	892,289,805	870,043,760	22,246,045	3%
Rights of use	7.2	3,551,187	1,610,435	1,940,752	121%
Other intangible assets	7.3	14,018,161	13,762,601	255,561	2%
Tangible fixed assets	7.4	27,265,825	24,939,831	2,325,994	9%
Deferred tax assets	7.5	21,750,059	19,807,842	1,942,217	10%
Other receivables and other non-current financial assets	7.6	34,996,304	36,073,236	(1,076,932)	-3%
Total non-current assets		993,871,341	966,237,704	27,633,637	3%
Current assets					
Trade receivables	7.7	245,967,858	250,990,339	(5,022,481)	-2%
Inventories	7.8	2,871,298	2,664,612	206,686	8%
Contract work in progress	7.9	5,474,288	5,470,071	4,217	0%
Cash and cash equivalents	7.10	146,860,499	73,914,355	72,946,144	99%
Other receivables and other current financial assets	7.11	6,582,908	17,163,663	(10,580,755)	-62%
Total current assets		407,756,852	350,203,041	57,553,810	16%
Non-current assets intended for sale	7.12	0	0	0	0%
TOTAL ASSETS		1,401,628,193	1,316,440,745	85,187,448	6%
SHAREHOLDERS' EQUITY					
Share capital	7.13	571,381,786	571,381,786	0	0%
Other reserves	7.13	281,945,091	277,256,797	4,688,294	2%
FTA reserve	7.13	(989,327)	(989,327)	0	0%
Net result for the year	7.13	12,485,115	5,724,641	6,760,474	118%
Total consolidated shareholders' equity		864,822,665	853,373,897	11,448,768	1%
LIABILITIES					
Non-current liabilities					
Provision for risks and charges	7.14	65,287,939	63,749,038	1,538,901	2%
Employee Benefits	7.15	3,692,635	3,789,874	(97,238)	-3%
Non-current payables to banks and other lenders	7.16	254,217,816	177,105,138	77,112,679	44%
Other non-current payables	7.17	60,139,792	59,411,283	728,510	1%
Total non-current liabilities		383,338,183	304,055,332	79,282,851	26%
Current liabilities					
Trade payables	7.18	81,468,635	90,093,562	(8,624,928)	-10%
Current payables to banks and other lenders	7.16	30,763,086	32,080,443	(1,317,357)	-4%
Other current payables	7.19	41,235,624	36,837,511	4,398,113	12%
Total current liabilities		153,467,344	159,011,517	(5,544,172)	-3%
Non-current liabilities intended for sale	7.20	0	0	0	0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,401,628,193	1,316,440,745	85,187,447	6%

Statement of Comprehensive Income

Statement of comprehensive income	Notes	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Revenues	8.1	268,008,827	281,622,670	(13,613,843)	-5%
Increases for internal work	8.2	2,328,071	3,846,369	(1,518,298)	-39%
Revenues for work on assets under concession	8.3	98,521,965	114,232,631	(15,710,665)	-14%
Other revenues and income	8.4	44,665,143	33,033,651	11,631,492	35%
Total revenues and other income		413,524,007	432,735,320	(19,211,314)	-4%
Costs for raw materials, consumables and goods	8.5	(15,077,753)	(15,917,845)	840,092	-5%
Costs for services	8.6	(165,056,197)	(196,155,816)	31,099,620	-16%
Costs for work on assets under concession	8.7	(61,838,915)	(65,573,721)	3,734,807	-6%
Personnel costs	8.8	(53,749,931)	(51,413,091)	(2,336,840)	5%
Amortisation, depreciation, provisions and write-downs	8.9	(85,320,925)	(81,896,132)	(3,424,793)	4%
Other operating costs	8.10	(9,813,782)	(14,693,359)	4,879,577	-33%
Non-recurring operations	8.11	0	0	0	0%
Total costs		(390,857,502)	(425,649,965)	34,792,463	-8%
Operating result		22,666,504	7,085,355	15,581,149	220%
Financial income	8.12	3,434,521	2,978,189	456,333	15%
Financial expense	8.12	(9,647,496)	(5,909,153)	(3,738,343)	63%
Result before taxes		16,453,529	4,154,391	12,299,139	296%
Taxes	8.13	(3,968,415)	1,570,250	(5,538,665)	-353%
Profit (loss) from assets held for sale or disposed of	8.14	0	0	0	0%
Net result for the year (A)		12,485,115	5,724,641	6,760,474	118%
Components of the statement of comprehensive income that will not be subsequently reclassified in the income statement					
Actuarial gains/(losses) for employee benefits	7.15	(41,931)	375,406	(417,337)	-111%
Tax effect on actuarial gains/(losses) for employee benefits		0	0	0	0%
Components of the statement of comprehensive income that will be subsequently reclassified in the income statement					
Fair value change deriving from cash flow hedge (IRS)		3,308	(502,597)	505,905	-101%
Tax effect on fair value change deriving from cash flow hedge		(640)	123,665	-124,306	-101%
Total components of the statement of comprehensive income, net of tax effect (B)		(39,263)	(3,526)	(35,737)	1014%
		12,445,852	5,721,115	6,724,737	118%

Cash Flow Statement

CASH FLOW STATEMENT OF THE CAP GROUP YEAR (*)	Value as at 31/12/2023	Value as at 31/12/2022
Schedule No. 1: Operating cash flow determined using the indirect method		
A. Cash flows from operating activities (indirect method)		
Profit (loss) for the year	12,485,115	5,724,641
Income taxes	3,968,415	(1,570,250)
Interest expense/(interest income)	6,249,793	2,990,401
Interest expense IFRS 16	(36,818)	(59,437)
(Dividends)	0	0
Capital (gains)/losses deriving from disposal of assets	77,132	176,259
1. Profit (loss) for the year before income taxes, interest, dividends and capital gains/loss on disposal	22,743,636	7,261,614
<i>Adjustments for non-monetary elements that were not offset in net working capital</i>		
Accruals to provisions	4,529,835	13,031,243
Amortisation/depreciations of fixed assets	53,900,703	50,798,021
Write-downs for impairment losses	19,666,344	24,492,014
Other adjustments for non-monetary elements	(2,632,228)	(10,124,636)
2. Cash flow before changes in NWC	75,464,654	78,196,643
<i>Changes in net working capital</i>		
Decrease/(increase) in inventories	(210,903)	(190,940)
Decrease/(increase) in trade receivables	12,134,524	(16,711,813)
Increase/(decrease) in trade payables	15,091,702	47,282,569
Decrease/(increase) in accrued income and prepaid expenses	0	0
Increase/(decrease) in accrued expenses and deferred income	0	0
Other changes in net working capital	(916,046)	(1,499)
3. Cash flow after changes in NWC	26,099,277	30,378,318
<i>Other adjustments</i>		
Interest collected/(paid)	(6,216,625)	(4,130,983)
(Income taxes paid)	(2,178,441)	(680,049)
Dividends collected	0	0
Use of provisions	(368,268)	(1,636,249)
4. Cash flows after the other adjustments	(8,763,334)	(6,447,281)
Cash flow of income management (A)	115,544,232	109,389,293
B. Cash flow from investment activities		
Tangible fixed assets		
(Investments)	(6,565,915)	(7,763,388)
Break-up value of divestments	16,344	736
Intangible fixed assets		
(Investments)	(10,335,343)	(9,314,539)
Break-up value of divestments	0	0
Fixed assets under concession		
(Investments)	(95,845,915)	(119,687,332)
Break-up value of divestments	(71,109)	(176,679)
Financial fixed assets		
(Investments)	(735,993)	(571,918)
Break-up value of divestments	1,492,328	3,211,983
Current financial assets		
(Investments)	(109,033)	0
Break-up value of divestments	85,766	131,642
Cash flow from investment activities (B)	(112,068,870)	(134,169,494)
C. Cash flow from financing activities		
Loan capital		
Increase (decrease) in short-term payables to banks	0	(25,000,000)
Loans taken out	105,000,000	109,965,666
Loans repaid	(33,608,645)	(19,043,871)
Repayment of financial payables IFRS 16	(1,920,573)	(1,955,948)
Shareholders' equity		
Share capital increase against payment	0	0
Sale (purchases) of own shares	0	0
Dividends (and interim dividend payments) paid	0	0
Cash flow from financing activities (C)	69,470,782	63,965,847
<i>Increase (decrease) in cash and cash equivalents (a ± b ± c)</i>		
Cash and cash equivalents as at 1 January	73,914,355	34,728,710
Cash and cash equivalents as at 31 December	146,860,499	73,914,355
change	72,946,144	39,185,645

(*) for the sake of simplicity, the change in payables for investments remained included in the change in trade payables

Changes in shareholders' equity

SHAREHOLDERS' EQUITY	Share capital	FTA reserve	Cash-flow hedge reserve	Other reserves	Net result	Total
Shareholders' equity 31/12/2022	571,381,786	(989,327)	7,374	277,249,423	5,724,641	853,373,897
Allocation of result 31/12/2022	0	0	0	5,724,641	(5,724,641)	0
Fair value change deriving from cash flow hedge net of tax effect	0	0	(12,080)	0	0	(12,080)
Actuarial gains (losses) on employee benefits, net of the tax effect	0	0	0	(41,931)	0	(41,931)
Other changes	0	0	0	(7,461)	0	(7,461)
Retained earnings (accumulated losses)	0	0	0	(974,875)	0	(974,875)
Adjustment of deferred tax assets FoNI	0	0	0	0	0	0
Profit (loss) for the year 31/12/2023	0	0	0	0	12,485,115	12,485,115
Shareholders' equity 31/12/2023	571,381,786	(989,327)	(4,706)	281,949,797	12,485,115	864,822,665

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2023

1. General information

CAP Holding S.p.A. (hereinafter “CAP” or the “Company”) is a company subject to Italian law, established and domiciled in Italy, with registered offices and administrative headquarters in Via Rimini, 38, Milan (MI), enrolled in the Milan Companies' Register with tax code, VAT number and enrolment No. 13187590156 and under No. MI-1622889 of the Administrative and Economic Index.

The Company and its subsidiaries (jointly the “Group”) operate in the water services sector and is one of the leading Italian operators (in terms of inhabitants served and cubic m raised) among the “mono-utility” operators (or rather operators that do not provide other significant industrial activities).

The company is entirely publicly owned: its shareholding structure as at 31 December 2023 is solely made up of local territorial bodies.

The management of the Integrated Water Service of the ATO of the Metropolitan City of Milan, in which it operates as the CAP Group, is regulated by the Agreement entered into on 20 December 2013 and adapted on 29 June 2016 to the provisions contained in the Resolution of the Italian Authority for Electricity, Gas and Water System No. 656/2015/R/IDR, between the company CAP Holding S.p.A. and the ATO Office of the Province of Milan, effective from 1 January 2014 until 31 December 2033.

These consolidated financial statements were approved by the Company's Board of Directors on 24 May 2024.

2. Summary of the Accounting Standards

2.1 Declaration of compliance with the international accounting standards and transition to the IAS/IFRS

European Regulation (EC) No. 1606/2002 dated 19 July 2002 introduced the obligation, as from 2005, to apply the IFRSs for drafting the financial statements of companies that have equities and/or debt securities listed with one of the regulated markets of the European Community.

On 2 August 2017, CAP Holding S.p.A. issued a bond for a nominal amount of € 40 million subscribed by the institutional investors and took steps to list it with the Irish Stock Exchange.

In accordance with the legislative provisions referred to above, CAP Holding S.p.A. is therefore obliged to draw up the consolidated and separate financial statements in accordance with the international accounting standards - International Financial Reporting Standards (hereinafter indicated as the IFRS or IAS) adopted by the European Union (“EU IFRS”) starting from the financial year ended 31 December 2017.

Therefore, the date of transition to the IFRS was identified as 1 January 2016 (the “Transition Date”).

Therefore, these consolidated financial statements for CAP Holding S.p.A. were drawn up for the first time in accordance with the “EU IFRS”.

The Consolidated financial statements include the consolidated statement of financial position as at 31 December 2023 and 31 December 2022, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in shareholders' equity for the year ended 31 December 2022 and the related explanatory notes.

The EU IFRS includes all the “International Financial Reporting Standards”, all the “International Accounting Standards” (IAS), all the interpretations of the “International Reporting Interpretations Committee” (IFRIC), previously known as the “Standing Interpretations Committee” (SIC) which, at the end of the reporting period of the consolidated financial statements, were subject to approval by the European Union according to the procedure envisaged by Regulation (EU) No. 1606/2002 of the European Parliament and the European Council on 19 July 2002.

These consolidated financial statements were drawn up in Euro, which represents the currency of the prevailing economic area in which the Group operates. All the amounts included in this document are presented in Euro units, unless otherwise indicated, rounded to the next unit for cents equal to or greater than 50.

Structure of the financial statements

The financial statement schedules and the related recognition criteria adopted by the Group, as part of the options envisaged by IAS 1 - Presentation of the financial statements, are indicated below:

- the consolidated statement of financial position was drawn up by classifying the assets and the liabilities according to the “current/non-current” approach;
- the consolidated statement of comprehensive income - whose presentation of the costs is carried out on the basis of their nature - includes both the result for the year and the other changes in the shareholders’ equity items attributable to transactions not entered into with the Company’s shareholders;
- the consolidated cash flow statement has been drawn up stating the cash flows deriving from the operating activities according to the “indirect method”.

2.2 Scope of consolidation and consolidation criteria

These Consolidated financial statements include the statement of financial positions as at 31 December 2023 and 31 December 2022 and the income statement for the year ended 31 December 2023 of the Company and the subsidiaries, approved by the respective management bodies. The list of the companies consolidated line-by-line by the Group as at 31 December 2023 is presented below:

- CAP Evolution S.r.l. (former AMIACQUE S.r.l.) of Milan, total share capital of € 23,667,606.16, owned for € 23,667,606.16, equal to 100.00% as at 31 December 2023 (equal to that held as at 31 December 2022 and unchanged to date).

The subsidiary companies are consolidated as from the date control was effectively transferred to the Group and cease to be consolidated as from the date the control is transferred outside the Group.

According to the provisions of IFRS 10, control is obtained when the Group is exposed, or has the right to variable returns deriving from the relationship with the investee company and has the ability, via the exercise of the power over the investee, to influence the related returns. The power is defined as the actual ability to direct the significant activities of the investee company by virtue of essentially existent rights.

The existence of control does not exclusively depend on the possession of the majority of the voting rights, but on the essential rights of the investors over the investee company. Consequently, the opinion of management is required to assess specific situations that lead to essential rights that assign the Group the power to manage the significant activities of the investee company so as to influence the related returns.

For the purposes of the assessment on the requirements of control, management analyses all the events and circumstances, including the agreements with the other investors, the rights deriving from other contractual agreements and from the potential voting rights.

These other events and circumstances may turn out to be particularly significant as part of this assessment especially in the cases where the Group holds less than the majority of the voting rights, or similar rights, of the investee company.

The Group reviews the existence of the conditions of control over an investee company when the events and circumstances indicate that there has been a change in one or more elements considered for checking its existence.

Only AMIACQUE S.r.l. has been consolidated with CAP Evolution S.r.l. (former AMIACQUE S.r.l.), it being maintained that:

- with regard to Rocca Brivio S.r.l. in liquidation (whose corporate purpose involves the “safeguarding and enhancement of the historic monumental complex of Rocca Brivio”), in accordance with IFRS 10, there is no effective control by Cap Holding S.p.A. due to the lack of material rights that assign the power to manage the significant activities of the investee company in such a way as to influence its returns. With regard to the presentation of the Statement of financial position and Income Statement figures of the subsidiary company as at 31 December 2023, please see the Explanatory notes included in the financial statements.

- with regard to the company ZERO C S.p.A., the local authority shareholders jointly exercise control over the company similar to that exercised over their own services and a decisive influence on the Company's strategic objectives and significant decisions. In this sense, despite the majority shareholding held by CAP Holding S.p.A., ZERO C S.p.A. is not controlled by the latter.

- The company NEUTALIA S.r.l. is under the joint control of its shareholders (essentially as a joint venture) and is recognised in the financial statements of CAP Holding S.p.A. using the equity method (para. 10 of IAS 28), as permitted by IAS 31, para. 38.

The subsidiary companies are consolidated on a line-by-line basis in the theory of the entity as from the date when control was effectively acquired and cease to be consolidated as of the date the control is transferred to third parties. The end of the reporting period of the financial statements of all the subsidiary companies coincide with that of the parent company. The standards adopted for full consolidation are the following:

- the assets, liabilities, expenses and income of the subsidiaries are consolidated line-by-line, assigning the minority shareholders, if applicable, the portion of shareholders' equity and the net result for the period due to them; these portions are indicated separately as part of the shareholders' equity and the income statement;
- the business combination transactions by virtue of which control is acquired over an entity are recognised, in accordance with the provisions contained in IFRS 3 - Business combinations, according to the acquisition method. The acquisition cost is represented by the fair value on the date of acquisition of the assets disposed of, the liabilities undertaken and the equities issued. The identifiable assets acquired, the liabilities and the potential liabilities undertaken are recognised at the related current value on the date of acquisition, with the exception of the deferred tax assets and liabilities, the assets and liabilities for employee benefits and the assets held for sale that are recognised on the basis of the related reference accounting standards. The difference between the acquisition cost and the fair value of the assets and liabilities acquired, if positive, is recognised under the intangible assets as goodwill, or, if negative, after having rechecked the correct measurement of the fair values of the assets and liabilities acquired and the acquisition cost is recognised directly in the income statement, as income. The charges accessory to the transaction are booked to the income statement at the time they are incurred;
- the acquisition cost also includes the potential consideration, recognised at fair value on the date control is acquired. Subsequent fair value changes are recognised in the income statement or statement of comprehensive income if the potential consideration is a financial asset or liability. Potential considerations classified as shareholders' equity are not recalculated and the subsequent discharge is recognised directly under shareholders' equity;
- the portions of shareholders' equity and profit pertaining to the minority shareholders are recognised in specific financial statement items; they can be measured at fair value or in proportion to the minority holding in the identifiable assets of the entity acquired. The choice of the measurement method is carried out transaction by transaction. If the combination transactions via which control is acquired take place in several stages, the Group recalculates the interest holding that it previously held in the entity acquired at the respective fair value on the acquisition date and recognises an emerging gain or loss in the income statement;
- the changes in the interest holding of a subsidiary that do not represent an acquisition or a loss of control are treated as "equity transactions"; therefore, for subsequent acquisitions following the acquisition of control and for the partial disposals of subsidiaries without loss of control, any positive or negative difference between the acquisition cost/disposal price and the corresponding portion of shareholders' equity recorded in the accounts is recorded directly under the Group's shareholders' equity;
- in the event that the partial disposals of subsidiaries lead to the loss of control, the equity investment maintained is adjusted to the related fair value and the revaluation contributes to the formulation of the capital gain (loss) deriving from the transaction;
- the significant gains and losses, including the related tax effects, deriving from transactions carried out between companies consolidated line-by-line and not yet realised vis-à-vis third parties, are eliminated. The credit and debt transactions, the costs and the revenues, as well as the financial income and expense are also eliminated, if significant.

2.3 Measurement Criteria

The Financial statements have been drawn up with a view to the business as a going concern since there is the reasonable expectation that the Company will continue its operating activities in the foreseeable future, and in any event over a period longer than twelve months.

The general principal adopted in the preparation of these financial statements is that of cost, with the exception of the financial assets and liabilities (including the derivative instruments) measured at fair value.

The most significant accounting standards and measurement criteria used for the preparation of these financial statements are briefly described below.

Properties, plant and machinery

The tangible assets are recognised according to the cost approach and recorded at purchase cost or production cost inclusive of the directly attributable accessory costs necessary for making these assets ready to use. The cost also includes any estimated dismantling and removal charges that will be incurred consequent to contractual obligations that require returning the assets to the original conditions.

The charges incurred for maintenance and repairs of an ordinary and/or cyclical nature are directly booked to the income statement in the year they are incurred. The capitalisation of the costs inherent to the expansion, modernisation or improvement of the structural elements owned or used by third parties, is carried out exclusively within the limits in which the same comply with the requirements for being separately classified as assets or part of an asset applying the component approach.

The tangible fixed assets are depreciated systematically each year on a straight-line basis with reference to the economic-technical rates determined in relation to the estimated residual useful life of the assets. The depreciation rates for the various categories of properties, plant and machinery are listed as follows:

Depreciation rates of tangible fixed assets	
Sundry small equipment	10%
Generic equipment and plants	8%
Sundry equipment	25%
Specific equipment	19%
Motor vehicles	20%
Cars	25%
Furniture and fittings	12%
Electronic office machines - telephony systems	20%
Mobile phones	20%
Equipment with unit value below € 516	100%

The depreciation starts when the asset is available for use taking into account the actual time when this condition occurs.

Intangible assets

Intangible assets are made up of non-monetary elements, identifiable and lacking physical consistency, controllable and capable of generating future economic benefits. These elements are initially recognised at purchase and/or production cost, inclusive of the directly attributable expenses for preparing the asset for use. Any interest expense accrued during or for the development of the intangible assets are considered to be part of the purchase cost. In detail, as part of the Group the following main intangible assets are identifiable.

(a) Rights on assets under concession (IFRIC 12)

The "Rights on assets under concession" represent the right of the Group to use the assets under concession of the Integrated Water Service (so-called method of the intangible asset) in consideration of the costs incurred for the design and construction of the asset with the obligations to return the same at the end of the concession.

The value corresponds to the "fair value" of the design and construction activities increased by the capitalised financial expense, in observance of the requirements envisaged by IAS 23, during the construction phase. The fair value of the construction services of the Integrated Water Service is determined on the basis of the costs effectively incurred. The logic for determining the fair value stems from the fact that the concession holder must apply the matters envisaged by IFRS 15 and therefore if the fair value of the service received (in the specific case the right to exploit the assets) cannot be determined reliably, the revenue is calculated on the basis of the fair value of the construction services carried out.

The assets for construction services underway as of the period end date of the financial statements are measured on the basis of the work stage of completion and this measurement is recognised in the income statement item "Revenues for work on assets under concession". The assets under concession are amortised over the duration of the concession on the basis of the methods by means of which the company will obtain the future economic benefits deriving from the use of the asset itself.

The value to be amortised is represented by the difference between the acquisition value of the assets under concession and their residual value which one presumes to realise at the end of the useful life, according to the regulatory provisions currently in force (in particular this value is determined according to the rules defined by the Authority for the regulation of energy, networks and environment and is based on factors and estimates which may vary over time, and which may involve a change to this amount). If events take place which lead to the presumption of a reduction in the value of these intangible assets (impairment), the difference between the book value and the recovery value is booked to the income statement.

(b) Other intangible assets

The other intangible assets are recognised at cost, as previously described net of the accumulated amortisation and any impairment losses. The amortisation starts at the time the asset is available for use and is systematically allocated in relation to its residual possible useful life and in other words on the basis of the estimated useful life.

Reduction in value of the Tangible and Intangible Assets (impairment test)

At the end of each reporting period a check is carried out aimed at ascertaining whether there are indicators that the tangible and intangible assets may have suffered an impairment. For such purpose, both internal and external sources of information are considered.

With regard to the former (internal sources) the following is considered: the obsolescence or the physical deterioration of the assets, any significant changes in the use of the assets and the economic performance of the assets with respect to that envisaged. With regard to the external sources, the following is considered: the trend of market prices for the assets, any technological, market or legislative discontinuity, the trend of market interest rates or the cost of the capital used to assess the investments.

In the event that the presence of these indicators is identified, steps are taken to estimate the recoverable value of said assets, ascribing any write-down with respect to the related book value to the income statement.

The recoverable value of an asset is represented by the fair value, net of the accessory sales costs, or the related value in use, whichever is the higher, the latter being the current value of the future cash flows estimated for these assets. When determining the value in use, the expected cash flows are discounted back using a discount rate gross of the taxes that reflects the current market valuations of the cost of money, placed in relation to the period of the investment and the specific risks of the assets. With regard to an asset that does not generate abundantly independent cash flows, the recoverable amount is determined in relation to the cash generating unit to which this asset belongs.

A loss in value is recognised if the book value of the assets, or of the related CGU to which the same is assigned, is higher than its recoverable amount. The CGU value reductions are booked first of all to decrease the book value of any goodwill assigned to it and, then, to decrease the other assets, in proportion to their book value and within the limits of the related recoverable value. If the reasons for a write-down previously made cease to apply, the book value of the assets is reinstated with booking to the income statement, within the limits of the net book value that

the asset in question would have had if the write-down had not been made and the related amortisation had been applied.

Right of use

These are assets recognised in relation to leases falling within the scope of IFRS 16. *The right of use of the leased asset and the commitment undertaken are shown in the financial figures of the financial statements (IFRS 16 applies to all transactions that provide for a right of use, regardless of the contractual form, i.e. lease, rent or hire).*

Trade Receivables and other Current and non-Current receivables

The assets deriving from the contract are recognized, in accordance with IFRS 15, para.31, in correspondence with the revenues from which they originate, gradually that the Group fulfils the obligation to do, transferring control over the asset or service to the customer performed. Where the service has not been definitively completed or formally accepted definitively by the customer, it nonetheless gives rise to the registration of the activity as a result of a reasonable evaluation of the progress made towards the complete fulfilment of the obligation to do, on the basis of reliable information and in light of the contractual conditions

If the customer has paid the fee or if the Group is entitled to an unconditional amount (i.e. a credit), before transferring the good or service to the customer, in accordance with para.106 of IFRS 15, presents the contract as a liability arising from the contract at the time the payment is made or (if earlier) at the time the payment is due.

In the statement of financial position, the assets deriving from the contract are presented, together with any credits for unconditional rights, under the item "trade receivables". These trade receivables also include the invoices to be issued for regulatory adjustments of a regulatory nature (which will be applied to future water consumption).

Trade receivables and other financial assets are initially recognised at fair value and subsequently measured at amortised cost based on the effective interest rate method. Trade receivables and other financial assets are included in current assets, with the exception of those with a contractual maturity of more than twelve months compared to the end of the reporting period, which are classified as non-current assets.

Impairment losses on receivables are accounted for in the financial statements when there is objective evidence that the Group will not be able to recover the credit due from the counterparty based on the contractual terms. The amount of the write-down is measured as the difference between the book value of the asset and the present value of the estimated future cash flows and is recognised in the income statement. If the reasons for the previous write-downs cease to exist in subsequent periods, the value of the assets is reinstated up to the value that would have derived from the application of the amortised cost.

The estimate of bad debt provision is based on expected losses (IFRS 9), measured using available information without unreasonable charges or efforts, which include historical, current and prospective data relating to the economic conditions of the reference debtors.

Financial assets relating to non-derivative financial instruments with fixed or determinable payments and fixed maturity that the Group intends and is able to hold until maturity are classified as "financial assets held to maturity". These assets are valued according to the amortised cost method, using the effective interest rate criterion, adjusted in the event of impairment. In the case of impairment losses, the same principles are applied as described above in relation to loans and receivables.

Equity investments

Equity investments in subsidiaries, jointly controlled companies, associates and other companies, not classified as held for sale, are measured at purchase cost, possibly reduced in the presence of impairment losses, converted into euro at historical exchange rates if referring to equity investments in foreign companies whose financial statements are prepared in currencies other than the euro.

The cost is reinstated in subsequent years if the reasons that gave rise to the write-downs no longer exist.

Write-downs and write-backs are recognised in the income statement.

The other assets available for sale, including equity investments in other companies that make up financial assets available for sale, are measured at fair value, if determinable, and the profits and losses deriving from the changes in the fair value are charged directly to the other components of the overall profit (loss) as long as they are sold or have suffered a loss in value; at that time, the other components of the overall profit (loss) previously recognised in equity are recognised in the income statement for the period. Other unlisted equity investments classified as

"available-for-sale financial assets" for which the fair value cannot be reliably determined are measured at cost adjusted for write-downs to be recorded in the consolidated income statement, in accordance with IFRS 9.

Inventories

Inventories are stated at purchase cost, determined using the weighted average cost method, or the realisable value determined on the basis of the market trend, whichever is the lower.

Obsolete and slow-moving inventories are valued in relation to their possibility of use or realisation by means of the establishment of a specific provision, recorded to directly decrease the corresponding asset item.

Contract work in progress

Contract work in progress is recognised using the work stage of completion method in relation to the job costs incurred at the end of the reporting period.

Cash and cash equivalents

The liquid funds include the petty cash, also under the form of cheques and revenue stamps, bank current accounts, demand deposits and other short-term and high liquidity financial investments, which are promptly convertible into cash and are subject to an insignificant risk of change in value.

Financial liabilities, Trade and Other payables

The financial liabilities (with the exclusion of the derivative financial instruments), the trade payables and the other payables are initially recognised at *fair value*, net of the directly attributable accessory costs, and are subsequently measured at amortised cost, applying the effective interest rate approach. If there is an estimable change in the expected cash flows, the value of the liabilities is recalculated to reflect this change on the basis of the current value of the new expected cash flows and the internal rate of return initially determined. Financial liabilities are classified under current liabilities, unless the Group has an unconditional right to defer their payment for at least 12 months after the reference date.

Financial liabilities are derecognised at the time of their discharge and when the Group has transferred all the risks and the charges relating to said instrument.

Derivative financial instruments

The financial derivatives are assets and liabilities recognised at fair value. The Group uses certain derivative financial instruments to hedge the interest rate risk.

Derivative financial instruments can be recognised according to the methods established for hedge accounting only when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedging items;
- the hedge must be designated as such at the beginning and there must be a formal documentation (hedging instrument, hedged element, nature of the risk hedged, methods of assessing the effectiveness);
- the hedging relationship meets the hedge effectiveness requirements, i.e.: there is an economic relationship between the hedged item and the hedging instrument, verifiable both in qualitative and quantitative terms;
- the effect of credit risk does not prevail over changes in the value of the economic relationship;
- the coverage ratio is determined

When derivative instruments have the characteristics to be recognised in *hedge accounting*, the following accounting treatments are applied:

- if the derivatives cover the risk of changes in the fair value of the hedged assets or liabilities (fair value hedge; e.g. hedging of the variability of the fair value of fixed rate assets/liabilities), the derivatives are recognised at fair value with the allocation of effects on the income statement; consistently, the hedged assets or liabilities are adjusted to reflect the changes in fair value associated with the hedged risk;
- the derivatives cover the risk of changes in the cash flows of the hedged assets or liabilities (cash flow hedge; e.g. hedging of the variability of the cash flows of assets/liabilities due to fluctuations in interest

rates), changes in fair value of derivatives are initially recognised in equity and subsequently recognised in the income statement consistently with the economic effects produced by the hedged transaction.

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

Conversion of transactions Denominated in Currency other than the Reporting Currency

The transactions in currency other than the reporting currency of the entity that established the transaction are converted using the exchange rate in force on the transaction date. The exchange gains and losses generated by the closure of the transaction or by the conversion carried out at year end of the assets and liabilities in currency other than Euro are recognised in the income statement.

Own shares

The purchase cost of own shares is recognised as a reduction of shareholders' equity. The effects of any subsequent transactions on these shares are also directly recognised under shareholders' equity.

Employee Benefits

Short-term benefits are represented by wages, salaries, related social security charges, indemnities replacing holiday entitlement and incentives paid under the form of bonuses payable in the twelve months as from the end of the reporting period. These benefits are recognised as components of the personnel costs in the period in which the working activities were provided.

The benefits subsequent to the termination of the employment relationship are divided into two types: plans with defined contribution and plans with defined benefits.

- In the defined contribution plans, the contribution charges are booked to the income statement when they are incurred, on the basis of the related nominal value.
- In the defined benefit plans, which also include the employee severance indemnity in accordance with Article 2120 of the Italian Civil Code ("TFR"), the amount of the benefit to be disbursed to the employee is quantifiable only after the termination of the employment relationship, and is linked to one or more factors such as age, length of service and remuneration; therefore, the related liability is booked to the pertinent statement of comprehensive income on the basis of an actuarial calculation.

The liability recognised in the financial statements for the defined benefit plans corresponds to the current value of the obligation at the end of the reporting period. The obligations for the defined benefit plans are determined annually by an independent actuary using the projected unit credit method. The current value of the defined benefits plan is determined by discounting the future cash flows back to an interest rate equal to that of the bonds (high-quality corporate) issued in Euro and which takes into account the duration of the related pension plan.

As from 1 January 2007, the 2007 finance act and the related implementing decrees introduced significant changes to the discipline of the TFR, including the choice of the workers with regard to assignment of their accrued TFR. In detail, the new TFR flows can be assigned by the worker to pension schemes chosen beforehand or maintained in-house. In the event of assignment to external pension schemes, the company is required only to pay over a defined contribution to the chosen fund, and as from that date the newly accrued portions are defined contribution plans in nature not subject to actuarial valuation.

Further to the adoption, as from 1 January 2013, of the revised version of IAS 19 (Employee benefits), the recognition of the changes in the actuarial gains/losses is recorded among the other components of the consolidated statement of comprehensive income.

Provisions for risks and charges

Provisions for risks and charges are provided to cover known or likely losses or liabilities, the timing and extent of which however could not be determined at the end of the reporting period. Recognition takes place only when a current obligation exists (legal or implicit) for a future outgoing of economic resources as the result of past events and it is probable that said outgoing is required to fulfil an obligation. This amount represents the best discounted estimate of the expense required to discharge the obligation. When the financial effect of time is significant and the payment dates of the obligations can be reliably estimated, the provisions are measured at the current value of the

outlay envisaged using a rate which reflects the market conditions, the change in the cost of money over time and the specific risk linked to the obligation. The increase in the value of the provisions, determined by changes in the cost of money over time, is recorded as interest expense.

Contributions

The grants and contributions obtained for investments in plant, both from public bodies and private third parties, are recognised at fair value when there is the reasonable certainty that they will be received and the envisaged conditions will be observed.

The water connection contributions are recognised under other non-current liabilities and released to the income statement over the duration of the investments to which they refer, if linked to an investment, and recognised in full as income if linked to pertinent costs.

Operating grants (granted for the purpose of providing immediate financial aid to the company or as compensation for the costs and the losses incurred in a previous accounting period) are recognised in full in the income statement at the time the recognition conditions are satisfied.

Note that as from the 2020 financial year, the special component of the annual water service tariff called "FoNi" (which must be earmarked for investments), is treated in accounting terms as a grant related to assets. Essentially, FoNi is deducted from the cost of individual assets entering service from year to year, in the same way as public grants related to assets).

Previously (until 2019), it was included in the income for the year. The Group made a voluntary change in accounting policy, with retroactive application from 1 January 2020. As required by IAS No. 8, the effects of retroactive application were adjusted against equity as at 1 January 2020 (with a balancing entry for affected fixed assets and deferred tax assets).

It should be noted that the share paid to the Group for the area of the Metropolitan City of Milan alone by way of FoNi amounts to € 15,540,530 for 2023, in addition to the FoNi component of the wholesale purification tariff arrangement for the area of Monza and Brianza amounting to € 1,199,433.

Operating Assets and Liabilities Classified by Sale

There are none as at 31 December 2023.

Revenue recognition

The revenues are initially recognised at the fair value of the amount received net of any decreases and discounts. The revenues relating to the sale of goods are recognised when the Group has transferred the significant risks and the benefits associated with ownership of the goods to the purchaser. Revenues from the provision of services are recognised with reference to the value of the service provided at the end of the reporting period. Reference should also be made to the previous paragraph "Trade receivables and other current and non-current receivables".

In accordance with the matters envisaged by the IFRS, the payments collected on behalf of third parties, as in the agency dealings that do not lead to an increase in the shareholders' equity of the Group, are excluded from the revenues that are by contrast exclusively represented by the premium accrued on the transaction, if envisaged.

Costs for the purchase of goods and provision of services

The costs for the purchase of goods and provision of services are recognised in the income statement according to the accruals principle.

Taxes

Current taxes are calculated on the basis of the taxable income for the period, applying the tax rates in force at the end of the reporting period.

Deferred tax assets and liabilities are calculated for all the differences that emerge between the tax-related value of an asset or liability and the related book value. Deferred tax assets, with regard to the portion not offset by the deferred tax liabilities, are recognised to the extent that it will be probable that future taxable income is available

against which they can be recovered. Deferred tax assets and liabilities are determined using the tax rates that are expected to be applicable in the period in which the differences will be realised or discharged, on the basis of the tax rates in force or essentially in force at the end of the reporting period.

Current taxes, deferred tax assets and liabilities are recognised in the income statement, with the exception of those relating to items directly charged against or credited to shareholders' equity in which case the related tax effect is recognised directly under shareholders' equity. The taxes are offset when they are applied by the same tax authorities and there is a legal right to offset.

2.4 Recently issued accounting standards

The accounting standards and amendments issued by the IASB are shown in the following tables:

New documents issued by IASB and approved by the EU to be adopted mandatorily starting from the financial statements of the financial years as from 1 January 2023.

Document title	Issue Date	Effective date	Date of approval	EU Regulations and publication date	Notes
Initial application of IFRS 17 and IFRS 9 — Comparative information (Amendment to IFRS 17)	December 2021	1 January 2023	8 September 2022	(EU) 2022/1491 9 September 2022	amends the transitional provisions of the standard, in particular in respect of comparative information from the previous financial year on first-time adoption.
Definition of accounting estimates (Amendments to IAS 8)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022	clarifies, including through examples, the distinction between changes in estimates and changes in accounting standards (the former generally applied prospectively to future transactions and events, and the latter generally applied retrospectively). Effective for periods beginning on 1 January 2023
Disclosure of Accounting Standards (Amendments to IAS 1)	February 2021	1 January 2023	2 March 2022	(EU) 2022/357 3 March 2022	requires companies to provide relevant information on the accounting standards applied and suggests avoiding or limiting unnecessary information. Effective for periods beginning on 1 January 2023

Deferred taxes on assets and liabilities deriving from a single transaction (Amendments to IAS 12)	May 2021	1 January 2023	11 August 2022	(EU) 2022/1392 12 August 2022	aims to standardise the way companies recognise deferred taxes on transactions such as leases and dismantling costs. Effective for periods beginning on 1 January 2023. Earlier application permitted.
International Tax Reform – Standard rules of the second pillar (Amendments to IAS 12)	May 2023	1 January 2023	8 November 2023	(EU) 2023/2468 9 November 2023	An entity discloses known or reasonably estimable information that assists users of financial statements in understanding the entity's income tax exposure under the second pillar of this legislation.

IAS/IFRS and related IFRIC interpretations applicable to the financial statements of the financial years as from 1 January 2023

Documents approved by the EU as at 30 November 2023

Document title	Issue Date	Effective date	Date of approval	EU Regulations and publication date	Notes
Lease liabilities in a sale and leaseback transaction (Amendments to IFRS 16)	September 2022	1 January 2024	20 November 2023	(EU) 2023/2579 21 November 2023	specify how the selling lessee subsequently measures sale and leaseback transactions.

IAS/IFRS and related IFRIC interpretations applicable to the financial statements of the financial years as from 1 January 2023 Documents STILL to be approved by the EU as at 30 November 2023 It should be noted that these documents will be applicable only after the approval by the EU.

Document title	Issue Date by IASB	Effective date of the IASB document	Date of expected approval by the EU
Standards			
IFRS 14 Regulatory Deferral Accounts	January 2014	1 January 2016	Approval process suspended pending the new accounting standard on "rate-regulated activities".
Amendments			
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment to IFRS 10 and IAS 28)	September 2014	Postponed until completion of the	Approval process suspended pending the conclusion of the IASB project on the equity method

		IASB project on the equity method	
Classification of liabilities as current or non-current (Amendments to IAS 1) and Non current liabilities with covenants (Amendments to IAS 1)	January 2020 July 2020 October 2022	1 January 2024	To be defined
Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 9)	May 2023	1 January 2024	To be defined
Lack of Exchangeability (Amendment to IAS 21)	August 2023	1 January 2025	To be defined

3. Financial risk management

As part of the carrying-out of its activities, the Group is exposed to certain financial risks such as the interest rate risk, the liquidity risk and the credit/counterparty risk.

The financial risks to which the Group is exposed and the formalities by means of which they are managed are listed in greater details below.

(a) Interest Rate Risk

The portion of financial indebtedness that has a floating rate is however somewhat contained. As at 31 December 2023, it totalled € 9,619,010, equal to around 3.2% of the total indebtedness outstanding as at 31 December 2023.

On the same date, part of this indebtedness, € 1,153,846 at a floating rate, was accompanied by a non-speculative purely hedging interest rate swap agreement.

With reference to the residual interest rate risk, the Group prepared a sensitivity analysis to determine the impact on the income statement (result before taxes) that would result from a hypothetical positive/negative change in interest rates compared to those actually recorded in each period.

The following table shows the results of the analysis carried out.

in euro	Case A)	Case B)
Sensitivity analysis	-200 basis points	+200 basis points
Financial year ended 31/12/2023	277,409	(277,409)

The objective of the Group is to limit its exposure to the increases in the interest rates keeping the loan costs acceptable. The risks related to the increase in the interest rates are monitored as non-speculative.

There is no guarantee that the hedging policy adopted by the Group, intended to reduce to a minimum the losses associated with fluctuations in the interest rates in the event of floating rate indebtedness transforming them into fixed rate borrowing, will have the effect of reducing any of these losses. If the above does not take place on an absolutely remote basis, negative effects could come about on the activities of the Group, on the financial situation and on the results of the operations.

(b) Liquidity risk

The liquidity risk represents the risk that, due to the inability to procure new funds or liquidate assets on the market, the Group is unable to meet its payment commitments, causing an impact on the economic result in the event that it is forced to incur additional costs to meet its commitments or a situation of insolvency.

The objective of the Group is the maintenance over time of a balanced management of its financial exposure, aimed at ensuring a liability structure balanced with the composition of the financial statement assets and capable of

ensuring the necessary operating flexibility by means of the use of the liquidity generated by the current operating activities and the recourse to bank loans.

As at 31 December 2023, deposits with banks satisfy the liquidity requirements.

The ability to generate liquidity from the core operations, together with the borrowing capacity, permits the Group to adequately satisfy its operating requirements, those for financing the working capital and investment needs, as well as the observance of its financial obligations.

The company policy with regard to the financial risk is aimed at guaranteeing a balance between average maturity of the loans, flexibility and diversification of the sources.

With regard to the diversification of the sources, the Group chose in 2017 to resort to the issue of a Bond so as to increase the transparency on the credit worthiness of the Group, enter a market in which international investors usually operate, also admitting the Bond to listing with the Irish Stock Exchange, which represents the reference point for the European bond market. This decision was further confirmed in 2023 with the issue and listing on the Irish Stock Exchange of a further Bond of € 105 million, as described below.

These measures might not be sufficient for completely eliminating the financial risk: the ability of the Group to obtain new sources of funding may be influenced by contractual clauses of existing loans (for example: negative pledge clauses aimed at limiting the guarantees in favour of other lenders).

In accordance with IFRS 7 and with reference to the liquidity risk, the maturity analysis of the financial liabilities is presented below. The following table contains indication of the exposure of the Group to the liquidity risk and an analysis of the maturities based on the contractual repayment obligations not discounted back. The flows are included in the first timing range in which they might occur.

Loans	Amount disbursed	Repayable within 12 months	Repayable between 12 months and 5 years	Repayable beyond 5 years	Total repayable beyond 12 months	Total residual principal as at 31/12/2023
Payables to Banks and Bonds	384,764,522	29,320,312	88,443,185	164,251,995	252,695,179	282,015,491

The Group takes steps to hedge the liquidity risk also by means of taking out a number of short-term credit facilities care of other banks.

The facilities for liquidity amount as at 31 December 2023 to € 17,550,000 million and none have yet been used.

Finally, as already mentioned above, we would like to inform you that on 5 December 2023 CAP Holding S.p.A. issued a bond of € 105 million (ISIN: XS2726850881), which was collected on the same day and listed on the regulated market in Dublin (Euronext).

(c) Credit risk

The credit risk represents the Group's exposure to potential losses that may arise if a commercial or financial counterparty does not meet their obligations.

The main credit risks for the Group derive from the trade receivables from the supply of the integrated water service, collected by the Group or by other companies (Operators of other ATOs, where the Group is the "wholesale operator").

The Group tries to deal with this risk adopting policies and procedures that regulate the monitoring of the expected funding flows, the granting of extended credit terms and if necessary the implementation of suitable recovery measures, both with regard to the users directly managed and with regard to the operators for which it is the Wholesaler.

Notwithstanding the foregoing, a general increase in default rates could have a substantial negative effect on the Group's business, financial situation and results of operations as well as on the Group's ability to fulfil its payment obligations.

Trade receivables are recognised in the financial statements net of the write-down calculated on the basis of the counterparty default risk, determined by considering the information available on the customer's solvency and considering historical data. The positions, if individually significant, for which there is an objective condition of partial or total recoverability are subject to individual write-down.

(d) Price risk

The Group mainly operates in a regulated market (integrated water service). The trend of the prices for the services provided (tariff) is therefore linked to the tariff regulation (by the EGA and by the national sector Authority ARERA). In this sense, the risk of change in the prices of the services provided by the Group is mitigated by the tariff regulation that leads to a correlation, even if indirect and partial, between its purchase prices and its sales prices.

Despite the above, a general increase in the prices of the production factors used by the Group could have a negative economic effect on the results of the Group's operations.

Accordingly, the Group constantly monitors the main markets on which it carries out its procurement for its production input, also resorting to competitive comparison procedures for the related procurements, what is more in accordance with Italian Legislative Decree No. 36/2023.

4. Going concern

The financial statements of the Cap Group as at 31 December 2023 have been prepared under the assumption that the business is a going concern. Reference should be made to paragraph 2.3 above, noting that the Group is deemed to continue to have the capacity to constitute a functioning economic complex for the production of income.

5. Estimates and assumptions

The drawing up of these consolidated financial statements requires the directors to apply the accounting standards and methods that, under certain circumstances, lie on difficult and subjective valuations and estimates based on past experience and assumptions that are from time to time considered reasonable and realistic in relation to the related circumstances. The application of these estimates and assumptions influences the amounts indicated in the financial statement formats as well as the disclosure provided. The final results of the financial statement items for which the afore-mentioned estimates and assumptions have been used could differ from those indicated in the financial statements that reveal the effects of the occurrence of the event subject to estimation, due to the uncertainty which characterises the assumptions and the conditions on which the estimates are based.

The areas that require more than others a greater subjectivity by the directors when drawing up the estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the financial data, are briefly described below.

(a) Amortisation and depreciation of intangible and tangible assets

The cost of the tangible and intangible assets is depreciated/amortised on a straight-line basis over the estimated useful life of each asset. The economic useful life of the tangible and intangible assets is determined at the time when they are acquired and is based on past experience for similar assets, market conditions and advances with regard to future events that could have an impact, including changes in technology. Therefore, the effective economic life may differ from the estimated useful life. The Group annually assesses the technological and sector changes, any changes in the contractual conditions and current legislation linked to the use of the tangible and intangible assets and the recoverable value so as to update the residual useful life. The result of this analysis may change the amortisation/depreciation period and therefore also the amortisation/depreciation charge for the year and future ones.

(b) Residual value at the end of the Concession

The Group will receive an indemnity at the end of the Concession for an amount parameterised to the residual regulatory value of the work and the assets realised during the concession period. This value, determined according to the rules defined by ARERA (Italian Regulatory Authority for Energy, Networks

and Environment, former AEEGSI), is based on factors and estimates that may vary over time, and that may involve a change to this amount.

(c) Write-down/Write-back of fixed assets

Non-current assets are subject to monitoring for the purpose of ascertaining an impairment that, in the presence of indicators that foresee difficulties in terms of recovery, is recognised via a write-down of the related net book value. Verification of the existence of the above-mentioned indicators requires subjective assessments based on the information available within the Group and on the market, as well as past experience. Furthermore, when it is deemed that a potential impairment has been generated, steps are taken to determine it using suitable assessment techniques. The correct identification of the elements indicating the existence of potential impairment, as well as the estimates for its determination depend on factors that may vary over time, reflecting in the assessments and estimates made. Similar considerations in terms of existence of indicators and use of the estimates in the application of the assessment techniques can be found in the assessments to be made with reference to any reinstatement of the write-downs made in previous periods.

(d) Deferred tax assets

The recognition of deferred tax assets is carried out on the basis of the income expectations in future periods. The measurement of the expected income for the purposes of the recognition of deferred tax assets depends on factors that may vary over time and leads to significant effects on the measurement of this financial statement item.

(e) Provisions for risks and charges

The Group records the probable liabilities attributable to disputes with staff, suppliers, third parties and, in general the liabilities deriving from obligations undertaken in the provisions for risks and charges. The determination of these provisions leads to the undertaking of estimates based on the current awareness of the factors that may change over time, thus being able to generate final outcomes also significantly different to those taken into account when drafting the financial statements.

(f) Bad debt provision

The bad debt provision reflects the estimates relating to the losses on the receivables portfolio. The provisions for the expected losses express the estimate of the credit risk that arises from past experience for similar receivables, from the analysis of the past due amounts (current and past) of the losses and the collections, and finally from the monitoring of the performance of the current and forecast economic conditions of the reference markets.

(g) Measurement of derivative financial instruments

The determination of the fair value of unlisted financial assets, such as the derivative financial instruments, takes place by means of commonly used financial assessment techniques that require basic assumptions and estimates. These assumptions might not occur within the timescales and in the manner envisaged. Therefore, the estimates of these derivative instruments could diverge from the final figures.

Financial assets and liabilities by category

A classification of the financial assets and liabilities by category as at 31 December 2023 follows:

In €	Financial assets and liabilities at fair value with change to OCI	Loans and receivables/payables at nominal value	Available-for-sale financial assets	Financial assets/liabilities at amortised cost	Total as at 31/12/2023
ASSETS:					
Other non-current assets	0	23,752,020	0	11,244,284	34,996,304
Trade receivables	0	245,892,593	0	75,265	245,967,858
Cash and cash equivalents	0	146,860,499	0	0	146,860,499
Other current assets	0	5,031,542	0	1,551,366	6,582,908
LIABILITIES:					
Non-current financial liabilities	0	46,715,018	0	207,502,799	254,217,816
Other non-current liabilities	0	54,460,241	0	5,679,552	60,139,792
Trade payables	0	81,468,635	0	0	81,468,635
Current financial liabilities	5,836	20,267,502	0	10,489,747	30,763,085
Other current liabilities	0	40,454,258	0	781,366	41,235,624

Financial instruments

IFRS 7 and IFRS 13 require that the classification of the financial instruments measured at fair value be carried out on the basis of the quality of the sources of the inputs used in the determination of the fair value itself. In particular, IFRS 7 and IFRS 13 define 3 fair value levels:

- level 1: this level contains the classification of the financial assets/liabilities whose fair value is determined on the basis of prices listed (unchanged) on active markets, both Official and Over the Counter of identical assets or liabilities;
- level 2: this level contains the classification of the financial assets/liabilities whose fair value is determined on the basis of inputs other than the listed prices as per level 1, but that for these assets/liabilities said inputs are observable directly or indirectly on the market;
- level 3: this level contains the classification of the financial assets/liabilities whose fair value is determined on the basis of market data that cannot be observed. The category includes the instruments measured on the basis of internal estimates, carried out using proprietary methods on the basis of the sector best practices.

The following table summarises the assets and liabilities that are measured at fair value as at 31 December 2023, on the basis of the level that reflects the inputs used to determine the fair value.

	As at 31 December 2023		
	Level 1	Level 2	Level 3
Derivative financial instruments (IRS)	0	5,836	0

The instrument refers to underlying liabilities of a financial nature that hedge against the risk of interest rate fluctuations.

6. Disclosure by operating segments

The disclosure relating to the sectors of activities has been prepared according to the provisions of IFRS 8 "Operating segments", which envisage the presentation of the disclosure on a consistent basis with the methods adopted by management for the adoption of the operational decisions. Therefore, the identification of the operating segments and the disclosure presented are defined on the basis of the internal reporting used by management for the purpose of the allocation of the resources to the various segments and for the analysis of the related performances.

An operating segment is defined by IFRS 8 as a component of an entity: i) that undertakes entrepreneurial activities generating revenues and costs (including the revenues and costs regarding transactions with other components of the same entity); ii) whose operating results are periodically reviewed at the highest operational decision-making level of the entity for the purpose of the adoption of decisions regarding the resources to be allocated to the sector and the assessment of the results; iii) in relation to which separate financial statement information is available.

Management has identified the following operating segments:

- Integrated Water Service (IWS): it includes the integrated water services mainly for the population of the Metropolitan City of Milan (excluding the capital);

The operating segments are monitored on the basis of: i) revenues; ii) EBITDA and iii) EBIT.

The "gross operating margin" (EBITDA) is calculated as the difference between operating revenues and costs before non-monetary costs relating to depreciations, write-downs (net of any write-backs) of current and non-current assets and provisions, recognised in any item.

The EBIT is defined as the net profit/loss for the year, adjusted by the following items: i) taxation and ii) financial income and expense.

7. Notes to the consolidated statement of financial position

7.1. Rights on assets under concession

The changes in the item "Rights on assets under concession" for the period from 1 January 2023 to 31 December 2023 are shown below:

In €	Value as at 31/12/2022	Increases	Account transfers	Account transfers to asset	Decreases	FoNi account transfer	Contributions	FoNi	FoNi uses	transfer earthquake bonus to asset	mise/earthquake bonus	mise uses	Amortisation	Impairment test write-down	Value as at 31/12/2023
Rights on assets under concession in use	729,703,350	2,420,108	21,567	112,520,528	(405,322)	197,650	(877,877)	(14,232,253)	4,838,162	(265,717)	(674,178)	27,940	(45,307,506)	(19,437,004)	768,529,447
Rights on assets under concession in progress	140,340,409	100,902,937	(2,429)	(112,520,528)	(4,473,342)					265,717	(752,407)				123,760,357
Rights on assets under concession	870,043,759	103,323,045	19,138	0	(4,878,664)	197,650	(877,877)	(14,232,253)	4,838,162	0	(1,426,586)	27,940	(45,307,506)	(19,437,004)	892,289,804

In accordance with IFRIC 12, rights on assets under concession for € 892,289,805 as at 31 December 2023 and € 870,043,760 as at 31 December 2022 were recognised. These rights are amortised on a straight-line basis over the duration of the concession, and then destined to be assigned to the assignor on conclusion of the concession.

Moreover, the item "Rights on assets under concession" is stated net of the grants related to assets amounting to € 877,877 accrued for 2023; it is also stated net of the FoNi tariff component, assimilated to grants related to assets, amounting to € 14,232,253 accrued for 2023. In 2023, grants for price review and seismic bonus in the amount of € 1,426,586 will also be added.

FoNi uses in 2023 represent the portion of FoNi allocated over the years to depreciable assets, accrued in 2023, deducted from item 8.9 of the income statement.

The investments for 2023 amounted to € 103,323,045.

Impairment test on rights on assets under concession

In accordance with the requirements of the relevant accounting standards, an impairment test was performed on the rights to the assets under concession as at 31 December 2023, which resulted in the identification of impairment losses.

The write-down, which for 2023 is € 19.437.004, of rights on assets under concession (assets instrumental to the integrated water service revertible at the end of the concession) measures an impairment loss as at 31 December 2023 of these fixed assets, which emerged following the periodic annual impairment test procedure according to IAS 36.

In this regard, it should be noted that the Company reviews its business plan annually, updating it based also on the external context, including market trends and industry regulation.

In particular, these forecasts are based on assumptions that are consistent with those used in previous plans:

- for operating expenses: this was based on the result of an analytical budget formation process for the various company departments and also taking into account the final figures available, and for the main "exogenous" cost items (e.g. electricity), future projections were made in line with the current market context and the best available sources;
- the development of tariff revenues was estimated on the basis of the tariff evolution resulting from the regulation known to date (MTI-3 and MTI-4) and within their limits, with regard to the cost-related tariff components, taking into account their specific forecasts;
- a Terminal Value as at 2033 is assessed on the basis of the value of the RAB (Regulatory Asset Base: i.e. the value of the investments for regulatory purposes) and the net working capital at the expiry of the concession.

The above projections are precisely the basis for the subsequent determination of the operating cash flows, consumed and/or generated during the period, of the terminal value, which, appropriately discounted and netted off from the net financial position at the time of valuation, constitute the value in use of the assets under concession.

In determining the components of the discount rate (WACC), we assume the parameters indicated by the ARERA authority in the tariff regulation resolutions known today, which in detail are:

Risk-free rate (Source: 2024-2029 ARERA*)	1.58%
Water Risk Premium (Source: 2024-2029 ARERA*)	2.00%
Beta Utility Water (Source: 2024-2029 ARERA*)	0.79
CRP Italy (Source: 05/01/2024 Damodaran)	3.21%
Cost of own capital (Ke)	6.04%
Cost of debt (Kd) (Source: company)	5.10%
Shareholders' equity incidence Utility Water (E/D+E) (Source: Damodaran 05/01/2024)	47.57%
Incidence of financial liabilities Utility Water (D/D+E) (Source Damodaran 05/01/2024)	52.43%
Tax % (Source: 2024 - 2029 Arera*)	24.00%
Weighted Average Cost of Capital (WACC)	4.90%

*ARERA resolution no. 639/2023/R/Idr of 28/12/2023

The discount rate used (WACC of 4.9% vs. 3.51% for 2022 and 2.74% for 2021) mainly reflects the increase in the cost of debt (Kd), the free risk rates and the water risk premium, despite the reduction in the Country Risk Premium for Italy (from 3.79% to 3.21%).

It reflects not only the updates of some of these parameters in the tariff regulation, but also the trend of the cost of debt.

The write-down (§104, IAS 36) was charged in proportion to the book value of each asset forming part of the "assets under concession".

7.2 Right of use

The item "Rights of use" concerns the ROU of long-term rental contracts based on the application of the accounting standard IFRS 16. The effect of the application of the above standard concerned long-term rental contracts relating to tangible fixed assets, with a special reference to vehicle and truck rentals, and real estate leases.

In 2023, the depreciation amounted to € 1,913,133.

The changes that occurred in 2023 are shown below:

In €	Value as at 31/12/2022	Increases	Decreases	Depreciations	Value as at 31/12/2023
Right of use	1,610,434	3,873,042	(19,155)	(1,913,133)	3,551,187
Total Right of use	1,610,434	3,873,042	(19,155)	(1,913,133)	3,551,187

During 2023, new contracts and/or renewed agreements were concluded for the continuation of the rental and/or lease of land.

It should be noted that cars were disposed of in 2023 and a depreciation of € 1,913 thousand was recorded.

7.3. Other intangible assets

The changes in the item "Other intangible assets" for the period from 31 December 2022 to 31 December 2023 are shown below:

In €	Value as at 31/12/2022	Increases	Account transfers	Decreases	Decreases/transfer to asset	FoNI	FoNI uses	Amortisation	Value as at 31/12/2023
Other intangible assets in use	12,988,430	3,299,014	97,922	(67)	7,400,014	(1,669,937)	1,326,932	(9,837,760)	13,604,546
Other intangible assets in progress	774,171	7,036,330	3,127	0	(7,400,014)				413,614
Other intangible assets	13,762,601	10,335,344	101,049	(67)	0	(1,669,937)	1,326,932	(9,837,760)	14,018,161

The amount of € 14,018,161 net of the related FoNI component includes € 5,196,857 equal to the residual value of the amount resulting from the recognition in the financial statements of the purchase value of the business unit of Genia, which took place on 1 July 2011 (for an initial value of € 5,813,250, subsequently revised to € 5,698,014 when adjusted and subsequently increased by € 1,654,770 following the merger in 2013 of the company T.A.S.M. S.p.A. which had a similar financial statement item)..

The agreement entered into between Genia S.p.A., transferor, and CAP Holding S.p.A., Amiacque S.r.l. (now CAP Evolution s.r.l.) and T.A.S.M. S.p.A., purchasers, envisaged that the ownership of the assets remains with Genia S.p.A. The purchase value has been recognised with open balances and is amortised on a straight-line basis with reference to the rates referable to the underlying asset.

The rest refers to capitalised ERP business software.

FoNI uses in 2023 represent the portion of FoNI allocated over the years to depreciable assets, accrued in 2023, deducted from item 8.9 of the income statement.

7.4. Properties, plant and machinery

The tangible fixed assets as of 31 December 2023 amount to € 27,265,825, disclosing a difference with respect to the balance as of 31 December 2022 of € 24,939,831.

In €	Value as at 31/12/2022	Increases	Account transfers	Decreases/transf er to asset	Decreases	updates	FoNI adjustment	FoNI	FoNI uses	Depreciation	Value as at 31/12/2023
Other tangible assets in use	16,430,789	5,736,861	1,441	55,913	(9,631)	(2,000)	2,555	(837,773)	400,552	(3,797,493)	17,981,213
Other tangible assets in progress	8,509,042	829,054	0	(55,913)		2,429					9,284,612
Other tangible assets	24,939,831	6,565,915	1,441	0	(9,631)	429	2,555	(837,773)	400,552	(3,797,493)	27,265,825

FoNI uses in 2023 represent the portion of FoNI allocated over the years to depreciable assets, accrued in 2023, deducted from item 8.9 of the income statement.

Some fixed assets owned by the Group are outside the scope of the "Group's water service". They have a book value as at 31 December 2023:

- the area and the related building, located in Sesto S. Giovanni, Via Manin, acquired in 2020, for the portion dedicated to accommodate a "Forsu" treatment plant, for a residual book value as at 31 December 2023 of € 1,201,182, plus the cost for the construction of the plant, for a value as at 31 December 2023 of € 7,849,235. This property will shortly be transferred for use to a company owned by CAP Holding S.p.A. (Zeroc S.p.A.). There are currently no indications that this asset may be impaired,

Casalpusterlengo (LO) building-warehouse, rented to the company SAL S.r.l., contractor for the management of the integrated water service in the Province of Lodi (contract renewed until 31 December 2027). The related fees are parameterised to the ISTAT revaluation rate. The property is transferred to CAP Holding S.p.A. as a result of the demerger of Amiacque S.r.l. (now CAP Evolution s.r.l.), with a book value as at 31 December 2023 of € 555,930. It is believed that sufficient future economic benefits are generated to recover the carrying amount recognised by the Company.

7.5 Deferred tax assets

The breakdown of the item "Deferred tax assets" for the period from 31 December 2022 until 31 December 2023 is presented below:

DEFERRED TAX ASSETS	Value as at 31/12/2022	Updates	Increases	Decreases	Value as at 31/12/2023
For connection contributions from users	151,166	0	0	(151,165)	(1)
For amortisation of goodwill	15,084	0	0	(6,481)	(8,603)
For bad debts exceeding the tax limit	8,294,727	0	2,307,773	0	(10,602,501)
For provisions for lawsuits pending	723,095	(324,630)	158,342	(64,993)	(491,814)
For provisions for amicable settlements	185,181	(124,721)	0	0	(60,460)
For provisions for other risks	31,910	0	3,600	0	(35,510)
For provision for future plant decommissioning costs	630,456	(67,162)	0	0	(563,295)
For provision for future tank reclamation costs	1,186,726	0	178,230	0	(1,364,956)
For provision for future purification plant area reclamation costs	7,439,000	0	482,083	0	(7,921,083)
For provision for damages from sewerage percolation	2,040,326	0	92,686	0	(2,133,012)
For provision for environmental damages	175,680	0	6,480	0	(182,160)
For provision for municipal asphalt costs	36,589	0	67,550	(34,049)	(70,090)
For asbestos disposal expenses	1,924,080	0	79,920	0	(2,004,000)
For provision for expected financial hedge transactions	0	1,130	0	0	(1,130)
For provision for sundry charges	254,865	0	0	(84,000)	(170,865)
For undeducted excess amortisation/depreciation	212,595	0	0	0	(212,595)
Allocations for adjustments IAS 1 Jan. 2017	680,095	0	0	0	(680,095)
For write-down of assets under concession	5,635,493	0	4,664,881	(183,697)	(10,116,677)
For tax loss that can be carried forward	5,294,561	(295)	0	(1,761,161)	(3,533,105)
For ACE that can be carried forward	551,438	0	184,651	(260,607)	(475,483)
For provision for risks on personnel costs	19,070	0	0	0	(19,070)
TOTAL IRES (COMPANY INCOME TAX)	35,482,138	(515,677)	8,226,196	(2,546,153)	(40,646,503)
For connection contributions from users	26,453	0	0	(26,453)	0
For amortisation of goodwill	2,639	0	0	(1,134)	1,505
For provision for future tank reclamation costs	207,677	0	31,190	0	238,867
For provision for future purification plant area reclamation costs	1,301,825	0	84,365	0	1,386,190
For provision for damages from sewerage percolation	357,058	0	16,220	0	373,278
For provision for municipal asphalt costs	6,403	0	11,821	(5,959)	12,265
For write-down of assets under concession	986,211	0	816,354	(32,147)	1,770,418
For asbestos disposal expenses	336,714	0	13,986	0	350,700
For undeducted excess amortisation/depreciation	37,204	0	0	0	37,204
TOTAL IRAP (REGIONAL BUSINESS TAX)	3,262,185	0	973,936	(65,693)	4,170,428
TOTAL DEFERRED TAX ASSETS	38,744,322	(515,677)	9,200,132	(2,611,846)	44,816,931
DEFERRED TAX LIABILITIES					
For default interest receivable to be collected	(421,871)	0	(455,851)	353,851	(523,871)
For tax amortisation	(18,218,194)	(153,344)	(4,014,902)	0	(22,386,439)
Allocations for adjustments IAS 1 Jan. 2017	(88,852)	0	0	0	(88,852)
For consolidation operations	(205,794)	0	(45,871)	251,665	0
For revaluation of Neutalia equity investment	0	0	(67,709)	0	(67,709)
For revaluation of Zeroc equity investment	0	0	0	0	0
For provision for expected financial hedge transactions	(1,770)	1,770	0	0	0
TOTAL IRES (COMPANY INCOME TAX)	(18,936,481)	(151,574)	(4,584,333)	605,516	(23,066,872)
TOTAL DEFERRED TAX LIABILITIES	(18,936,481)	(151,574)	(4,584,333)	605,516	(23,066,872)
TOTAL DEFERRED TAX ASSETS AND LIABILITIES	19,807,841	(667,251)	4,615,799	(2,006,330)	21,750,059

In accordance with IAS 12, deferred tax assets and liabilities are offset only if the entity has a legally exercisable right to offset the current tax assets with the current tax liabilities and the deferred tax assets and liabilities relate to income taxes applied by the same tax jurisdiction.

Amounts receivable as at 31 December 2023 for deferred tax assets, offset by deferred tax liabilities, amounted to € 21,750,059.

The Group envisages having future taxable income capable of absorbing the deferred tax assets recognised.

7.6. Other non-current assets

The item "Other non-current assets" as at 31 December 2023 refers to:

OTHER RECEIVABLES AND OTHER NON-CURRENT FINANCIAL ASSETS	Value as at 31/12/2023	Value as at 31/12/2022	Change
Equity investments in companies	19,268,616	18,529,648	738,968
Accrued income and prepaid expenses	5,365,454	5,088,026	277,428
Sundry receivables	4,862,351	5,664,983	(802,632)
Tax receivables	2,999,436	2,999,436	0
Receivables from companies with minority investments	274,883	402,679	(127,796)
Guarantee deposits	946,675	862,138	84,538
Receivables from social security institutions	90,660	98,036	(7,376)
Financial receivables	732,277	726,460	5,818
Other non-current financial receivables	455,950	1,701,830	(1,245,880)
Total Other non-current receivables and other financial assets	34,996,304	36,073,236	(1,076,932)

The changes made in 2023 with regard to the equity investments held in Pavia Acqua S.c.a r.l., Rocca Brivio Sforza S.r.l. in liquidation, Water Alliance – Acque di Lombardia, network contract for companies with legal status, Neutalia S.r.l e ZeroC S.p.A., are shown below:

In €	Value as at 31/12/2022	Increases/revalua tions	Decreases/write- downs	Value as at 31/12/2023
<i>Pavia Acque Scarl</i>	14,392,813	0	0	14,392,813
<i>Rocca Brivio Sforza Srl in liquidation</i>	528,660	0	(83,363)	445,297
<i>Water Alliance - acqua di Lombardia, network contract</i>	35,913	75,993	(43,996)	67,909
<i>ZeroC S.p.A</i>	2,545,818	0	(384,100)	2,161,718
<i>Neutalia S.r.l</i>	1,026,445	1,174,434		2,200,879
Total equity investments	18,529,648	1,250,427	(511,459)	19,268,616

The stake in Pavia Acque S.c.a.r.l., with registered office in Pavia, enrolled in the Pavia Companies' Register under E&A Index No. 0256972, tax code and VAT no. 02234900187, with share capital of € 15,048,128 owned for € 1,519,861, equal to 10.1% as at 31 December 2023 (equal to that held as at 31 December 2021 and unchanged to date). Pursuant to Article 2359 of the Italian Civil Code, the company is not related to CAP Holding S.p.A.

It should also be noted that on 15 July 2008 CAP Holding S.p.A. carried out a first assignment to the company Pavia Acque S.c.a.r.l., assigning to it company branches related to the water networks of various municipalities located in the Pavia area, with a second conferral of water properties in 2016 for a net value of € 5,451,715.

A third contribution of € 315,078 relating to receivables of CAP Holding S.p.A. from Pavia Acque S.c.a.r.l., was made with deed dated 1 February 2018, notary public Trotta index 140.125/54.195.

The assets of Pavia Acque S.c.a.r.l., in addition to a share capital of € 1,519,861 held by CAP Holding S.p.A., include a capital reserve "registered" with reference to the same entity, amounting to € 12,872,952 as at 31 December 2022. The equity investment is measured using the net cost method.

CAP Holding S.p.A.'s shareholding in Water Alliance - Acque di Lombardia, a network contract of companies with legal subjectivity pursuant to Italian Law no. 33 of 9 April 2009, VAT No.: 11150310966, with registered office in Milan, is equal to 18.4% as at 31 December 2023 (€ 243,689 vs. the total fund of € 1,323,759). The value as at 31 December 2023, net of the coverage of operating expenses, is € 67,909.

The equity investment is measured based on the percentage of contribution to the network's equity fund, as defined in the network contract, and takes into account the accounting results as at 31 December 2023 submitted by the network.

The stake in Rocca Brivio Sforza S.r.l. in liquidation (with registered office in Milan, enrolled in the Milan Companies' Register under E&A Index No. 1130781, tax code and VAT no. 07007600153, with fully paid-up share capital of € 53,100.00) derives from the merger of the company T.A.S.M. S.p.A. into CAP Holding S.p.A. in 2013. The value of the investment decreased by € 83,363 as a result of the losses incurred in 2023. The percentage held is equal to 51.036% of the shareholders' equity of Rocca Brivio Sforza S.r.l. in liquidation itself.

CAP Holding S.p.A. does not have effective control over Rocca Brivio Sforza S.r.l. in liquidation since it does not possess essential rights that assign it the power to manage the significant activities of the investee company so as to influence the related returns. The equity investment is measured using the equity method and takes into account the financial statements as at 31 December 2023 submitted by the liquidator on 8 May 2024.

Pursuant to IFRS 10, the company was not subject to consolidation since the Group does not have actual control because the parent company owns the substantial rights that attribute it the power to manage the relevant activities of the investee thereby influencing the returns.

ZEROC S.p.A. (former CORE S.p.A.), with registered office in Sesto San Giovanni (MI), enrolled in the Milan Companies' Register under E&A Index No. 1501332, tax code and VAT no. 85004470150, with fully paid-up share capital of € 2,000,000.00 owned by the Group for € 1,600,000, equal to 80% as at 31 December 2023. The equity investments were acquired during 2021. 20% of the capital is owned by the municipalities of Sesto San Giovanni (MI), Cologno Monzese (MI), Cormano (MI), Pioltello (MI), Segrate (MI) and Cinisello Balsamo (MI). The company's main corporate purpose is waste management. The equity investment is measured using the equity method, it decreased by € 384,100 and takes into account the Financial Statements as at 31 December 2023 approved by the Shareholders meeting on 29 April 2024.

NEUTALIA S.r.l., with registered office in Busto Arsizio (VA) enrolled in the Varese Companies' Register under E&A Index No. VA-383041, tax code and VAT no. 03842010120, set up in 2021, with share capital fully paid up equal to € 500,000 owned for € 165,000, equal to 33% as at 31 December 2023. The shares were acquired during 2021 due to contributions in kind and cash contributions. The remaining capital is distributed as follows: € 165,000.00 to AGESP S.p.A. of Busto Arsizio (VA), € 165,000 to Alto Milanese Gestioni Avanzate S.P.A. (also known as Amga S.p.A.) of Legnano (MI), € 2,500 to Aemme Linea Ambiente S.r.l. (also ALA SRL) of Magenta (MI) (the latter, in turn, 72% controlled by Amga S.p.A.) and for € 2,500 to ASM Magenta S.r.l. that purchased 0.5% of the shareholding from Aemme Linea Ambiente S.r.l. on 28 December 2021. The company operates in the sector of municipal solid waste and its differentiated fractions, hazardous municipal waste, hazardous and non-hazardous special waste and all waste in general (including waste from plants connected to the integrated water service). The company NEUTALIA S.r.l. is under the joint control of its shareholders (essentially as a joint venture) and is recognised in the financial statements of CAP Holding S.p.A. using the equity method (para. 10 of IAS 28), as permitted by IAS 31, para. 38. Specifically, the book value as at 31 December 2023 of € 2,200,879, is due, in addition to the original cost of the equity investment, to the loss relating to the 2021 and 2022 financial statements, the capital contribution of € 495,000 in 2022 and contribution payments of € 660,000 in 2023, as well as a waiver of receivables of € 232,315, and finally for the revaluation of € 282,119 resulting from the draft financial statements as at 31 December 2023, approved and forwarded to shareholders by the Board of Directors of that company.

With regard to the sub-item "Sundry receivables", these are credit portions whose collectability was estimated over 12 months in 2023, and relating to:

- € 4,770,892 to the company BrianzAcque S.r.l. for the sale of the business unit;
- € 68,662 other receivables;
- € 22,797 to social security institutions.

With regard to the sub-item "Financial receivables", these are mainly portions of receivables whose collectability was estimated as beyond 12 months in 2023, and relating to:

- € 80,063 mainly consisting of deposits made for € 22,498 by the merged company I.A.No.Mi. S.p.A. and for € 43,032 directly by CAP Holding S.p.A., at the Provincial Treasury Section of Milan – Servizio Cassa Depositi e Prestiti - as indemnity for various properties subject to occupation and/or expropriation for the acquisition of the areas necessary to build the plants.
- Non-interest-bearing loan to Neutalia S.r.l. of € 652,215 measured using the amortised cost method. In this regard, in November 2021, the shareholders granted Neutalia S.r.l. a total shareholder loan of € 2,030,000 (of which € 670,000 by CAP Holding S.p.A. on 8 November 2021).

With regard to the sub-item "Other non-current financial receivables" of € 455,950, these are portions of receivables whose collectability was estimated as beyond 12 months in 2022, and relating to:

- € 274,883 for receivables from the investee company Pavia Acque S.c.a.r.l.;
- € 68,640 for receivables from Municipalities for works and services with collectability beyond 12 months;
- € 148,592 for trade receivables with collectability beyond 12 months;
- € 165,823 for advances to public bodies.

The item "Receivables from companies with minority investments" of € 274,883 is related to receivables from Pavia Acque S.c.a.r.l.

The item "Tax receivables" is related to:

- € 2,719,952 for receivables due from the state for direct taxes for the year 2007. Said receivable was registered in 2008 subsequent to a payment made by the incorporated company CAP Gestione S.p.A., for IRES (Corporate Income Tax) and IRAP (Regional Business Tax) plus interests and reduced sanctions, and for which a rebate has been requested by an application pursuant to art.38 of Presidential Decree no. 602/1973. For said receivable, a provision for risks of the same amount has been allocated;
- € 279,484 for receivables due from the state relative to the reimbursement, pursuant to art. 2, paragraph 1-quarter, of Italian Decree Law no. 201/2011, converted by Italian Law no. 214 of 22 December 2011, of IRES for non-deduction of IRAP on the costs of employees and equivalent personnel in the years 2007-2011, including interests accrued, € 646,356 was collected in the year 2020.

The item "Prepaid expenses" includes an amount of € 2,152,993 (as a non-current portion) recognised as a matching balance to the payable due to Cassa Depositi e Prestiti S.p.A. as guarantee commissions on the loan issued by the European Investment Bank backed by Cassa Depositi e Prestiti itself. The current portion is recognised under item 7.11 for an amount of € 705,088.

7.7. Trade receivables

Following is the breakdown of the item "Trade receivables" as at 31 December 2023:

TRADE RECEIVABLES	Value as at 31/12/2023	Value as at 31/12/2022	Change
Receivables from civil users	210,432,599	217,649,222	(7,216,623)
For invoices issued	141,771,661	146,054,925	(4,283,265)
For invoices to be issued	107,479,373	102,278,660	5,200,713
Bad debt provision	(38,818,434)	(30,684,363)	(8,134,072)
Receivables from productive users	(380,479)	5,179,680	(5,560,159)
For invoices issued	8,328,887	11,196,671	(2,867,784)
For invoices/Credit notes to be issued	(6,210,257)	(3,805,387)	(2,404,869)
Bad debt provision	(2,499,109)	(2,211,604)	(287,505)
Receivables from other operators for tariffs	6,373,083	6,472,684	(99,601)
For invoices issued	0	66,581	(66,581)
For invoices to be issued	6,373,083	6,406,103	(33,020)
Receivables from other wholesale operators	15,691,567	15,281,874	409,693
For invoices to be issued	15,691,567	15,281,874	409,693
Other trade receivables	6,786,728	5,248,765	1,537,963
For invoices issued	8,104,981	6,701,747	1,403,233
For invoices to be issued	4,142,169	2,049,505	2,092,664
Bad debt provision	(5,460,422)	(3,502,487)	(1,957,934)
Receivables due from affiliates	565,154	368,746	196,408
For invoices issued	326,931	204,055	122,876
For invoices to be issued	238,222	164,691	73,532
Receivables from municipalities	6,499,207	789,368	5,709,838
For invoices issued	4,053,028	237,036	3,815,992
For invoices to be issued	2,521,215	840,554	1,680,661
Bad debt provision	(75,036)	(288,222)	213,185
Total	245,967,858	250,990,339	(5,022,481)

Trade receivables mainly refer to amounts set aside for invoices issued and to be issued to civil users, production users and other customers. The balance also includes the amounts set aside for invoices to be issued deriving from tariff adjustments.

The amount of the receivable from civil users for invoices to be issued, referring to regulatory adjustments for 2019-2023, is € 77,732,896.

The invoices to be issued for "guaranteed revenues" refer to the sums that, based on the agreements for the assignment of the water service and the "tariff" regulation of the sector Authority (ARERA) constitute regulatory financial assets accrued by the date of 31 December 2023, but which may be applied to users on consumption after that date. These are the regulatory adjustments for the years 2019 - 2023.

7.8. Inventories

The detail of the item "Inventories" is shown below.

INVENTORIES	Value as at 31/12/2023	Value as at 31/12/2022	Change
Raw materials and consumables	2,871,298	2,664,612	206,686
Provision for stock obsolescence	0	0	0
Total inventories	2,871,298	2,664,612	206,686

The inventories item is composed of electrical and hydraulic components, electrical pumps for wells, raw materials for purification, meters and other consumable materials held in the warehouse at 31 December 2023.

7.9. Contract work in progress

The item amounting to € 5,474,288 includes the value of the contracts for work in progress, inherent to the planning, works management and construction of works for the hydraulic repairs of the Cagnola water source, on behalf of the Lombardy regional authority.

For advances received up to 31 December 2023, see the comment on liabilities, item 7.19.

The amount as at 31 December 2023 represents the gross value of the stage of completion of said contract.

7.10. Cash and cash equivalents

Following is the breakdown of the item "Cash and Cash Equivalents":

CASH AND CASH EQUIVALENTS	Value as at 31/12/2023	Value as at 31/12/2022	Change
Bank and postal deposits	146,846,692	73,910,609	72,936,083
Cash and equivalents on hand	13,807	3,746	10,061
Total liquid funds	146,860,499	73,914,355	72,946,144

Note that as at the date of these financial statements there are no liens, pledges and/or encumbrances on the deposits listed above.

7.11. Other current assets

Following is the detail of the item "Other current assets":

OTHER RECEIVABLES AND OTHER CURRENT FINANCIAL ASSETS	Value as at 31/12/2023	Value as at 31/12/2022	Change
VAT tax receivables	1,771,320	12,847,675	(11,076,355)
Receivables from companies with minority investments	1,711,243	2,753,927	(1,042,684)
Receivables from affiliates	330,000	0	330,000
Receivables for operating grants	302,476	121,958	180,518
Receivables from banks	837,765	879,799	(42,034)
Receivables from Brianzacque (disposal of business unit)	770,000	770,000	0
Other sundry receivables	613,545	(452,826)	1,066,371
Receivables from social security institutions	36,426	12,316	24,110
Receivables from employees	39,563	46,710	(7,147)
Accrued income and prepaid expenses	170,572	184,106	(13,534)
TOTAL OTHER CURRENT RECEIVABLES AND OTHER FINANCIAL ASSETS	6,582,908	17,163,663	(10,580,755)

Tax receivables of € 1,771,320 consist mainly of:

- € 1,249,100 for Ires (Corporate Income Tax) credit to be used as compensation in the following year;
- € 140,113 for IRAP credit to be used as compensation in the following year;
- € 127,859 for substitute tax on TFR;
- € 142,628 for tax credits.

The other items are broken down below:

- Receivables from public bodies, for a sum equal to € 302,476, regarding grants related to assets and/or financing amounts to cover expenses relating to projects included in the Excerpt Plans;
- Receivables for the sale of the Brianzacque s.r.l. branch for € 770,000 related to the branch for the current portion;
- Receivables from Neutalia for non-interest-bearing loan of € 330,000;
- Receivables from the investee company Pavia Acque S.c.a.r.l. of € 329,751 related to commercial contracts and invoices to be issued of € 1,381,492;
- Receivables from banks of € 837,765 mainly refer to prepaid expenses on guarantees; see item 7.6 for further details;
- Receivables from social security institutions of € 36,426;
- Receivables from employees of € 39,563;
- Other sundry receivables of € 225.297

7.12 Available-for-sale assets

This item shows no change from 31 December 2022 and amounts to zero euro as at 31 December 2023.

7.13. Shareholder's equity

Share capital

The share capital (referring to the consolidating company CAP Holding S.p.A.) is made up of 571,381,786 ordinary shares with a par value of € 1 each, fully subscribed and paid up.

Reserves

The change in the shareholders' equity reserves is shown in these financial statements.

7.14. Provisions for risks and charges

The changes in the item "Provisions for risks and charges" are shown below:

PROVISION FOR RISKS AND CHARGES	Value as at 31/12/2022	Provision	Use/surplus	Value as at 31/12/2023
Provision for risks for future losses	132,957	15,000	0	147,957
Provision for risks on personal INPS contributions	79,461	0	0	79,461
Provisions for lawsuits pending	3,012,898	659,757	(1,623,427)	2,049,228
Provision for amicable settlements	771,587	0	(519,671)	251,916
Provision for risks relating to request for 2007 tax refund	2,719,952	0	0	2,719,952
Total provision for other risks	6,716,853	674,757	(2,143,098)	5,248,512
Provision for company water bonus	0			0
Provision for sundry charges	1,061,939	0	(350,000)	711,939
Provision for environmental damage from sewers	732,000	27,000	0	759,000
Provision for asphalt expenses	152,456	281,460	(141,871)	292,045
Provision for future tank reclamation costs	4,944,692	742,624	0	5,687,316
Provision for purification plant area reclamation	30,995,834	2,008,679	0	33,004,513
Provision for damages from sewerage percolation	8,501,358	386,191	0	8,887,549
Provision for expenses for asbestos disposal for water networks	8,017,000	333,000	0	8,350,000
Provision for future plant decommissioning	2,626,904	0	(279,841)	2,347,064
Total provision for future expenses	57,032,184	3,778,954	(771,711)	60,039,426
Total provision for risks and charges	63,749,038	4,453,710	(2,914,809)	65,287,939

Some notes on the most significant provisions as at 31 December 2023 are shown below:

- € 2,049,228 for the provision for "lawsuits pending" that refers to various cases including disputes with social security institutions, disputes concerning compensation for damages in the vicinity of an area adjacent to a purification plant, other minor claims for damages disputes for an IMU dispute with the municipality of Pero in 2023 increased by € 590,000 for the risk of payment of penalties, the Provincial Tax Commission with judgement no. 2698/2023 upheld the Municipality's appeal in full, the term for the appeal to the Court of Cassation is pending; for the foni appeal -Revenue Agency, for the risk of losing the legal expenses claim filed in addition to the counterclaims filed by the counterparty amounting to approximately € 34,000. The provision decreased mainly due to the settlement of the dispute with the contractor for the construction of the bio-platform in Sesto San Giovanni for € 800,000;
- € 2,719,952 for "provision for risks relating to claims for 2007 tax reimbursement": which includes the provision made in 2008 for the recognition of a receivable of the same amount from the Treasury, represented by taxes (IRES and IRAP) paid and not due and related interest and reduced penalties, paid on 30 September 2008 by the company CAP Gestione S.p.A. (merged by Amiacque S.r.l. - now CAP Evolution s.r.l. - in 2008), and requests for reimbursement by claim pursuant to Article 38 of Italian Presidential Decree No. 602/1973, presented on 11 May 2009 at the Revenue Agency, and subsequent appeal to the Provincial Tax Commission of Milan, rejected with judgement No. 78/47/12. An appeal was brought against this judgement before the Regional Tax Commission that, with judgement No. 110/28/13, filed on 19 September 2013, declared the appeal inadmissible. Amiacque (now CAP Evolution s.r.l.) has therefore decided to appeal against judgement no. 110/28/13 with appeal for revocation. Against its rejection, it was decided to lodge an appeal with the Court of Cassation. The Court of Civil Cassation by order no. 250 of 28 November 2023, published on 4 January 2024. overturned with adjournment the Lombardy Regional tax Commission judgement 110/28/2013 and it is necessary for the Company to file a judgement of reinstatement before the Lombardy Court of Second Instance, pursuant to art. 63.1, Italian Legislative Decree no. 546/1992, within the six months from the publication of the aforesaid order, therefore by 4 July 2024.
- € 251,916, for the provision of "amicable settlements". It was formed, especially in 2010 and 2011, in compliance with article 12 of the Presidential Decree No. 207 of 5 October 2010 "Regulation for the execution and implementation of Legislative Decree No. 163 of 12 April 2006" (Procurement Code) which, following the repeal of Legislative Decree 163/2006, and with it expired for contracts subsequent to April 2016. Article 12 provided for the mandatory pre-formation of an equal fund at 3% of the "economic framework" for the risks associated with "disputes relating to subjective rights deriving from the execution of public works contracts". As the works for which it was set aside close, the fund is progressively released;
- € 147,957 for the provision for future expenses mainly refers to the recognition of a part of the tariff by the operator of another territorial area and various disputes;
- € 33,004,513 for the risk provision for reclamation and environmental restoration intervention related to the purification plant site, following the assessment, which will be the reasonably expected condition of the lands underlying the sections, in particular pre-treatment and anaerobic digestion at the end of their useful life, as well as the estimate of the charges necessary to eliminate the statistically occurring contaminations;

- € 8,887,549 for the provision for reclamation of sewerage percolation damage, through which it is believed that it is possible to face the probable costs of reclamation of the soil polluted by the drainage of wastewater from deteriorated sewage networks;
- € 2,347,064 for the provision for expenses for the disposal of buildings.
- € 5,687,316 for the risk provision for the reclamation of floodwater culverts (environmental restoration). It was established in view of the termination of the life cycle of said tanks with consequent re-naturalisation and recovery of the areas occupied, for which it is necessary to remedy any environmental damages potentially due to percolation into the ground;
- € 8,350,000 for the provision for future removal of aqueduct networks granted to CAP Holding S.p.A., no longer in operation, which have asbestos cement among the building materials. This is essentially an estimate, as at 31 December 2023, of the cost of future excavations and removal of approximately 12 km of pipelines, surveyed in 2018 and decided as an alternative to the risk control and management activities envisaged by Article 12 of Italian Law No. 257 of 27 March 1992. In December 2018, the Group made a public commitment to this effect towards the relevant EGA;
- € 759,000 for provision for environmental damage expenses (environmental restoration) due to penalties for non-compliant sewerage discharges;
- € 292,045 for the provision for future expenses for "road repairs". The cost was quantified as the best estimate as at 31 December 2023 by the technicians of CAP Holding S.p.A. of the road sections for which, by the same date, the requirements that are imposed on the Operator of the IWS to intervene, in compliance with what is regulated by resolution no. 5 point 2 of the Area Office of the Metropolitan City of Milan of 25 May 2016. In summary, the Group must repair municipal roads (when defined tolerance margins are exceeded) that have been damaged more than once by works carried out as part of the integrated water service.
- € 711,939 for the provision for sundry charges set aside for provisions for indirect taxes.

It should be noted that the economic cost estimate underlying the valuations of many provisions was revalued, based on the price update on 31 July 2022 issued in accordance with the provisions of Italian Decree Law No. 50 of 17 May 2022, as amended.

There are no other liabilities, including those that may be considered "possible", that are estimated to result in losses.

7.15. Employee Benefits

The changes in the item "Employee benefits" for the period 31 December 2022 to 31 December 2023 are shown below:

EMPLOYEE BENEFITS	Value as at 31/12/2022	Uses	Financial income (expense)	Actuarial gains (losses)	Other changes	Total changes	Value as at 31/12/2023
Employee severance indemnity	3,789,874	(269,653)	130,485	41,931	0	(97,237)	3,692,637
Total Employee Benefits	3,789,874	(269,653)	130,485	41,931	0	(97,237)	3,692,637

The provision for employee severance indemnity reflects the effects of the discounting in accordance with the requirements of IAS 19.

The economic and demographic assumptions used for actuarial valuations are broken down below:

%	2023	2022
Inflation rate	2.00%	2.30%
Discount rate	3.00%	3.57%

7.16. Current and non-current financial liabilities

The breakdown of the items "Current financial liabilities" and "Non-current financial liabilities" as at 31 December 2023 and 31 December 2022 is shown below:

Current and non-current financial liabilities	Value as at 31/12/2023		Value as at 31/12/2022	
	Current portion	Non-current portion	Current portion	Non-current portion
European Investment Bank loans	6,267,003	139,909,323	6,217,239	146,176,326
Cassa depositi e prestiti mortgages	0	0	0	0
Intesa San Paolo mortgages	2,454,283	9,354,628	2,329,483	11,808,911
Banca nazionale del lavoro mortgages	461,538	692,308	461,538	1,153,846
Current account overdrafts	0	0	0	0
Monte dei paschi di siena mortgages	151,973	777,326	157,413	919,275
Finlombarda spa loans	97,115	167,599	97,115	264,714
Banca Popolare di Milano	461,173	2,091,859	438,910	2,553,032
Payable to Cassa Depositi e Prestiti as guarantee on EIB loan	705,088	2,152,993	801,491	2,858,082
2017 bond ISIN: IT1656754873	5,704,603	0	5,695,767	5,704,603
2023 bond ISIN: XS2726850881	7,432,762	97,094,855	-	-
Payables to banks for derivatives	5,836	0	9,144	0
Payables to banks portion of interest and mortgages	492,271	0	1,768	0
Financial payables rights of use	1,546,608	1,976,926	887,743	683,516
Mediobanca short-term loan	0	0	10,000,000	0
CSEA financial advance	4,982,833	0	4,982,833	4,982,833
CREDEM short-term loan	0	0	0	0
Stand-by Loan Intesa Sanpaolo Ex UBI Banca	0	0	0	0
Current and non-current financial liabilities	30,763,086	254,217,817	32,080,443	177,105,138

The information on bank mortgage loans, short-term loans, EIB loans and bond issues are summarised in the following table:

in €	Maturity	Total	Due within one year	Due in 2 to 5 years	Due over 5 years
Banca Intesa Opi 2006	2026	4,347,041	1,379,293	2,967,748	0
EIB (I tranche)	2029	10,063,773	1,635,542	6,708,620	1,719,611
EIB (II tranche)	2030	6,070,351	902,900	3,723,636	1,443,815
EIB (III tranche)	2030	7,750,554	1,082,447	4,411,956	2,256,151
EIB (IV tranche)	2031	8,266,117	1,081,090	4,388,836	2,796,190
EIB (V tranche)	2032	14,099,037	1,590,809	6,541,960	5,966,268
EIB BIS (I tranche)	2040	49,960,018	(6,854)	9,782,024	40,184,849
EIB BIS (II tranche)	2040	49,966,476	(18,930)	9,487,068	40,498,339
Payables to Cassa DDPP for EIB Guarantee	2032	2,858,082	705,088	1,810,896	342,097
2017 Bond issue	2024	5,704,603	5,704,603	0	0
2023 Bond issue	2037	104,527,617	7,432,762	29,807,148	67,287,707
Payables to banks interest on mortgages and loans	n/a	492,271	492,271	0	0
Payables to Csea for financial advance	2024	4,982,833	4,982,833	-	0
Banca Intesa Ex Tasm	2029	7,461,870	1,074,990	4,960,299	1,426,581
BNL (IDRA merger)	2026	1,153,846	461,538	692,308	0
Finlombarda	2026	133,154	53,262	79,892	0
Finlombarda	2026	131,560	43,853	87,707	0
Due to banks/Derivatives	2026	5,836	5,836	-	0
Banco BPM (former Banca di Legnano) former Amiacque mortgage	2028	2,553,032	461,173	2,091,859	0
Monte dei Paschi di Siena former Amiacque mortgage	2029	929,299	151,973	646,249	131,077
TOTAL LOANS		281,457,369	29,216,478	88,188,205	164,052,686

It should be noted that the item includes € 4,982,883 in payables to Cassa per i servizi energetici e ambientali (CSEA) in relation to the financial advance granted by CSEA in December 2022 to meet part of the expenses incurred for the purchase of energy.

This is the (second) instalment of the same amount of this advance, which will naturally expire on 31 December 2024.

Bank mortgage loans

Payables to banks also include a loan from Banca Infrastrutture Innovazione e Sviluppo S.p.A., which has now become Intesa San Paolo S.p.A., taken out on 14 October 2010 by the company T.A.S.M. S.p.A. (later merged into CAP Holding S.p.A. by merger deed dated 22 May 2013, volume No. 23262, file No. 10176, Notary Public Ferrelli of Milan), originally for € 16,000,000, with repayments from 1 January 2013 until 30 November 2029. The value of this mortgage loan was to a special escrow account, which was fully released in 2021. The nominal value of the residual debt of said loan as at 31 December 2023 amounted to € 7,461,870.

It should be noted that payables to banks also include the residual debt as capital (based on loan agreement no. 202135 signed on 29 May 2006 between CAP Holding spa and Banca OPI - now Intesa Sanpaolo) for portions of the loan transferred:

- by conferment of business unit pursuant to Article 2560 of the Italian Civil Code, in Pavia Acque S.c.a r.l. (deed of 23 December 2016) for which it has not yet been possible to make innovations, due to a residual debt as at 31 December 2023 of a nominal amount of € 402,679 and the recognition of the residual receivable from Pavia Acque S.r.l. for the same amount at the nominal value as at 31 December 2023, of which € 127,796 among current financial assets (item 7.11) and € 274,883 among non-current financial assets (item 7.6);
- by partial demerger to Patrimoniale Idrica Lodigiana S.r.l. (deed of 28 May 2014) for a residual nominal value of € 100,452, not yet innovated, and the recognition as an asset of the receivable from Patrimoniale Idrica Lodigiana for the same amount (the company P.I.L. S.r.l. with deed of 14 December 2015 vol. 94891 collection No. 24276 Notary Public Mattea of Lodi was merged into the S.A.L. Società Acqua Lodigiana, S.r.l.), of which € 31,880 under current financial assets (Item 7.11) and € 68,572 under non-current financial assets (Item 7.6);
- for the sale of a business unit to the company BrianzAcque S.r.l. for residual nominal value of € 217,674, not yet innovated, and the recognition as an asset of the receivable from BrianzAcque S.r.l. for the same amount as at 31 December 2023. The receivable is of recognised for € 69,082 under current financial assets (Item 7.11) and € 148,592 under non-current financial assets (Item 7.6).

As at 31 December 2023, there are also the following additional bank mortgage loans:

- € 2,553,032 as the residual value of the loan taken out in 2013 with Banco BPM to finance the purchase of the Legnano office, the construction of the new Magenta office and other structural works on the buildings that were owned by CAP Evolution S.r.l.;
- € 929,299 as the residual value of the loan taken out with Monte dei Paschi di Siena, plus the amount of € 3,540 as the recognition of payable for interest on the loan, included in the same item. It was acquired in 2013, with the business unit of AMAGA together with the Abbiategrosso headquarters, which was purchased with the loan in question. A voluntary mortgage is registered as security for the loan on the Abbiategrosso building.

Payable to Cassa Depositi e Prestiti as guarantee on EIB loan

The item, amounting to € 2,858,082 as at 31 December 2023 (of which € 705,088 current portion and € 2,152,993 non-current portion), is related to the total charge linked to the guarantee commissions due to the Guarantor bank, calculated in proportion to the actual drawdowns on the guaranteed EIB loan, paid periodically until the guaranteed loan expires.

This payable is recognised as a balancing entry to the item Other Current and Non-current Assets (see Notes 7.6 and 7.11) which follows the allocation to the income statement on an accrual basis.

EIB loans

With regard to the amount due to the European Investment Bank, granted in 2014 for a maximum amount of € 70,000,000, the following disbursements were made:

- in May 2015, an initial disbursement of € 18,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from June 2019 until December 2029;
- in November 2015, a second disbursement of Euro 10,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from December 2019 until June 2030;
- in May 2016, a third disbursement of € 12,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from June 2020 to December 2030;
- in July 2016, a fourth disbursement of € 12,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from December 2020 to June 2031;
- in July 2017, a fifth disbursement of € 18,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from December 2021 to June 2032.

On 11 April 2022, a further loan was signed with the European Investment Bank ("CAP WATER INVESTMENT GREEN LOAN"), for a maximum amount of € 100,000,000.

The following disbursements were made:

- in July 2022, the first disbursement of € 50,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from December 2025 to June 2040;
- in November 2022, a second (and last) disbursement of € 50,000,000 to be repaid in constant six-monthly instalments (at a fixed rate) from December 2025 to June 2040.

As at 31 December 2023, the total amount due to the EIB amounted to a nominal of € 146,249,831 (at amortised cost, it amounted to Euro 146,176,326).

The costs incurred by the Company to obtain the loan by way of processing fees were initially recognised as a reduction of the financial liability and will be subsequently recorded in the income statement under the amortised cost method, in accordance with the provisions of IFRS 9.

Bonds

The item refers to:

- € 5,704,603 for the bond (ISIN code No. XS1656754873), for a nominal € 40,000,000 admitted for listing and trading on the regulated market of the Irish Stock Exchange (now Euronext Dublin) on 2 August 2017. The bond was fully subscribed by institutional investors. The 7-year bonds (maturing August 2024) bear interest payable on an annual basis (first maturity in August 2018) at a fixed rate of 1.98%. The capital is repaid according to a redemption plan at constant principal, without prejudice to the cases of early repayment governed by the regulation of the Bonds. The costs incurred by the Group to obtain the bond were initially recognised as a reduction of the financial liability and subsequently recorded in the income statement under the amortised cost method, in accordance with the provisions of IFRS 9. As at 31 December 2023, the residual capital, at nominal value, amounted to € 5,714,296, and at amortised cost it amounted to € 5,704,603. The interest pertaining to the year 2023 of € 56,571 due within the next financial year was entered among the financial liabilities. The portion due within the following year, natural term of the bond repayment plan, is equal to € 5,761,174 (inclusive of the above mentioned interest recorded under financial liabilities).
- 104,527,617 for the non-convertible Sustainability-Linked bond (ISIN code No. XS2726850881), for an original nominal € 105,000,000 admitted for listing and trading on the regulated market of the Euronext Dublin on 5 December 2023. The loan was fully taken out by Pricoa Private Capital, a company of the US group PGIM, INC. The 14-year bonds (last maturity December 2037) bear interest payable on a half-yearly basis at a fixed rate of 5.10%. The capital is repaid according to a redemption plan at constant principal (first due date in December 2024), without prejudice to the cases of early repayment governed by the regulation of the Bonds. The interest pertaining to the year 2023 of € 386,750 due within the next financial year was entered among the financial liabilities. The principal due within the following year is equal to € 7,432,762; the principal beyond the following year amounts to € 97,094,855; the portion due beyond 5 years is equal to € 67,287,707. This is the first issue under the Shelf Sustainability Linked Programme, which allows for the possible further issuance, in one or more tranches, of bonds up to a total maximum principal amount of € 250 million until 30 June 2026, agreed between CAP and the US investor. The portion of charges incurred related to the issuance and listing of the bond issued was recognised as a reduction of financial liabilities and will subsequently be recognised in the income statement using the amortised cost method in accordance with IFRS 9. The Company has incurred multi-year charges and the portion to be deferred to the future has been recognised as a financial asset (of which the non-current portion is € 218,067 and the current portion is € 109,033).

The IAS derivative fair value

Reference is made to paragraph 5, point "derivative financial instruments". As at 31 December 2023, the value of the derivatives amounted to € 5,836, as shown in the table below:

type of derivative contract	interest rate swap with BNL
contract date	16/05/2011
purpose	rate hedging
contract number	5963433
settlement date	16/05/2026
book value 31/12/2022	5,836
hedged asset/liability	BNL loan (former Ibra Patrimonio)
Type of derivative contract	interest rate swap with BNL

Accessory charges on loans

The charges incurred by the Group to obtain bank loans were initially recognised as a reduction of financial liabilities and subsequently recognised in the income statement using the amortised cost method, in accordance with IFRS 9.

It should be noted that following the application of IFRS 16, financial payables were recorded in 2023. Details of current and non-current financial payables relating to the application of the accounting standard IFRS 16 are set out below.

in euro IFRS 16 lease liability	Value as at 31/12/2022	Increases	Decreases	Value as at 31/12/2023	Due within the financial year	Due beyond the financial year
Long-term rentals of cars/trucks	1,180,229	3,787,932	(1,850,758)	3,117,403	1,474,819	1,642,583
Property leases	391,031	85,110	(70,011)	406,130	71,788	334,343
Total	1,571,260	3,873,042	(1,920,770)	3,523,533	1,546,607	1,976,926

7.17. Other payables and non-current liabilities

Following is the detail of the item "Other payables and non-current liabilities".

Other payables and non-current liabilities	Value as at 31/12/2023	Value as at 31/12/2022	Change
Payables for external connection contributions and other third party financed projects	5,733,096	5,372,278	360,818
Payables for aqueduct connection contributions	1,050,202	1,570,562	(520,360)
Payables for sewer connection contributions	461,855	909,060	(447,205)
Payables for ATO/Regional contributions on work in progress	1,028,107	780,474	247,633
Total non-current liabilities for contributions	8,273,259	8,632,374	(359,115)
<i>Payables to others</i>			
Accrued expenses and deferred income	14,563,278	11,480,478	3,082,800
Loans taken over	11,302,062	13,763,187	(2,461,126)
Guarantee deposits from users and customers	25,094,805	24,850,731	244,075
Other non-current payables	906,389	684,512	221,876
Total non-current liabilities to others	51,866,533	50,778,909	1,087,625
Total other non-current payables and liabilities	60,139,792	59,411,283	728,510

Another significant sub-item is represented by amounts due to users and customers for the utility guarantee deposits of the integrated water services of € 25,094,805.

€ 14,563,278 refers to deferred income for contributions/connections, and includes the portion of contributions received from users for the completion of aqueduct and sewer connections that will be posted under the revenues in periods after 31 December 2023 in connection with the depreciation of the related assets.

In conclusion, with regard to the loans undertaken, € 11.302.062, this involves the portions due beyond 12 months, for:

- € 10,882,620 for payables to the ATO for "take over" corresponding to the loan taken out by the Province of Milan from Cassa Depositi e Prestiti, Ref. No. 4492128/00, required for financing decree No. 3/2009 of the ATO Authority of the Province of Milan, that CAP Holding S.p.A. took over in 2013. The portion due beyond 5 years amounted to € 2,285,102;
- € 419,441 for other mortgages and/or financial loans taken over, transactions that mainly took place further to the contributions in kind in CAP Holding S.p.A. (or its assignors, by CAP Gestione S.p.A. to CAP Impianti S.p.A., to its merged companies in 2013) of the assets of the water service by EELs, now shareholders. The portion due beyond five years amounted to € 175,180

The portions of these payables for the assumption of loans due within 12 months are shown under "other current liabilities".

The short-term portions of loan assumptions represent the sums due within 12 months of the loans taken over of € 2,461,126, the latter already commented on in greater detail in the item "current and non-current payables to banks and other lenders", section 7.16

7.18. Trade payables

This item includes payables relating to the normal performance of commercial activities by the Group, relating to the supply of goods, fixed assets and services of € 81,468,635. As at 31 December 2023, there were no payables in the financial statements with a residual duration of more than five years.

7.19. Other current liabilities

Following is a breakdown of the item "Other current liabilities".

Other current payables and liabilities	Value as at 31/12/2023	Value as at 31/12/2022	Change
Payables to municipalities for services and other	627,421	694,618	(67,197)
Payables to municipalities for invoices to be received	1,050,097	1,064,783	(14,686)
Payables to municipalities for services and other	1,677,518	1,759,401	(81,883)
Payables to local authorities for tariff quotas	144,047	154,182	(10,134)
Payables to companies and consortiums for tariff quotas	3,010,319	2,604,146	406,173
Payables to consortium villosi for reclamation grants	2,898,191	2,990,501	(92,309)
Payables to EGA for tariff quotas write-off law	787,194	790,853	(3,659)
Payables to others for tariff quotas	6,839,752	6,539,681	300,071
Payables to Shareholders	1,234,000	0	1,234,000
Payables to Shareholders	1,234,000	0	1,234,000
Advances	4,933,756	3,820,892	1,112,864
Other payables to users and customers	1,589,097	659,805	929,291
Advances from users	2,450,118	2,399,903	50,215
Advances from municipalities for services and other	193,571	136,552	57,019
Advances on ato Mi/Lombardy region contract contributions	8,623,368	8,623,368	0
Other payables to employees	4,924,066	4,261,951	662,115
Loans taken over	2,461,126	2,400,452	60,674
Tax payables	2,156,367	2,610,161	(453,794)
Payables to social security institutions	3,687,517	3,199,820	487,697
Other liabilities	465,370	425,525	39,845
Payables to others	31,484,355	28,538,430	2,945,925
Total Other current liabilities	41,235,624	36,837,511	4,398,113

With regard to comments on the sub-items "for tariff portions", reference is made to the matters already indicated in section 7.17 where the portions due beyond 12 months of said liabilities are indicated.

Advances amount to € 8,816,939 as at 31 December 2023 and mainly regard advance payments for work in progress commissioned by public bodies (€ 193,571) and the Lombardy Regional Authority and ATO Milan (€ 8,623,368). It should be noted that part of this amount of € 8,528,005 refers to the long-term order "arrangement of the Cagnola Fontanile". Since these are advance payments, the value of work in progress on order has not been deducted from the total amount of advances.

The short-term portions of loan assumptions of € 2,461,126 represent the sums due within 12 months of the loans taken over, already commented on in greater detail in the item "other current liabilities", section 7.16.

Payables of € 1,234,000 refer to payables to shareholders for withdrawal.

Tax payables mainly refer to the VAT payable on the fourth quarter balance of 2023 paid in 2024 of € 525,396, € 362,782 for IRAP payable for the year and employees' IRPEF withholdings of € 1,244,453.

7.20 Liabilities available for sale

As at 31 December 2023, no liabilities held for sale are recognised.

8. Notes to the consolidated statement of comprehensive income

8.1 Revenues

As at 31 December 2023, revenues amounted to € 268,008,827.

The revenues achieved in relation to sales and services carried out during the year 2023, broken down as follows;

The Revenues recognised in the financial statements mainly comprise:

- Revenues from sales and services for the Area of the Metropolitan City of Milan.

Revenues for tariffs of the IWS within the Metropolitan City of Milan area determined as part of the Guaranteed Revenue Bonds (VRG) amounted to € 244,290,036.

- Revenues from sales and services in the Monza Brianza area.

On the whole, revenues for the integrated water system tariffs within the province of Monza and Brianza determined as part of the relevant VRG amounted to € 14,199,845 for 2023, entirely relating to the share of "wholesaler" services.

- Revenues from sales and services for the Pavia area

For the Pavia area, the entire tariff as at 1 January 2014 is due to the consortium company Pavia Acque S.c.a.r.l. pursuant to the agreement assigning the service entered into by said companies and the Pavia ATO Office on 20 December 2013.

Therefore the Group has no income from tariffs for that ATO. The CAP Holding S.p.A., as a member of S.c.a.r.l. was appointed to carry out various infrastructure activities in some municipalities of Pavia, consequently registering among their income a consideration arising from the prices recognised to it by Pavia Acque S.c.a.r.l. For 2023, the income amounted to € 4,112,129 (plant operation and maintenance).

- Other areas

These are residual presences of the Group, which acts by offering certain service segments (and managing them through an exchange rate) relating to the following cases:

- purification service carried out by means of the Group purification plant located in the municipality of San Colombano al Lambro (enclave of the Metropolitan City of Milan in the territory of Lodi) for 3 municipalities of the Lodigiano area (Borghetto Lodigiano, Graffignana, Livraga) in which the main Operator is SAL S.r.l.;
- purification service rendered to 2 municipalities of the ATO of Como (Cabiante and Mariano Comense, for the latter case there are very few utilities) through the Pero purifier located in the Metropolitan City of Milan;

- purification service carried out by the Peschiera Borromeo plant (located in the Metropolitan City of Milan) that also serves the eastern districts of the City of Milan, where the main Operator is MM S.p.A.

In 2023, revenues for the province of Lodi amounted to € 550,047, those for the province of Como amounted to € 251,204 while those for the Metropolitan City of Milan amounted to € 3,078,487.

The management of the water service in the Municipality of Castellanza (VA) (aqueduct, wastewater treatment and sewerage) is also to be considered as metropolitan "tariff" (see Board of Directors resolution of the EGA of the Metropolitan City of Milan No. 1 of 31 May 2016 - Annexe A).

Some contingent assets amounting to € 282,215 and relating to fire-fighting penalties and fixed fees are also listed under item 8.1.

The item "Revenues" also includes:

- € 1,114,692 for sludge and third-party wastewater disposal;
- € 251,199 for fixed charges;
- € 91,421 for invoicing and collection services to companies and entities;
- € 50,378 for joining the provision for hidden leaks;
- € 4,217 for contract work in progress for the planning, site supervision and construction of works for the hydraulic repairs of the Cagnola water source, on behalf of the Lombardy Region, assigned to the company I.A.No.Mi. S.p.A. merged in 2013;
- € 24,039 for water discharge authorisation.

8.2 Increases for internal works

The value of the item in 2023 amounts to € 2,328,071, a change of € -1,518,298 compared to 2022 (€ 3,846,369). This concerns staff hours capitalised on investment orders.

8.3 Revenues for works on assets under concession

Revenues for work on assets under concession amounted to € 98,521,965 for financial year ended 31 December 2023 (€ 114,232,631 in 2022). These revenues correspond, in accordance with IFRIC 12, to the work carried out on the assets under concession owned and used by the Group for its core activities.

In terms of operating costs, this item corresponds to items 8.7 for the portion realised directly by the parent company (€ 61,838,914) as well as in items 8.5 (€ 1,216,164), item 8.6 (€ 34,354,945) and item 8.8 (€ 1,111,943) for the portions realised by CAP Evolution S.r.l. (Amiacque S.r.l.) in favour of Cap Holding S.p.A.

8.4 Other revenues and income

Following are the details of the item "Other revenues and income" for the year ended 31 December 2023:

Other revenues and income	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Sundry				
Reversal of provisions	2,222,295	6,217,079	(3,994,784)	-64%
Other revenues and income	22,835,262	7,483,820	15,351,443	205%
Other contingent assets/liabilities	5,741,606	2,498,817	3,242,790	130%
Reimbursement for seconded personnel	1,148,703	1,522,666	(373,964)	-25%
Penalties from suppliers and customers	940,775	951,061	(10,286)	-1%
Compensation for damages and other reimbursements	2,230,562	956,022	1,274,540	133%
Rental fees received	892,078	684,223	207,855	30%
Revenues from design services	128,716	138,965	(10,248)	-7%
Total sundry	36,139,997	20,452,651	15,687,346	77%
Operating grants				
Operating grants	5,902,022	9,848,744	(3,946,721)	-40%
Total contributions	5,902,022	9,848,744	(3,946,721)	-40%
Considerations				
Considerations from private parties and municipal authorities	2,623,124	2,732,256	(109,132)	-4%
Total considerations	2,623,124	2,732,256	(109,132)	-4%
Total other revenues and income	44,665,143	33,033,651	11,631,492	35%

Note that the item "Reversal of provisions" includes the reversal for adjustment of unused portions of the provisions including:

- "Settlement of disputes" of € 1,352,623;
- "Amicable settlements" of € 519,671 (see also paragraph 7.14 above);
- "2017 TOSAP/COSAP due to expiry of assessment terms" of € 350,000;

The item "Other revenues and income" includes income for sundry works and services in favour of the companies of the Water Alliance "network", the network itself and other companies of € 4,527,771; income for the application of the incentive mechanism envisaged by ARERA "RQTI 18-19" received from Cassa Servizi Energetici e Ambientali of € 7,874,425; revenues for the design, management and execution of works, mainly for municipalities, the Metropolitan City of Milan, the ATO of the Metropolitan City of Milan and Alfa S.r.l. of € 8,442,664.

The item "Other contingent assets/liabilities" (€ 5,741,606) consists mainly of refund by A2A Energia S.p.A. of the 2010-2011 provincial excise tax surcharge due to the judgement of the Court of Milan, sect. XI, of 6 November 2023 (€ 3,258,745), adjustment of bad debt provision from civil and productive users of (€ 446,681), settlement of the 2022 result bonus (€ 495,264), collection of reimbursements on closed user accounts and unallocated receipts (€ 215,144), reversal of barred receivables (€ 138,258), release of Foni for grant association (€ 171,356), non-existent assets for lower sundry costs from previous years (€ 827,803).

The item "Compensation for damages and other reimbursements" includes indemnities from insurance companies for damages of € 842,810, penalty reimbursements of € 432,730, reimbursement of legal costs of € 296,541, reimbursements for works of € 219,959, various other chargebacks to Water Alliance and network companies of € 74,757, to ATO and other companies of € 49,219, reimbursement of expenses for publishing tenders of € 66,786.

The item operating grants is mainly made up of tax credits for expenses incurred for the energy component relating to non-energy consuming companies for a total of € 4,256,481, of which € 3,104,085 for the first quarter of 2023 envisaged by Italian DL 21/2023 ("Decreto Ucraina"), € 1,080,445 for the second quarter of 2023 envisaged by Italian DL 115/2022 ("Decreto Aiuti-bis"), € 71,951 for the gas tax credit of the first and second quarter of 2023 envisaged by Italian DL 144/2022 ("Decreto Aiuti-ter") and Italian DL 176/2022 ("Decreto Aiuti-ter") as amended.

8.5 Costs for raw materials, consumables and goods

A breakdown of the item "Costs for raw materials, consumables and goods" for the year ended 31 December 2023 is show below:

Costs for raw materials, consumables and goods	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Materials destined for works	9,804,520	8,605,491	1,199,029	14%
Electrical and hydraulic components	1,757,259	1,939,157	(181,897)	-9%
Change in inventories	(206,686)	(135,859)	(70,827)	52%
Consumption metres	1,034,516	2,153,171	(1,118,655)	-52%
Fuels and combustibles	1,115,757	1,738,923	(623,166)	-36%
Consumable materials	631,997	657,335	(25,338)	-4%
Consumable materials for safety in the workplace	590,873	569,071	21,802	4%
Electrical pumps	349,466	350,849	(1,383)	0%
Conditioning filters and raw materials for conditioning water	51	493	(442)	-90%
Wholesale water provisioning	-	39,215	(39,215)	-100%
Total costs for raw materials, consumables and goods	15,077,753	15,917,845	(840,092)	-5%

This item mainly includes the costs for the purchase of consumables and maintenance of the Integrated Water Service.

8.6 Costs for services

A breakdown of the item "Costs for services" for the year ended 31 December 2023 is shown below:

Costs for services	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Costs for industrial services	72,793,561	91,353,687	(18,560,125)	-20%
Works carried out for CAP, private individuals and municipalities	40,507,637	44,793,139	(4,285,502)	-10%
Routine maintenance	14,771,100	16,828,368	(2,057,268)	-12%
Demolition of tanks	197,142	28,195	168,947	599%
Work on plant and water houses	17,987	29,561	(11,574)	-39%
Total cost for industrial services	128,287,427	153,032,949	(24,745,522)	-16%
Other administrative, general and commercial costs	21,831,239	21,804,569	26,670	0%
Research and development	267,360		267,360	100%
Allocation to provision for future expenses	3,751,954	11,547,839	(7,795,886)	-68%
Total other administrative, general, commercial costs and provisions	25,850,552	33,352,408	(7,501,856)	-22%
Repayments of loans and concession fees	3,069,214	3,307,089	(237,876)	-7%
Rental and licence fees	5,154,594	3,514,933	1,639,661	47%
Fee for use of well and crossings	2,273,735	2,489,129	(215,394)	-9%
Hiring	420,675	459,308	(38,633)	-8%
Total costs for use of third party assets	10,918,218	9,770,459	1,147,759	12%
Total costs for services	165,056,197	196,155,816	(31,099,620)	-16%

The services item includes € 3,751,954 in annual provisions for risks and charges: Provisions under this item are:

- € 2,008,679 related to the adjustment of a provision for future reclamation risk of purification areas;
- € 281,460 for the provision for asphalt expenses;
- € 333,000 for the provision for asbestos disposal expenses in abandoned water networks;
- € 386,191 for provision for reclamation risks due to damages caused by percolation from sewer networks;
- € 742,624 for the provision for tank reclamation costs;

The item "costs for industrial services" is broken down in the following table:

Costs for industrial services	Value as at 31/12/2023	Value as at 31/12/2022	Change	%
Electricity	52,733,541	69,954,838	(17,221,297)	-25%
Costs for sludge disposal	11,502,099	12,786,329	(1,284,230)	-10%
Other industrial costs	4,306,174	3,845,725	460,449	12%
Cleaning networks and plants	1,185,146	1,548,328	(363,182)	-23%
Regeneration with active carbons	1,065,572	1,525,180	(459,609)	-30%
Wholesaler's purification contract costs	2,001,029	1,693,287	307,742	18%
Total cost for industrial services	72,793,561	91,353,687	(18,560,125)	-20%

The breakdown of "administrative, general and commercial costs" is shown below.

Other administrative, general and commercial costs	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Maintenance on equipment, sw, hw, vehicles and premises	4,596,122	5,279,224	(683,102)	-13%
Other costs	3,366,518	3,155,694	210,824	7%
Operating expenses for premises, cleaning and security	3,137,966	3,173,930	(35,964)	-1%
Personnel costs	2,521,690	2,101,503	420,187	20%
Insurances	2,380,688	1,954,427	426,261	22%
Advertising and propaganda expenses	1,348,174	1,500,487	(152,313)	-10%
Specialist consultancy fees	1,418,826	1,602,488	(183,662)	-11%
Meter reading	682,871	386,023	296,849	77%
Administrative and technical professional services	576,198	610,084	(33,886)	-6%
Connectivity and social networking services	638,411	585,284	53,127	9%
Bank charges and commissions	510,022	774,137	(264,115)	-34%
Fees and costs for corporate bodies and SBs	466,425	483,586	(17,160)	-4%
Seadrome sponsoring and maintenance	-	5,500	(5,500)	-100%
Other contingent assets	90,132	127,210	(37,078)	-29%
Water houses	95,177	55,396	39,782	72%
Hydraulic risk study	2,020	9,599	(7,579)	-79%
Total Other administrative, general and commercial costs	21,831,239	21,804,569	26,670	0.12%

8.7 Costs for work on assets under concession

Costs for work on assets under concession amounted to € 61,838,915 for financial year ended 31 December 2023 (€ 65,573,721 in 2022). They represent charges relating to works carried out on the assets under concession by third parties. Capitalised internal costs were recognised by nature within the specific Income Statement items. See the comment to item 8.3.

8.8 Personnel costs

The breakdown of the item “Personnel costs” for the year ended 31 December 2023 is shown below:

Personnel costs	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Salaries and wages	38,284,905	36,649,651	1,635,254	4%
Social security charges	11,774,802	11,050,010	724,793	7%
Employee severance indemnity	2,415,770	2,639,281	(223,511)	-8%
Retirement benefits	312,147	301,202	10,945	4%
Other costs	962,307	772,948	189,359	24%
Total costs for personnel	53,749,931	51,413,091	2,336,840	5%

The following table shows the number of employees of the Group, broken down by category:

Level	Employed as at 31/12/2022	Recruits	Leavers	Employed as at 31/12/2023
<i>Executives</i>				
Permanent contracts	1	0	0	1
Term contracts	9	1	1	9
Total executives	10	1	1	10
<i>Personnel with permanent contracts / apprenticeships:</i>				
Middle managers	37	6	3	40
Level 8	51	13	10	54
Level 7	84	26	21	89
Level 6	165	49	37	177
Level 5	193	48	58	183
Level 4	165	37	29	173
Level 3	167	14	17	164
Level 2	31	0	4	27
Level 1	0	0	0	0
Total permanent contracts and apprenticeships	893	193	179	907
Total term contracts	6	5	6	5
Total Gas-Water Sector CCNL	899	198	185	912
Total Employees	909	199	186	922

8.9 Amortisation, depreciation, write-downs and provisions

The breakdown of the item “Amortisation, depreciation, write-downs and provisions” for the year ended 31 December 2023 is presented below:

Amortisation, depreciation, provisions and write-downs	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Concession amortisation	40,682,949	39,210,405	1,472,543	4%
Amortisation of intangible fixed assets	8,107,886	6,735,001	1,372,885	20%
Depreciation of tangible fixed assets	3,396,942	2,834,409	562,533	20%
Depreciations of rights of use	1,913,134	2,018,207	(105,073)	-5%
Write-down of assets under concession	19,437,004	23,481,221	(4,044,217)	-17%
Write-down of receivables	11,081,254	6,520,849	4,560,405	70%
Total depreciation, amortisation and write-downs	84,619,169	80,800,092	3,819,077	5%
Provisions	701,757	1,096,040	(394,284)	-36%
Total depreciation, amortisation and write-downs	701,757	1,096,040	(394,284)	-36%
Total depreciation, amortisation, provisions and write-downs	85,320,925	81,896,132	3,424,793	4%

Note that amortisation/depreciation is shown net of utilisation of FoNi.

Concerning the impairment loss of € 19,437,004 related to rights on assets under concession, please refer to section 7.1 above.

The amount relating to other provisions, amounting to € 701,757 refers to the adjustment of the provision for risks and future charges of:

- € 659,757 for the provisions for legal disputes;
- € 15,000 for the provisions to cover future losses;
- € 27,000 for provision for environmental damage from sewers.

The bad debt provision in 2023 amounted to € 11,081,254.

8.10 Other operating costs

The item "Other operating costs" for the year ended 31 December 2023 is broken down below:

Other operating costs	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Other contingent assets/liabilities	2,283,857	3,625,504	(1,341,647)	-37%
Capital losses on fixed assets	100,012	176,995	(76,983)	-43%
Taxes and duties	2,638,169	2,376,273	261,896	11%
Operating expenses for ATO-AEEG entities	1,251,986	1,225,660	26,327	2%
Additional water bonus	1,678,604	4,012,662	(2,334,057)	-58%
Expense reimbursements to third parties	816,239	906,211	(89,972)	-10%
Other sundry operating expenses	359,064	821,419	(462,356)	-56%
Membership fees	385,958	370,690	15,269	4%
Costs for social welfare and donations	29,961	84,812	(54,851)	-65%
Sundry rights	144,833	220,996	(76,163)	-34%
Fines and penalties	55,158	33,098	22,061	67%
Books, magazines and newspapers	69,764	21,145	48,619	230%
Losses on loans	177	817,896	(817,718)	-100%
Total other operating costs	9,813,782	14,693,359	(4,879,577)	-33%

The item "Other contingent liabilities/non-existent liabilities": the main components are adjustments from tariffs for invoicing of bills to civil users pertaining to the years prior to 2023 of € 535,141, concession fees of € 434,735 thousand, etc.

The item "Capital losses on fixed assets" is mostly related to disposals of fixed assets under concession.

8.11 Non-recurring operations

There are none in 2023, as already in 2022.

8.12 Financial income and expense

The balance of the financial income and expense amounts to a negative total of - € 6,212,975.

Financial income as at 31 December 2023 totalled € 3,434,521.

Financial income	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Other interest income	2,745,711	2,493,805	251,906	10%
Revaluation of equity investments	282,119	0	282,119	100%
Bank interest income	388,404	7,768	380,636	4900%
Extraordinary income	18,288	476,616	(458,328)	-96%
Total financial income	3,434,521	2,978,189	456,333	15%

The item "contingent assets" refers to the adjustment of the actuarial gains and losses reserve for employee benefits formed in previous years, following a best estimate.

As at 31 December 2023, the financial expense amounted to € 9,647,496.

The breakdown of interest and other financial expense, relating to bonds, bank payables and others, is shown below:

Financial expense	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Bank loans and mortgages	5,148,614	2,519,598	2,629,016	104%
EIB loan charges	801,491	898,836	(97,346)	-11%
Assumption of loans	592,585	683,656	(91,072)	-13%
Swaps (to banks)	5,118	135,985	(130,868)	-96%
Bonds	556,579	283,029	273,550	97%
Other	2,506,292	1,328,612	1,177,680	89%
Financial expenses on rights of use	36,818	59,437	(22,618)	-38%
Total financial expenses	9,647,496	5,909,153	3,738,343	63%

8.13 Taxes

The item "Taxes" for the year ended 31 December 2023 is broken down below:

Taxes	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
IRES	4,039,159	4,813,471	(774,312)	-16%
IRAP	1,709,997	1,295,717	414,280	32%
Recovery of deferred tax assets of previous financial years	3,128,653	2,577,588	551,065	21%
Deferred tax assets for the year	(9,200,132)	(14,297,154)	5,097,022	-36%
Recovery of deferred tax liabilities of previous financial years	(353,851)	(226,709)	(127,142)	56%
Deferred tax liabilities for the year	4,737,320	4,044,248	693,071	17%
Tax from previous years	(92,731)	222,588	(315,320)	-142%
Total taxes	3,968,415	(1,570,250)	5,538,665	-353%

The description of the temporary differences that implied the recognition of deferred and prepaid taxes is provided in the schedules included in section 7.5 "Deferred tax assets", respectively.

9. Related party transactions

The consolidating company CAP Holding S.p.A. is entirely publicly owned. As at 31 December 2023, there are 196 Shareholders, of which 194 municipalities divided as follows: 133 municipalities of the Metropolitan City of Milan, 40 municipalities of the Province of Monza and Brianza, 20 municipalities of the Province of Pavia, 1 municipality of the Province of Varese. The Province of Monza and Brianza, the Metropolitan City of Milan (former province of Milan) complete the shareholders' register of CAP Holding S.p.A.

Note that the municipality of Cabiato (CO) by letter dated 19 October 2020 prot. 12856 requested the liquidation of the shareholding pursuant to articles 20 and 24 of Italian Legislative Decree no. 175/2006. At the end of a dispute before an administrative judge, in which the Council of State (decision no. 4340/2023 of 28 April 2023), issued a final ruling on the legitimacy of the municipality's decision to dispose of its equity investment in CAP Holding S.p.A., the Board of Directors of CAP Holding S.p.A., after hearing the opinion of the Board of Statutory Auditors and the independent auditors, determined the liquidation value of the 1,554,528 shares of the Municipality of Cabiato in a total principal amount of € 1,234,000. The 1,554,528 shares in question were made available as an option to the remaining shareholders, none of whom expressed an interest in acquiring them within the allotted period. The Municipality of Cabiato contested the value established by the BoD in a letter dated 28 November 2023 and subsequently filed an appeal with the Court of Milan on 6 December 2023 pursuant to Article 696-bis of the code of Civil Procedure (previous technical consulting to settle the dispute). It should be noted that the counterparty had valued its shareholding in 2020 at € 2.15 million, which was last updated to € 2.35 million in the aforementioned letter of 28 November 2023.

The municipality of Cabiato, whose shares have already been deposited at the company's registered office, is deemed to no longer be a shareholder of CAP Holding S.p.A. as at 31 December 2023.

On the other hand, the decisions of the other two municipalities that are shareholders in Cap Holding S.p.A., belonging to the Province of Monza and Brianza, namely those of Nova Milanese and Vedano al Lambro, which resolved to "proceed with the disposal of the equity investment in CAP Holding S.p.A.", had a different fate. With judgements no. 4123/2024 and no. 4153/2024 of the Council of State, both published on 7 May 2024, the appeals brought by the Municipalities of Nova Milanese and Vedano al Lambro were rejected, thereby confirming the judgements of the Regional Administrative Court of Lombardy, Milan, no. 1211/2021 and no. 1212/2021, respectively, which had cancelled the relative decisions of the two Municipalities to dispose of their equity investment in CAP Holding S.p.A. Therefore, the two municipalities remain shareholders of CAP Holding S.p.A. The Company is under joint control (known as in house providing) of said public bodies, pursuant to article 2, paragraph 1, letter d) of Italian Legislative Decree No. 175 of 19 August 2016.

The Company made use of the exemption provided by paragraph 25 of IAS 24, and therefore is exempt from the information requirements referred to in paragraph 18 of IAS 24 relating to transactions with related parties and outstanding balances, including commitments, with respect to the served territorial bodies.

The main transactions that took place in 2023 between the Group and the local entities that jointly control CAP Holding S.p.A. are not individually relevant. As a whole, they are almost entirely related to the invoicing of tariffs for the integrated water service by the Group to these local authorities.

With regard to other transactions, note that as at 31 December 2023, the Group had payables due to shareholder bodies for invoices to be received totalling € 1,647,081 relating to works and services performed by municipalities.

Paragraph 10 provides, among other things, information on other commitments vis-à-vis shareholder local authorities.

With reference to the investee company NEUTALIA S.r.l., the following main transactions are underway and/or took place in 2023:

- secondment of personnel from CAP Holding S.p.A. to NEUTALIA S.r.l. period 2023, against fees of € 10,000;
- contract to support the implementation of an internal control and *compliance* system, for fees accrued during 2023 of € 17,474;
- contract for corporate services for fees accrued in 2023 of € 158,471;
- contract for the coordination of communication activities, stakeholder engagement and benefit plan for fees accrued during 2023 of € 61,400;

- collaboration agreement of 17 October 2022 PNRR tenders + addendum (Agesp – Amga – Neutalia) consideration accrued during 2023 amounting to € 12,249.
- the granting on 8 November 2021 of a shareholder's loan of € 670,000 for the portion of CAP Holding S.p.A., due on 7 November 2026;
- issue by CAP Holding S.p.A. on 2 November 2022 of a 33% surety to Neutalia S.r.l.'s lending bank to secure a loan for a total principal amount of € 3,000,000.00, granted to the latter, with a 5-year term and expiring in 2027 (repayable in 10 deferred six-monthly instalments);
- payment of € 660,000 on 21 June 2023 by CAP Holding S.p.A. to Neutalia S.r.l. in the form of a capital contribution;
- the granting on 2 November 2023 of another non-interest-bearing shareholder's loan of € 330,000 for the portion of CAP Holding S.p.A., maturing within 12 months;
- waiver by CAP Holding S.p.A. of trade receivables from Neutalia S.r.l. of € 232,315 accrued as at 31 December 2023.

With reference to the investee company ZERO C S.p.A., the following transactions took place in 2023:

- secondment of personnel from ZERO C S.p.A. to CAP Holding S.p.A. in 2023 of € 243,019;
- secondment of personnel from CAP Holding S.p.A. to ZERO C S.p.A. in 2023 of € 16,555;
- service contract between CAP Holding S.p.A. and ZERO C S.p.A. concerning the coordination of communication for fees accrued during 2023 of € 13,000.

10. Contractual commitments, guarantees and concessions

There are various commitments, recourse obligations and sureties payable. Details follow.

Commitments amounting to € 89,083,427 of which:

- € 11,546,328 for residual instalments of mortgages to be repaid to shareholder local authorities for the use of their networks and plants in the period from 2023 to 2033; of which € 9,434,615 expiring beyond twelve months;
- € 77,421,722 as the estimated amount of the interest expense paid to lenders in the period after 1 January 2024, on loans taken out and/or taken over and to be repaid at the end of the reporting period;
- € 115,377 for sureties issued by the company to third parties, mainly Municipalities, to guarantee works to be carried out.

Obligations vis-à-vis third parties of € 464,240

- for with-recourse obligations deriving from the granting to Pavia Acque S.r.l. of the business unit pursuant to Article 2560 of the Italian Civil Code (transfer deed dated 2016).

Sureties payable of € 69,070,524, of which:

- € 57,009,627 for guarantees issued by banks in favour of various entities in the interest of the Group (including the guarantee issued by Cassa Depositi e Prestiti on EIB financing of 2014 for a residual amount of € 53,187,306 as at 31 December 2023);
- € 12,060,897 as insurance sureties issued in the interest of the CAP Group mainly for assignment conventions of the IWS in favour of the AATO of Milan and the AATO of Monza and Brianza.

Other

Finally, the following are noted:

- Plants granted for use by local authorities of € 175,464,466 relating to networks, collectors and plants of the IWS owned by the Entities and used by the Group;
- € 59,862,575 for sureties receivable (received) for works;
- € 810,141 for a surety issued by the Group to secure a loan of € 3,000,000 granted by a bank to Neutalia S.r.l.

11. Fees to directors and statutory auditors, SBs.

For the year ended 31 December 2023, the fees due to directors and statutory auditors amounted to € 219,481 and € 135,088, respectively. The fee due to the SB amounted to € 103,624.

Allowance for corporate bodies	Value as at 31/12/2023	Value as at 31/12/2022	Change	% change
Board of Directors' allowance	219,481	230,768	(11,287)	-5%
Board of Statutory Auditors' allowance	135,088	134,496	592	0%
Fees of the supervisory body	103,624	106,661	(3,037)	-3%
Total allowances	458,193	471,924	(13,731)	-3%

The amounts include not only fees but also charges for contributions.

12. Independent Auditors' fees

For the financial year ended 31 December 2023, the cost incurred by the Group for the external audit amounted to € 44,379.

The external audit of these financial statements is entrusted to the company BDO Italia S.p.A. appointed, with approval of the relevant fee, by the Shareholders' Meeting of CAP Holding S.p.A., in the meeting of 1 June 2017, on a justified proposal of the Board of Statutory Auditors for the years ending on 31 December 2017 to 31 December 2025 (subject to the acquisition by CAP Holding S.p.A. of the status of Public Interest Entity, following the issue and listing, which then took place on 2 August 2017, of the ISIN bond loan XS1656754873, already commented on). The fee was then adjusted by resolution of the shareholders' meeting of 25 May 2021.

The Shareholders' Meeting of Amiacque S.r.l. (now CAP Evolution s.r.l.) of 27 May 2021 resolved to confirm the mandate for the external audit to BDO Italia S.p.A., for the period from 2021 to 2023, pursuant to article 13 of Italian Legislative Decree No. 39/2010 and Article 2409 bis of the Italian Civil Code, fixing the relative fee. On 22 May 2024, the shareholders' meeting of this company resolved to confirm BDO Italia S.p.A. for the carrying out of the external audit for the 2024, 2025 and 2026 financial statements.

In addition to these, in 2023, the following costs will be paid to these independent auditors:

- costs attributable to the Company's obligations pursuant to AEEGSI Resolution No. 137/2016/R/COM of 24 March 2016 (auditing of the "regulatory" annual separated accounts, for the purpose of unbundling, inseparably entrusted with the external audit mandate) of € 6,000;
- costs for certification of expenses incurred for advertising investments of € 5,000.
- fee for services related to the issue of a bond of € 138,000;
fee for opinion pursuant to Article 2437ter of the Italian Civil Code of € 30,000.

13. Transparency obligations for those who receive public funding

Article 1, paragraph 125, third period, of Italian Law No. 124/2017, as amended by Article 35 of Italian Decree Law 34 of 30 April 2019 (converted into Italian Law no. 58 of 28 June 2019) "Decreto crescita" (growth decree), requires Italian companies to indicate the amounts received (cashed) in the previous year of "grants, subsidies, advantages, contributions or aid, whether in cash or in kind, which are not of a general nature and are not of a reciprocal, remunerative or compensatory nature," of an amount equal to or greater than € 10,000, by the public administrations and other subjects (certain public companies) indicated in the first period of the aforementioned paragraph 125.

Specifically, from an objective point of view, the information concerns disbursements that are "contributions", i.e. disbursements that do not refer to synallagmatic relationships, and also excludes advantages received by the beneficiary on the basis of a general scheme, such as tax benefits and contributions that are granted to all persons who meet certain conditions.

In conclusion, only sums (or utilities, in kind) received in the context of selective "donations" to the Group would be subject to publication.

However, State aid and *de minimis* aid contained in the National Register of State aid referred to in Article 52 of the Italian Law No. 234 of 24 December 2012 are expressly excluded (from Article 3-quarter, paragraph 2, of Italian Decree Law 135/2018), if they are declared to exist and must be published as part of the said Register.

Note that, given the very wide reference to the “lenders” made by the first period of the aforementioned paragraph 125, objective difficulties may exist in knowing the subjective social situation of some lenders (referring to the case of “companies in public participation”, for which there is no comprehensive public list that can be consulted).

The information to be provided is:

- the identifiers of the lender;
- the amount of the economic advantage received;
- a brief description of the type of advantage/title at the base of the assignment (cause)

With regard to the above, even though in our opinion they do not fall within the case referred to in Italian Law 124/2017, we inform you that CAP Holding S.p.A. has received the following contributions:

Issuing body	Amount	Description
ATO AREA OFFICE OF THE METROPOLITAN CITY OF MILAN	693,910	Grants related to assets
Total	693,910	

Finally, it should be recalled that the above rules still present numerous difficulties of interpretation, which lead to the conclusion that regulatory clarifications are desirable. In their absence, the above is our best interpretation of the rule.

14. Events after the reporting period (if not already commented on in previous sections)

No further significant events occurred after the reporting period.

The Chairman of the Board of Directors
Yuri Santagostino