Toto Spa Costruzioni Generali

2018 Financial Statements

(Translation from the Italian original which remains the definitive version)

Company Registration no. 02208250692
REA no. 160647

TOTO S.p.A. COSTRUZIONI GENERALI

Single-member company limited by shares managed and coordinated by TOTO HOLDING S.p.A.

Registered office in Viale Abruzzo 410 - 66100 CHIETI (CH) Share capital €50,000,000.00 fully paid up

Minutes of the ordinary shareholders' meeting

The shareholders of TOTO S.p.A. COSTRUZIONI GENERALI met in an ordinary meeting on 30 April 2019, at 5.15 p.m., at the company's registered office in Chieti, viale Abruzzo 410, to discuss and resolve on the following

agenda

1. Financial statements at 31 December 2018; related and consequent resolutions.
2. Assignment of the statutory audit engagement pursuant to article 13 of Legislative decree no. 39/2010 for the 2019 - 2021 three-year period.
3. AOB

The following people were physically present in the place and at the time indicated:

Alfonso TOTO	Chairman of the Board of Directors
Paolo TOTO	Director
Gianfranco RAPPOSELLI	Director
Giovanni SMARGIASSI	Chairman of the Board of Statutory Auditors
Vito Giuseppe RAMUNDO	Standing auditor
Francesco CANCELLI	Standing auditor

and the Sole shareholder, representing the entire share capital.

The director Valentina TOTO is audio connected.

Pursuant to the By-laws, Mr. Alfonso Toto, the Chairman of the Board of Directors, took the chair.

Those present appointed Pierluigi Macchia as Secretary and waived the appointment of scrutineers.

The Chairman subsequently acknowledged and recorded that the meeting was validly called since the entire Board of directors and Board of statutory auditors were present or audio connected. All participants were identified and declared that they were sufficiently informed about the items on the agenda.

The Chairman moved on to the first agenda item.

He asked whether someone intended to declare that they not been adequately informed about the items on the agenda.

Having obtained the consent to discuss the item, the Chairman declared that the meeting could pass resolutions.

The Chairman asked the participants to report any disqualification situation. Nobody took the floor.

With respect to the **<u>first item</u>** on the agenda, the Chairman distributed to those present a copy of:

- the financial statements at 31 December 2018, comprised of a balance sheet, a profit and loss account, the notes thereto and a cash flow statement;
- the Directors' Report on the financial statements at 31 December 2018;
- the Board Statutory Auditors' Report on the financial statements at 31 December 2018;
- the Independent Auditors' Report on the financial statements at 31 December 2018.

The Chairman of the Board of Statutory Auditors, Mr. Giovanni Smargiassi, read the Report of the Board of Statutory Auditors on the financial statements at 31 December 2018.

Once discussion of the various issues began, the Chairman provided the requested clarifications. After in-depth discussion, the shareholders unanimously

resolved

1. to approve the financial statements, comprised of a balance sheet, a profit and loss account, the notes thereto and a cash flow statement as at and for the year ended 31 December 2018 and accompanied by the Directors' Report, as prepared by the Chairman of the Board of Directors. These financial statements show a net loss for the year of € 53,523,511 (ANNEX A) AND ARE ALSO ACCOMPANIED BY THE REPORT OF THE BOARD OF STATUTORY AUDITORS and the Independent Auditors' Report (Annexes B and C);
2. to approve the Chairman of the Board of Directors' proposal to carry forward the net loss for the year of € 53,523,511;
3. to grant the widest powers to the Chairman of the Board of Directors to fulfil all the relevant legal obligations, including the "double filing" mechanism, preparing the same notes to the financial statements in accordance with the "XBRL taxonomy". The double filing mechanism is necessary since the notes to the financial statements prepared under the "XBRL taxonomy" are not sufficient to present the company's position in accordance with the principles set out in article 2423 of the Italian Civil Code.

Moving on to the **<u>second item</u>** on the agenda, the Chairman informed that, pursuant to article 13 of Legislative decree no. 39 of 27 January 2010, the company intended to assign the engagement to audit the financial statements for the 2019 – 2021 three-year period to an audit company registered in the appropriate register.
For this purpose, the Chairman read the engagement letter received from PricewaterhouseCoopers S.p.A., which included the offer of collaboration and the work plan.
The Board of Statutory Auditors expressed a favourable opinion which was distributed to those present.

After a brief discussion, the Chairman put the item up for vote and those present at the meeting unanimously

resolved

1. to assign to the audit company PricewaterhouseCoopers S.p.A., with registered office in Milan, via Monte Rosa 91, Tax code no. 12979880155, registered with number 119644 in the register of audit companies, the engagement to audit the company's financial statements pursuant to article 13 of Legislative decree no. 39 of 27 January 2010. Its term of office will expire with the approval of the financial statements at 31 December 2021;
2. to pay PricewaterhouseCoopers S.p.A. an annual fee of € 48,000.00 for the above services.

There being nothing further to discuss and since nobody asked to take the floor, the meeting ended at 6.30 p.m..

The Secretary	The Chairman
Pierluigi Macchia	Alfonso Toto

2018 Financial Statements

Directors' report

Company Registration no. 02208250692
REA (Economic Administrative Index) 160647

TOTO S.p.A. COSTRUZIONI GENERALI

Single-member company limited by shares managed and coordinated by Toto Holding S.p.A.

Registered office in Viale Abruzzo, 410 - 66100 Chieti Scalo (CH)
Share capital € 50,000,000.00 fully paid-up

Directors' report on the financial statements as of 31/12/2018

BOARD OF DIRECTORS*

Chairman and Managing Director:	Alfonso Toto
Director:	Paolo Toto
Director:	Valentina Toto
Director:	Gianfranco Rapposelli

BOARD OF STATUTORY AUDITORS*

Chairman:	Giovanni Smargiassi
Standing auditor:	Francesco Cancelli
Standing auditor:	Vito Ramundo
Alternate auditor:	Paolo Nicoli
Alternate auditor:	Giovanni D'Aquino

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

SUPERVISORY BODY

Chairman:	Salvatore Ricci
Member:	Francesco Cancelli
Member:	Roberto Milia

COMPANY OFFICERS

General Manager:	Luciano D’Onofrio
Central Technical Officer - Italy	Giovanni D'Aquino
Central Technical Officer - In-house contracts	Massimo Pietrantoni
Central Technical Officer - Abroad	Massimo Maiani

*In office until the approval of the 2020 financial statements

Dear Shareholders,
2018 ended with a net loss of € 53,523,511.

Operating conditions and business development

TOTO S.p.A. Costruzioni Generali (“TOTO S.p.A.”) has operated in the construction sector for over 50 years, gaining vast experience in the management of complex road and railway infrastructure projects for the main Italian and international public and private customers.
The company specialises in tunnelling activities, using both traditional and mechanised technologies, and in the construction of large bridges and viaducts, with structural metalwork, arches or large beams of pre-stressed reinforced concrete. For over 30 years, TOTO S.p.A. has been a leader in Italy's heavy prefabrication sector.

The company's target market is the domestic one, for which it carries out projects for the main public and private customers, such as ANAS, Autostrade per l’Italia, ITALFERR, Strada dei Parchi S.p.A. and other organisations.

Governance and corporate structure

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, it is noted that the company is managed and coordinated by Toto Holding S.p.A..

The company holds the following majority investments:

ALITEC S.p.A.

The company owns an industrial complex not used for several years, for a total of 165,000 square metres, located in Chieti Scalo, to be used for hand craft production.

It is currently developing a new project which provides for real estate development envisaging the construction of a mall focused on sports (sports, related services, sale of sports-related technical products), called “MALL OF SPORT” (“**MOS**”).

The financial statements at 31 December 2018 show a net loss for the year of € 2,856,484. This is mainly due to the € 2,652,241 write-down of start-up costs which, following the different treatment of the redevelopment project of the area, are no longer in line with the assumed uses envisaged in the new enhancement and development project.

The company’s financial highlights are as follows (€’000).

Alitec S.p.A.	31/12/2018	31/12/2017
Revenues	115.0	115.0
Net loss for the year	(2,856.5)	(2,586.5)
Total assets	45,537.9	48,087.2
Net equity	(37,105.3)	(39,961.8)
Other liabilities	(8,432.6)	(8,125.5)

AMBRA S.r.l.

Toto holds 98.5% of this construction company established in 2004 which constructed a building complex located in Chieti Scalo called "Agorà". The work was completed during the first few months of 2009 and overall, 197 building units were constructed.
Ambra, with the support of the RE division of the parent, is selling the building units that have not yet been sold.

The financial statements at 31 December 2018 show a net loss for the year of € 176,433.

The company's financial highlights are as follows (€'000).

Ambra S.r.l.

	31/12/2018	31/12/2017
Revenues	(43.7)	(34.2)
Net loss for the year	(176.4)	(89.7)
Total assets	7,143.4	7,328.6
Net equity	(4,848.7)	(5,025.1)
Other liabilities	(2,294.7)	(2,303.5)

TOTO TECH S.r.l.

The company was established on 16 November 2016 to lease machinery, tools and equipment in the building and civil engineering sector. On 22 December 2016, TOTO S.p.A. launched a reorganisation plan which provided for the contribution of the business unit made up of machinery, plant, equipment and related personnel to TOTO Tech.
The company, which became operative on 1 January 2017, was set up to improve the efficiency and effectiveness of its operations, including with a view to diversifying uses, other than in the construction sector.

The financial statements at 31 December 2018 show a net loss for the year of € 555,634.

The company's financial highlights are as follows (€'000).

Toto Tech S.r.l.

	31/12/2018	31/12/2017
Revenues	5,152.8	3,952.2
Net loss for the year	(555.6)	(727.3)
Total assets	24,401.0	24,083.5
Net equity	(16,952.4)	(17,508.0)
Other liabilities	(7,448.6)	(6,575.4)

Pontepo Scarl

This consortium company was established in 2017 by Toto S.p.A. Costruzioni Generali (77.73%) and Vezzola S.p.A. (22.27%) to perform the works related to the Ponte sul Po (Po bridge) contract awarded by the Mantua province.

The company's financial highlights are as follows (€'000).

Pontepo Scarl	31/12/2018	31/12/2017
Revenues	2,972	1,641
Net profit (loss) for the yea	(0)	(0)
Total assets	8,555	5,724
Net equity	(10)	(10)
Other liabilities	(8,545)	(5,714)

Radimero Scarl

This consortium company was set up in 2018 by TOTO S.p.A. Costruzioni Generali (58%) and Seli Overseas S.p.A. (42%) to perform the works related to the contract assigned by Consorzio Collegamenti Integrati Veloci (*COCIV)* for line civil works and related works from pk 19+700.00 to pk 27+455.00, as part of the construction of the HS/HC section of the "Giovi Third Tunnel" — Valico (RADIMERO) lot.

The company's financial highlights are as follows (€'000).

Radimero Scarl	31/12/2018	31/12/2017
Revenues	24,202	0
Net profit (loss) for the year	0	0
Total assets	31,687	0
Net equity	(10)	0
Other liabilities	(31,677)	0

IMC S.r.l. in liquidation

This 51% investee was acquired in 2005. I.M.C. S.r.l. operates in the road barrier production and installation sector. The company, in a joint venture with Toto S.p.A. Costruzioni Generali, is the contractor for the replacement of the road traffic safety barriers of the A/24 – A/25 Motorways. Contracting body: Strada dei Parchi S.p.A.

The company was put into liquidation in May 2016 as it met the requirements of article 2484 of the Italian Civil Code.

The company's financial highlights are as follows (€'000).

IMC S.r.l.	31/12/2018	31/12/2017
Revenues	0	0
Net loss for the year	(4)	(59)
Total assets	1,213	1,208
Net deficit	295	291
Other liabilities	(1,508)	(1,499)

Cefalù Scarl

This consortium company was set up in 2018 by TOTO S.p.A. (77.99%) and ICI S.p.A. (22.01%) to perform part of the works related to the contract awarded by ITALFERR for the performance of civil works for new railway office and the doubling of the Cefalù Ogliastrillo - Castelbuono section of the Palermo-Messina line, with a length of approximately 12.3 km, entirely on double tracks, including the construction of the Cefalù, S.Ambrogio and Malpertugio tunnels and related works.
The company's first financial statements are those as at and for the year ending 31 December 2019.

Secondary offices

Pursuant to article 2428, it is noted that the company's business is carried out at the Chieti office and at the main work sites in operation in Cefalù (PA), La Spezia and Messina. Furthermore, the branches set up in Dubai, Warsaw (Poland) and Prague (Czech Republic) are also operative.

Operating performance

General conditions

The world economy continued its upward trend also in the last few months of 2018. However, the prospects for the development of international trade got worse due to the risks related to the outcome of the trade negotiations between the United States and China, the worsening of financial tensions in the emerging economies and the arrangements for the United Kingdom's withdrawal from the European Union.

Conversely, in the Eurozone, growth weakened in the last few months of the year, as confirmed by the decrease in industrial production recorded by Germany, France and Italy. Inflation remained largely positive, though it decreased as a consequence of the deceleration of energy prices. The ECB's Governing Council confirmed its intention to maintain a significant monetary stimulus for a sustained period.

In Italy, growth, which stopped in the third quarter, further decreased in the fourth quarter. The downturn which marked the second half of the year contributed to the fall in domestic demand, specifically investments and, to a lesser extent, household expenditure.

The macroeconomic projections for Italy's economy in 2019 point to an increase in GDP, up by 0.6% (according to EU sources, the increase will be more modest (+0.2%)), down by 0.4% on previous expectations. This downward revision is due to: the more unfavourable economic figures recorded in the last few months of 2018, which offset the 0.2% average growth already achieved during the year, the downsizing of companies' investment plans as per the latest surveys and the prospects of a slowdown of the world trade.

Target sector

2018 was a year of deep economic crisis for public works.
Over the past ten years, investments dropped by more than 50%, with a structural deficit of € 84 billion.
The disappointing performance in 2018 is due to the continuing difficulties in performing public works in Italy, offsetting the positive effects of investment supporting measures.

All infrastructural programmes and the main operators faced implementation difficulties: delays in the planning by the Investment and infrastructure fund within the Presidency of the Council of ministries, expenditure difficulties for the European structural funds and lengthy procedures to approve ANAS (two years) and Ferrovie dello Stato (still in progress after two years) Programme contracts.

In addition to this, given the need to control public finance balances in order to meet the European parameters thereby avoiding an excessive deficit procedure, the 2019 Budget act introduced a series of adjustments which, besides current expenditure, hit capital expenditure which should have contributed the most to the economic recovery.

In this respect, we note the following:

- ANAS' resources remodulation, i.e., € 1,827 million was postponed from 2019 to the subsequent years (€ 1,713 million to 2020 and € 114.5 million to 2021) in order to comply with the financial time schedule;
- the 2019 resources dedicated to investments in Ferrovie dello Stato were cut and rescheduled (€ 2,340 million).

Against this background, despite all its efforts, the company was hit by a deep structural crisis which heavily affected the Italian companies operating in this sector.
However, as described in this report, TOTO S.p.A. may promptly return to generating value, as shown by its long history.

Significant events of the year

- ***"Radimero" contract***

With respect to the contract assigned by COCIV, "Giovi Third Tunnel", Valico (RADIMERO) lot, signed on 30 January 2018, on 9 February 2018, the consortium company RADIMERO Scarl was set up by TOTO S.p.A. and Seli Overseas S.p.A. in order to perform the works.
The consortium fund is held as follows: 58% TOTO S.p.A., 42% Seli Overseas S.p.A..
At 31 December 2018, 1,263.97 ml of the even track tunnel was constructed, from pk 25+943,80 to pk 27+207,77, equal to a recognised amount of € 13,649,491 (portion attributable to TOTO S.p.A. € 7,916,704).

At the preparation date of this report, the company was negotiating the substantial sale of the rights to the construction works to Seli Overseas S.p.A., through Toto S.p.A. Costruzioni Generali's withdrawal from the JV and by terminating the contract with the customer COCIV. This decision follows Salini Group's acquisition of Seli Overseas S.p.A.. The former group is also the customer in this contract.

- ***Strada dei Parchi MISU contracts***

With respect to the agreement signed between the company and the associate Strada dei Parchi for the performance of “interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways”, on 23 February 2018, following the variation report which implemented some project modifications, the company signed a specific submission deed whereby it committed to perform the works in accordance with the new contractual provisions. Under the above deed: the contract amount was redetermined to approximately € 138.8 million and its term was adjusted based on the reduced amount and the scope of work.
This is part of a wider set of urgent measures (MISU) totalling approximately € 250 million related, in particular, to the viaducts of the A24 motorway between Tornimparte and l’Aquila Ovest and the works to bring the tunnel systems in compliance with ruling legislation.
In 2018, Strada dei Parchi assigned TOTO S.p.A, urgent works covered by the grants mainly related to: Popoli viaduct seismic upgrading; Arsoli and Roviano landslides; piers seismic upgrading; viaduct seismic upgrading, including the Fornaca, Valle Orsara, Raio, Genzano.

Furthermore, Strada dei Parchi, the operator of the A24 and A25 motorways, for which TOTO S.p.A. operates as EPC contractor and carries out the in-house works, plays an active role in the negotiations with the grantor (the Ministry of Infrastructure and Transport or “MIT”) to approve the new Business Plan (BP) which envisages a significant investment programme worth approximately € 3,140 million and relates to the obligations for the operator to bring the A24 and A25 motorways into line with ruling legislation, notably (i) seismic upgrading, (ii) the safety of viaducts, (iii) tunnel safety systems pursuant to Legislative decree no. 264 of 5 October 2006 (iv) environmental impact legislation, (v) extraordinary maintenance work (vi) and the performance of works necessary after the 2009 earthquake.
In 2018, after years of discussions, SdP and the grantor met more frequently in order to finalise the new BP.

- ***“La Spezia” contract***

  With respect to the La Spezia ANAS contract, worth approximately € 119.5 million, which was obtained by acquiring the business units of the three companies making up the JV, TOTO S.p.A. was forced to halt the works following ANAS’ behaviour which confirmed its total lack of willingness to resolve the significant issues which, since the contract take-over date (end of 2014) prevented the regular performance of works. In this respect, it brought an action against ANAS, as per the deed served on 8 June 2018, before the Court of Rome (ruling R.G. 49268/2018) in order to obtain the termination of the contract for serious breach by ANAS, also requesting damages (€ 47,537,468.99).
  The first hearing was fixed for 11 October 2018.
  In return, with communication no. 428790 of 8 August 2018, ANAS claimed damages for the termination of the contract. Indeed, according to ANAS, TOTO S.p.A. arbitrarily stopped the works, after serving the writ of summons. This decision was merged in the above ruling.
  In 2017, TOTO S.p.A. summoned ANAS before the Court of Rome (ruling R.G. 65886/2017 - Section 9, company affairs section) to obtain payment of claims (€ 99,305,665.40, of which € 93,160,485.84 accrued) for compensation and greater fees included in the contract.
  On the preliminary hearing held on 14 June 2018, ANAS requested that the two rulings be combined, given the notification of the deed under ruling R.G. 49268/2018 related to the damages for contract termination. The Judge reserved his decision to the hearing of 11 October 2018.
  The two rulings were combined during the above hearing and the deadlines for filing the various briefs were set (first deadline: 18 March 2019).
  With respect to the combined rulings, the following should be noted, especially with respect to ruling R.G. 65886/2017, about claims:
  the initial claim was € 99,305,665.40, of which € 93,160,485.84 accrued. Indeed, claim 62 – related to the correct identification of safety charges - had been determined as part of the writ of summons as the amount accrued at that time based on the works already performed

(€ 3,476,510.10), while stating the total amount which would have accrued upon completion of the works (€ 8,273,757.72). Clearly, the subsequent termination of the contract will result in an increase in safety charges upon completion of the works.
In addition, when filing the brief pursuant to article 183.6.1 of the Code of civil procedure (c.p.c.) (deadline: 17 March 2019), the amount of the claims will be increased by the additional amounts recognised after the date the writ of summons was notified, hence, covering the entire SAL 13 for works at 9 April 2018, totalling € 22,546,334.97.
Consequently, the total amount will be increased to € 115,706,820.81, as follows:
€ 93,160,485.84 + € 22,546,334.97 = € 115,706,820.81.
Conversely, the amount related to ruling R.G. 49268/2018, equal to € 47,537,468.99, was unchanged.
Finally, the case before the Court of Appeal of Rome commenced by the company in April 2017 to obtain € 7,183,985.11 related to the claims recognised by RTI, the predecessor of the company until SAL 5 for works up to 6 March 2013, is underway: with this case, the company appealed against the Court of Rome ruling no. 5466/2018 published on 14 March 2018 and claimed an additional € 7,183,985.11, in addition to the amount awarded as per the above ruling.

- ***Poland S61 contract***

On 21 October 2018, TOTO S.p.A. and the customer GDDKiA (Poland's road and motorway operator) signed a contract for an amount of € 100.6 million for the Design and construction of the S-61 Ostrów Mazowiecka-Szczuczyn motorway, section: Łomża Zachód (with junction) - Kolno (without junction), for a length of approximately 12,922 km [S61] + DK64 [GP] 6,963 km.
The deadline for completion is 2 November 2021.

- ***Cefalù contract***

With respect to the Cefalù ITALFERR contract, on 13 December 2018, TOTO S.p.A. and Società Italiana Costruzioni (therefore, excluding the other principals forming part of the JV to which the contract was awarded) set up Cefalù Scarl to perform the related works in order to optimise the organisation of the delivery activities.
The percentages of investment are as follows: 80% Toto S.p.A and 20% Italiana Costruzioni S.p.A..
Furthermore, pursuant to the agreement reached by the two partners in December, TOTO S.p.A. will fully control the contract management.

- ***Czech Republic contract***

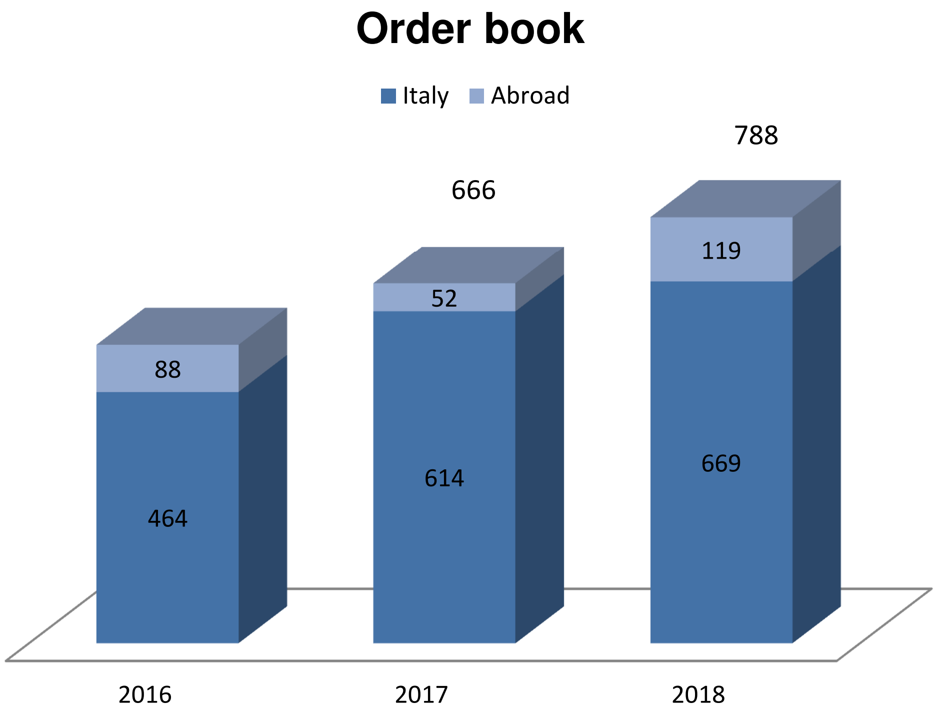
With respect to the contract in the Czech Republic assigned by the 50:50 joint venture between TOTO S.p.A. and its local partner Geosan Group da RSD (Ředitelství Silnica Dálnic) to renovate a section of the D1 motorway between Brno and Prague, on 30 January 2018, the JV signed a contract worth approximately € 65 million and began operations after the delivery of works on 11 April 2018.
Since the beginning of works, the contractual relationship between the JV and the customer has been particularly difficult, with several disputes and a strong conflict between the two parties. Eventually, in December, after acknowledging that no agreement could be reached with the customer about the project changes, the JV decided to withdraw from the contract and took the necessary legal actions vis-à-vis the customer.

- **Other events**

On 28 November 2018, TOTO S.p.A. and KWAY SPV S.r.l., an Italian vehicle (wholly owned by King Street Capital Management), completed a securitisation transaction, factoring with recourse some technical claims. Under the contract, the transferee shall make a € 15 million advance and the residual amount will be paid once the pending disputes have been settled.

Order book

At 31 December 2018, the company's order book amounts to € 788 million.



Works abroad related to the contracts obtained in Poland account for 15.1% of the order book.

The table below shows a breakdown of the order book and the percentage of each customer compared to the total order book:

in millions of €

Customer	***Amount***	*Impact*
Italfer	315.1	*40.0%*
C.A.S.	31.6	*4.0%*
Anas	45.0	*5.7%*
Mantua prov. auth.	21.4	*2.7%*
SdP	158.5	*20.1%*
Cociv	97.1	*12.3%*
Total Italy	668.7	*84.9%*
Gdkkia	119.3	*15.1%*
Total abroad	119.3	*15.1%*
Total	***788.0***	***100.0%***

During the year, the company consolidated its order book with orders related to a new contract in Poland (€ 100.6 million) and 15 new in-house contracts assigned by the SdP, totalling € 157 million.

The contracts in portfolio are analysed below together with their progress at 31 December 2018.

in millions of €

Contract	***Customer***	***Total contract***	*TCG %*	***Proportional contract***	***Order book at 31/12/2018***	*Progress of works*
Cefalù	Italfer	347.5	*93%*	321.4	315.1	*2.0%*
Ritiro viaduct	C.A.S.	43.5	*100%*	43.5	31.6	*27.5%*
L'Aquila - Ss 260 Picente	Anas	46.1	*100%*	46.1	45.0	*2.4%*
Mantua - Po bridge restr.	Mantua prov. auth.	25.2	*100%*	25.2	21.4	*15.3%*
Poland - S5	Gdkkia	99.8	*100%*	99.8	19.8	*80.2%*
Other viaducts	SdP	17.9	*100%*	17.9	2.0	*88.9%*
Radimero - Giovi Third Tunnel	Cociv	183.6	*58%*	106.5	97.1	*8.8%*
Contracts in portfolio at 31 December 2017		763.6		660.5	531.9	
SdP - Other	SdP	157.0	*100%*	157.0	156.5	*0.3%*
Poland - S61	Gdkkia	100.6	*100%*	100.6	99.6	*1.0%*
Acquisitions of the year		257.5		257.5	256.1	
Total at 31/12/2018		***1,021.2***		***918.0***	***788.0***	

Performance of the year

The company's reclassified profit and loss account is shown below with prior year corresponding figures (€'000):

	2018	*% impact on revenues*	**2017**	*% impact on revenues*	**Change**
Revenues	**101,752**	***100.0%***	**150,180**	***100.0%***	**(48,428)**
EBITDA	**(23,234)**	***(22.8%)***	**12,021**	***8.0%***	**(35,255)**
EBIT	**(27,010)**	***(26.5%)***	**9,591**	***6.4%***	**(36,600)**
Net financial charges	(7,898)	*(7.8%)*	(5,319)	*(3.5%)*	(2,579)
EBT	**(34,908)**	***(34.3%)***	**4,272**	***2.8%***	**(39,180)**
Non-recurring costs	**(31,927)**	***(31.4%)***	**0**	***n/a***	**(31,927)**
Income taxes	13,311	*13.1%*	(2,455)	*(1.6%)*	15,766
Net profit (loss) for the year	**(53,524)**	***(52.6%)***	**1,817**	***1.2%***	**(55,341)**

The profit and loss account shows net revenues amounting to € 101.7 million, compared to € 150.2 million in 2017, down by € 48.4 million (-32.2%). EBITDA is € -23,2 million, compared to € 12.0 million in 2017, while EBT is equal to € -34.9 million, compared to € 4.3 million in the previous year.
The negative margins for 2018 are essentially due to the considerable decrease in turnover and the limited profit margins of contracts during the year.
The decrease in production volumes is mainly due to the halt of the ANAS La Spezia contract (as described in the paragraph on the main events of the year) and the delay in the commencement of in-house contracts caused by the longer time required to meet the formal commitments with the MIT, and the halt of the RFI Cefalù contract.
With respect to the latter contract, during the year, the project in-depth analyses requested by the customer and aimed at re-designing the S. Ambrogio tunnel using a traditional excavation method, instead of an automated one, were carried out.
Below-expectation margins characterised all the projects underway during the year. The "stair-stepping" in-house contract also performed below last year margins. Indeed, Strada dei Parchi contracts were completed in the first half of the year. This stage is therefore characterised by downward revenues and a high impact of fixed costs related to the clearance of the work site, whose actual costs exceeded forecasts and the provisions recognised on an accruals basis.
In 2018, with respect to in-house contracts, the company's management, as part of a specific group strategy which considered the forthcoming launch of stage 2 of the urgent safety measures involving the A24 and A25 motorways certain, decided not to change the scope of the operating structure (both white and blue collars) which performed the stair-stepping works, in order to retain the highly-special professional level and know-how necessary for these works which are about to start. However, the considerable delays in the delivery of said works, caused by the MIT red tape (i.e., the grantor MIT must approve all the operator's projects prior to start worksites) resulted in a significant increase in worksite fixed costs, with a considerable impact on company's profit and loss account.
Therefore, overall, the late start-up of contracts, which has recently become a constant feature in this sector, and the halt of the La Spezia contract, prevented the absorption of structural fixed costs, with a negative impact on the company's profit margins.

The above figures are shown net of non-recurring costs of € 31.9 million which may be analysed as follows:

- La Spezia contract worth approximately € 9.7 million, of which € 5.2 million related to pre-operating costs which were expected to generate a positive impact throughout the term of the contract. However, following the contract termination, they were all allocated to the 2018 profit and loss account. The residual € 4.5 million relates to worksite safety and structural fixed costs (specifically personnel costs);
- the Polish contract worth approximately € 9.0 million related to the additional costs incurred during the year. In this respect, the company recorded significant costs due to the extension of the worksite and the overall rise in the cost of production factors (raw materials and personnel) related to Poland's satisfactory economic performance. In order to offset part of the above effects, the company submitted claims totalling PLN 60.0 million (approximately € 14.0 million) to the customer.
- Czech Republic contract (terminated) worth approximately € 5.1 million related to accruals to the provision for future charges (€ 3.6 million) and grater costs incurred due to irregular performance of works (€ 1.5 million).
  At the preparation date of this report, the contracting JV was taking steps to commence a legal action against the customer in order to claim damages;
- SdP stair-stepping contract worth approximately € 8.1 million, related to the diseconomies which arose from the variation report in February 2018.

For a better description of the company's profitability, the table below shows some profitability ratios compared with those of prior year financial statements.

	2018	2017	2016	2015	2014
R.O.S.	(0.58)	0.06	0.09	0.10	0.08
R.O.E.	(1.60)	0.02	0.1	0.07	0.06
R.O.I.	(0.26)	0.05	0.06	0.04	0.05

The historical trend shows the continuity over time of the company's profitability, further confirming the non-recurring nature of the negative figures recorded during the year.

Personnel expenses

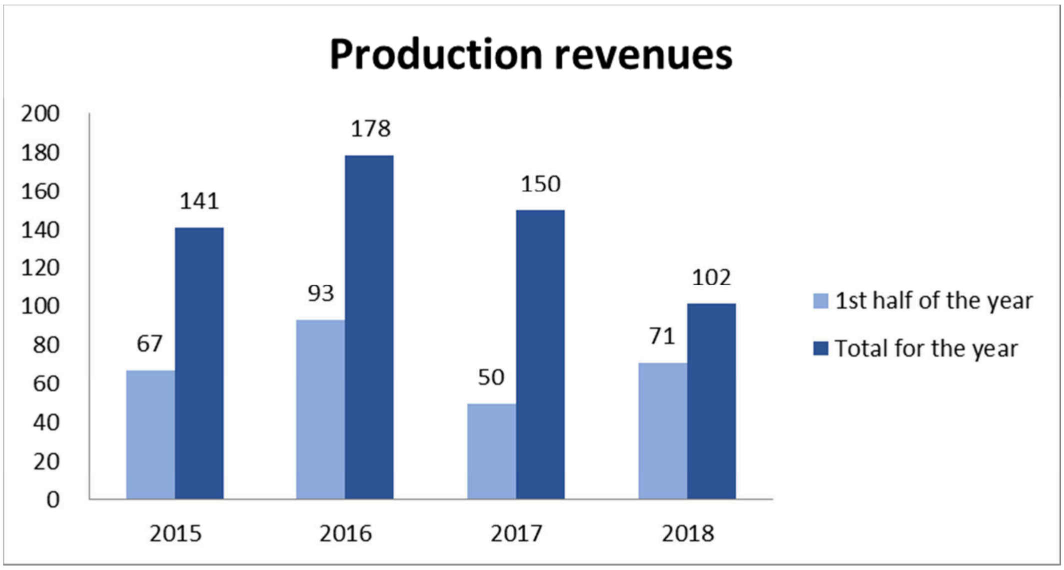
Personnel expenses are broken down below, showing the significant increase related to blue collars compared to the previous year, in contrast to the performance of revenues.
The 2018 balance reflects the company's decision (which is part of a group's wider strategy) not to change the company's structure for 12 months, pending the commencement of the new contracts included in SdP's MISU programme.
Similarly, the balance related to manager and white collars rose on the previous year (approximately € 0.8 million), The increase is due to SdP's new contracts and, specifically, the related indirect personnel.

Also, these costs reflect the company's strategy aimed at compromising short-term profit margins in order to retain the professional level and skills necessary for the contracts which will commence in the near future.

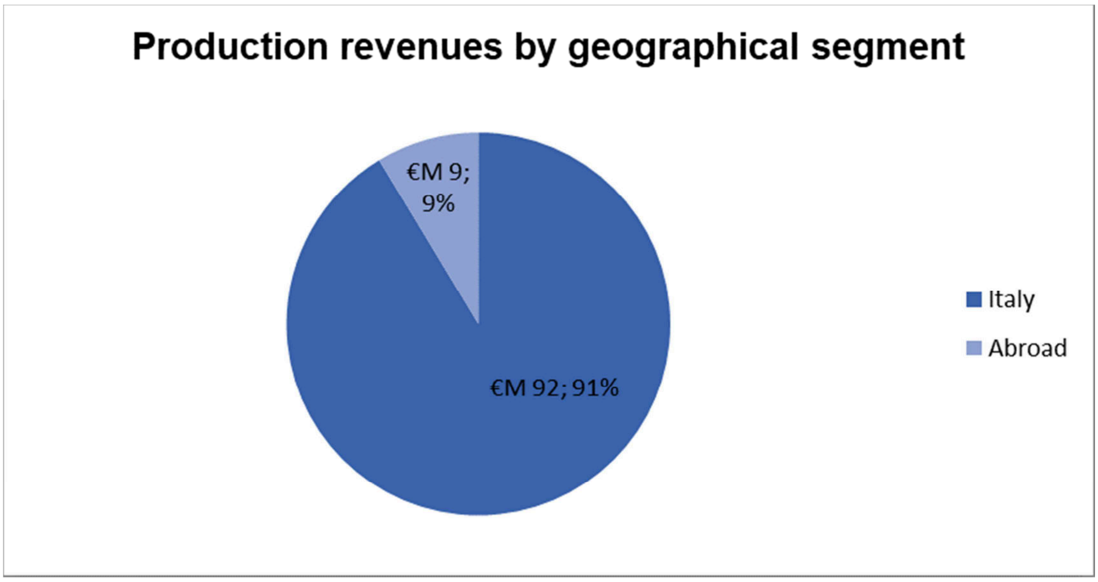
	2018	2017	Var.	Var. %
Total expenses for managers/white collars	18,130.7	17,294.0	836.7	4.8
Total expenses for blue collars	15,883.3	10,818.7	5,064.5	46.8
Total expenses	***34,014.1***	***28,112.7***	***5,901.3***	***21.0***
Managers/white collars average	141.0	134.7	6.3	4.7
Blue collars average	232.0	175.0	57.0	32.6
Total average	***373.0***	***309.7***	***63.3***	***20.5***
Managers/white collars average expenses	128.6	128.4	0.2	0.1
Blue collars average expenses	68.5	61.8	6.6	10.7
Total average expenses	***91.2***	***90.8***	***0.4***	***0.4***

Production revenues

Production revenues amount to € 101.8 million, down by 32.2% on the previous year. The decrease affected, in particular, the second half of the year when, mainly as a consequence of the halt of the La Spezia contract and the failure to commence the new in-house contracts, the company's six-month production was only € 31 million.



The graph below shows production by geographical segment, with foreign production contributing to the company's turnover by approximately 9%.



Reclassified balance sheet

The company's reclassified balance sheet is shown below with prior year corresponding figures (€'000):

	31/12/2018	31/12/2017	change
Net intangible fixed assets	110.8	1,569.3	(1,458.6)
Net tangible fixed assets	8,034.7	8,443.1	(408.4)
Equity investments and other financial fixed assets	79,078.0	79,375.6	(297.6)
Invested capital	**87,223.5**	**89,388.1**	**(2,164.6)**
Inventory (works/rm/stocks/FG)	75,390.0	74,917.9	472.2
Assets held for sale	42,467.4	45,638.0	(3,170.6)
Trade receivables	68,382.9	57,585.4	10,797.6
Other receivables	65,138.4	52,704.6	12,433.8
Prepayments and accrued income	3,116.5	5,613.6	(2,497.1)
Current assets	**254,495.2**	**236,459.3**	**18,035.9**
Trade payables	(102,611.7)	(91,591.6)	(11,020.1)
Payments on account	(41,730.8)	(29,326.2)	(12,404.6)
Tax payables and social security charges payable	(40,550.6)	(50,989.7)	10,439.1
Other payables	(3,752.7)	(4,837.4)	1,084.7
Accrued expenses and deferred income	(363.3)	(532.4)	169.1
Current liabilities	**(189,009.1)**	**(177,277.2)**	**(11,731.9)**
Net working capital	**65,486.1**	**59,182.1**	**6,304.0**
Employees' leaving entitlement (TFR)	(483.4)	(591.6)	108.2
Tax payables and social security charges payable (due	(31,430.1)	(22,115.6)	(9,314.5)
Other non-current liabilities	(7,190.8)	(3,071.4)	(4,119.4)
Payments on account (due after one year)	(14,103.6)	(4,175.6)	(9,927.9)
Non-current liabilities	**(53,207.9)**	**(29,954.3)**	**(23,253.6)**
Net invested capital	**99,501.7**	**118,615.9**	**(19,114.2)**
Net equity	33,503.4	86,242.8	(52,739.4)
Short-term net financial indebtedness	22,474.8	53,930.1	(31,455.3)
Medium/long-term net financial indebtedness	43,523.5	(21,557.0)	65,080.5
Own funds and indebtedness	**99,501.7**	**118,615.9**	**(19,114.2)**
Own funds and indebtedness	**99,501.7**	**118,615.9**	**(19,114.2)**

The company's financial position may be analysed as follows: fixed assets decreased by € 2.2 million, while net working capital rose by € 6.3 million, up from € 59.2 million in 2017 to € 65.5 million in 2018. The increase is mainly due to the rise in current assets (+€ 18.0 million (of which: trade receivable: € 10.8 million; other receivables: € 12.4 million) and was partially offset by the rise in current liabilities € 11.7 million (of which : trade payables: € 11.0 million; payments on account: € 12.4 million following the contract advances related to the SdP's new contracts; tax payables: € -10.4 million).
Non-current liabilities rose by € 23.3 million mainly as a consequence of the increase in tax payables and payments on account, up by € 9.3 million and € 9.9 million, respectively. The sum of the above items resulted in a decrease in invested capital of approximately € 19.1 million, from € 118.6 million at 31 December 2017 to € 99.5 million at 31 December 2018. The reduction was subsequently reflected in an increase in the NFP (roughly € 33.6 million) and in a decrease in net equity (€ 52.7 million).
The negative events of the year and the concurrent loss incurred had a significant impact on the net financial indebtedness, as described in the section below. Conversely, net working capital remained positive although its balance includes assets held for sale of € 42.5 million.

Financial position

The breakdown of the company's net financial indebtedness is shown below.

	31/12/2018	31/12/2017	Var.
Bank deposits	11,634	965	10,670
Cash-in-hand and cash equivalents	12	17	(4)
Liquid funds and own shares	***11,647***	***982***	***10,665***
Current financial assets	***255***	***812***	***(557)***
Bank loans and borrowings (due within one year)	(27,957)	(49,304)	21,347
Short-term portion of loans	(6,420)	(6,420)	0
Short-term financial payables	***(34,377)***	***(55,723)***	***21,347***
Short-term net financial indebtedness	***(22,475)***	***(53,930)***	***31,455***
Bank loans and borrowings (due after one year)	(18,237)	(22,866)	4,629
Long-term portion of loans	(3,210)	(9,630)	6,420
Financial payables to others	(15,000)	0	(15,000)
Financial payables to group companies	(29,432)	0	(29,432)
Financial receivables from group companies	21,288	52,918	(31,630)
Receivables from others	1,068	1,135	(67)
Medium/long-term net financial position (indebtedness)	***(43,523)***	***21,557***	***(65,080)***
Net financial indebtedness	***(65,998)***	***(32,373)***	***(33,625)***

At 31 December 2018, the net financial indebtedness is € 66.0 million, worsening by € 33.6 million following the € 65.1 million increase in the medium/long-term net financial indebtedness (mainly due to the € 15 million advance related to the securitisation transaction involving technical claims which resulted in their with-recourse factoring transferring group's liquidity of € 61.6 million partly to repay the company's receivables of the prior year (€ 31.8 million) and partly for financing purposes as part of the group's liquidity management). The worsening was partially offset by the improvement in net short-term bank loans and borrowings of approximately € 31.5 million.

The breakdown of bank loans and borrowings by type of credit line is as follows (€'000):

Description	31/12/2018	31/12/2017	Change
Ordinary current accounts - short-term	*(8,575)*	*(22,853)*	*14,278*
Ordinary current accounts - medium/long term	*(8,487)*	*0*	*(8,487)*
Ordinary current accounts	(17,061)	(22,853)	5,792
Advances on work progress reports/internal situation reports - short-term	*(5,090)*	*(11,283)*	*6,193*
Advances on work progress reports/internal situation reports - medium/long-term	*0*	*0*	*0*
Advances on work progress reports/internal situation reports	(5,090)	(11,283)	6,193
Contractual advances - short-term	*(6,733)*	*(11,919)*	*5,186*
Contractual advances - medium/long-term	*(17,309)*	*(22,866)*	*5,557*
Contractual advances	(24,042)	(34,785)	10,743
Loans on areas and buildings - short-term	*(0)*	*(3,249)*	*3,249*
Loans on areas and buildings - medium/long-term	*0*	*0*	*0*
Loans on areas and buildings	(0)	(3,249)	3,249
Loans for equipment - short-term	*(6,420)*	*(6,420)*	*0*
Loans for equipment - medium/long-term	*(3,210)*	*(9,630)*	*6,420*
Loans for equipment	(9,630)	(16,050)	6,420
Total bank loans and borrowings - short-term	*(26,818)*	*(55,723)*	*28,906*
Total bank loans and borrowings - medium/long-term	*(29,006)*	*(32,496)*	*3,490*
Total bank loans and borrowings	***(55,823)***	***(88,220)***	***32,396***

Research and development

During the year, the company incurred no costs for research and development activities.

Environment and workforce

Environment

During the year, there was no damage caused to the environment for which the company was found definitively guilty.

There were no sanctions or penalties imposed on the company for crime or damage against the environment.

Also in 2018, TOTO S.p.A. vigorously pursued the goals of consolidation and continuous improvement of its Quality, Environment and Safety Integrated Management System which, since 2010, has been certificated by the TÜV Rheinland Group, the largest and most authoritative certification body in the world. Specifically, the project to comply with the UNI ISO 45001:2018 standard, instead of the BS OHSAS 18001:2007 standard, has begun.

In November 2018, the TÜV Rhineland Group carried out – at the company's office and work sites – a periodic inspection to renew the Quality, Environment and Safety Integrated Management System Certificate and issued and approved the validity of the company's certificates.

The company's Quality, Environment and Safety Integrated Management System consists of all processes connected and related to the company's core business and falling within the scope of the following: *"Design and construction of civil engineering works and infrastructure, such as tunnels, viaducts, bridges, motorways, roads, civil and industrial buildings, energy production systems and complementary and specialised works such as special structural works, barriers and road protections"*.

Workforce

During the year, there were no deaths at the work place involving employees on the payroll or serious accidents at the workplace which caused serious or very serious injuries to employees on the payroll, in relation to which the company was held liable at any level of appeal. Furthermore, the company did not receive any claims in connection with occupational diseases among its employees or former employees or episodes of mobbing again in relation to which the company was held liable at any level of appeal.

Investments

The investments of the year primarily refer to preliminary work and the building yard set up related to contracts which mark the start-up of a project.

Own shares and shares/quotas of parents

The company does not own nor has it owned over the year, either directly or indirectly, own shares or shares of the parents.

Internal controls

TOTO S.p.A.'s internal controls and risk management system ("SCIGR") is comprised of a set of rules, procedures and organisational units which enables sound, correct and consistent company management in line with its goals, through an adequate identification, measurement, management and monitor process of the main business risks.

In this respect, since 21 October 2011, the company has adopted an "Organisational, management and control model" (pursuant to article 6 of Legislative decree no. 231/01) based on Confindustria (the Italian employers' federation) guidelines, which prevents specific types of crimes set out in the decree and maps sensitive processes in accordance with the same decree. With the Board resolution passed on the same date, the "Code of Ethics", which expresses the undertakings and ethical responsibilities in conducting company affairs and activities by collaborators of the company and the companies it controls, whether these are employees, collaborators or directors), was adopted.
Furthermore, in its meeting of 7 December 2018, the Board approved the new "**231 and anti-corruption model**" which was updated to reflect all types of predicate crimes currently covered by Legislative decree no. 231/01, and brought into line with the "Provisions for the prevention and punishment of corruption and illegality in public administration" (Law no. 190/2012 as subsequently amended and supplemented).
The adoption of a Model promotes accuracy, transparency and accountability in internal and external relations and, meanwhile, provides the stakeholders with the best guarantees of efficient and correct management by introducing procedures to manage any risk situation.

For each sensitive process, the Model introduces control protocols for the risks identified during the **Risk Self Assessment** stage. TOTO S.p.A.'s self-assessment is carried out annually by the company's management and covers its risks and controls. It is the reference for all assurance decisions and, by means of a structured process, supports:

- the improvement of the governance system and internal controls;
- the annual audit plan.

TOTO S.p.A.'s internal controls and risk management system is implemented by:

- the BoD and the Managing Director ("MD") (as the director in charge of monitoring the operation of the SCIGR);
- the Board of Statutory Auditors and the Independent Auditors;

- the Supervisory Body and the Internal Audit function.

The **Supervisory Body** (“SB”) is responsible for the ongoing monitoring of the adequacy and operation of the 231 Model and for updating it to reflect amendments and supplements. It is appointed by the company’s BOD and is comprised of three external members, with sector expertise and who meet the necessary requirements of good reputation, professionalism, autonomy and independence. The SB has a three-year term of office and, in accordance with its regulation, periodically reports to the BoD on the activities carried out, the claims received, the corrective and improvement actions applied to the Model, based on that performed and reported by the Internal Audit function.

TOTO S.p.A.’s **Internal Audit function** operates on behalf of the Supervisory Body (as the “operational arm”), based on an annual Audit Plan which relies on risk-based logics and is approved by the MD and the SB. In accordance with this Plan, it performs the necessary control activities which support the assessment of the SCIGR’s suitability and adequacy by the company’s top management, supervisory and control bodies.
The audit measures ensure adequate coverage of the SCIGR in terms of processes, risks, company units (registered office, contracts, branches, subsidiaries / associates, organisational units) and are carried out using an “integrated” approach which adequately considers, in the following order of priority:

- operating and technical/economic (business) needs: analyses aimed at assessing the adequacy and reliability of the company processes and resources compared to the targets set for each organisational/operational unit;
- internal and external regulatory requirements (compliance): in-depth analyses of the effective implementation of the control system to ensure that processes comply with internal (procedures) and external (laws) regulations, based on that set out in the Organisational model;
- administrative/accounting matters (financial statements): specific tests carried out on administrative and accounting matters. They cover the adequacy of the administrative and accounting processes and procedures in order to support financial reporting.

The Internal Audit department regularly follows up on the progress of the recommendations made based on the critical issued identified, reporting on the activities to the Managing Director, the SB and the Board of Statutory Auditors.
Finally, the SB prepared its half-year report on the activities carried out in the first and the second half of 2018, based on the reports produced the Internal Audit Manager.

Based on the outcome of the activities carried out during the year, the company’s internal controls are deemed adequate for the company’s characteristics and its risk profile.
Therefore, TOTO S.p.A. can confirm that:

- it operates in accordance with applicable regulations. Processes are managed efficiently and controls over the main business risks are effective;
- procedures comply with the applicable regulatory profiles, specifically with respect to the 231 / Anti-corruption model (and the Code of Ethics) and are consistent with its real operating needs;
- the company’s organisation is in line with internationally-accepted governance principles. the powers system is properly balanced, ensuring the segregation of duties and responsibilities;
- the 231 Model is adequate and effective, based on the systematic application of specific control, supervisory and anti-corruption protocols;
- administrative and accounting processes are carried out correctly and transparently for the purposes of financial statements preparation;
- information flows to the SB, the MD and the Board of Statutory Auditors are regular and structured.

In order ensure that the SCIGR always reflects the company's “size” and internal and external regulations, TOTO S.p.A., through its assurance units, is constantly committed to updating the following fundamental elements: procedures and models, organisational architecture and information systems.

Risk management

Every year, TOTO S.p.A. assesses the processes exposed to the main risk factors and the main elements of uncertainty identified inside and outside the company by applying a risk assessment structured methodology. Risk assessment also monitors the effectiveness of controls and, every six months, the status of the risk mitigation plans in order to achieve the company's objectives. These activities, together, form TOTO S.p.A.'s Enterprise Risk Management (ERM) system which comprises the following "risk universe".

With respect to this universe, the risk assessment activities identified the following main risk profiles:

- **Reputational / image risk**: this includes all risks related to the management of institutional, press and stakeholder relationships which may damage the company's reputation and image. In this respect, the company implemented a centralised external relationship process with the parent Toto Holding. This reflects the fact that the company's work sites often play a major role for the collectivity and the public opinion, also because of the geographical location (towns, strategic works);
- **Market / country risk**: this includes the risks arising from socio-political and macro-economic issues. In this respect, in Italy, the systemic long-term crisis affecting the Construction sector and the resulting increase in the number of companies which applied for extraordinary judicial and extra-judicial procedures led to tighter relationships (i.e., the ability to negotiate) with core suppliers which ask for more guarantees and/or advances on supplies. These risks are identified by the company's units already when exploring business opportunities, through accurate mapping of the country/risk market, based on internal procedures and the preparation of specific forms before beginning any trade relationship;
- **Counterparty risk**: it relates to the risk of "crossing" partners / collaborators who do not meet adequate credentials, operational, industrial and financial skills. These risks may increase also due to the crisis affecting the sector (in Italy / abroad) and unfavourable global trends. With respect to the customer risk, the disputes with Italian counterparties rose due to the evolution of the regulatory scenario, whose limitations

often translate into longer than expected time and greater administrative costs. The company monitors these types of risks by means of in-depth analyses (due diligences/mapping), included in internal controls over potential partners and/or counterparties, and by implementing its management and control models both when it acts as the leader or when it signs contracts/engagements.

- **Operational – business risks (Project Control & Contract Management)**: this includes contract management risks. In order to monitor these processes, the company adopted an adequate system which analyses uncertainty / variable factors starting from the bidding stage and which extends to the performance of works. In this respect, the company constantly updates the "Risks and opportunities" of each project. Contract and customer relationship management (especially in terms of variations / claims) is complex, especially abroad. However, they are adequately monitored by specific positions in each business unit (contract managers and specialised external local collaborators), assisted by dedicated central units (central contract managers), who provide ongoing support in terms of analysis / definition of the contractual strategy to be applied to customers, notifications, including to optimise acknowledgement opportunities. The same approach is pursued for in-house contracts;
- **Financial risks:** the system of internal controls and procedures identified the following risk areas, providing specific monitoring activities and the related actions:
  - ✓ Liquidity management: the company pays special attention to managing the resources generated or absorbed by operating and/or investment activities and to the characteristics of payables in terms of due and renewal dates in order to ensure cash flow is managed effectively. A series of policies and processes have been accelerated targeted towards optimising the dynamics of financial resources, synchronising cash flows, with the purpose of managing and mitigating liquidity risk. Specifically, reference is made to monitoring the level of available / forecast liquidity and optimising credit lines.
  - ✓ Interest - derivatives risk: the company has two outstanding interest rate hedging contracts to cover a portion of its bank debt. Further information is provided in the notes to the financial statements which describe the characteristics of financial instruments.
  - ✓ Credit risk: although the company is often forced to claim additional consideration (technical claims), which then often result in disputes or amicable settlements, also as a consequence of changes in the legislative framework, its customers have very high credit ratings (government and public bodies solvent by nature). Therefore, credit risk, which means the exposure of the company to potential losses deriving from non-fulfilment by its customers of their obligations, should be considered insignificant, although it may be affected by possible extensions of collection times.

The above controls can only mitigate the impact of events which, because of their essentially external nature, caused the company's net loss for the year.

Transactions with subsidiaries, associates, parents and subsidiaries of parents

The company has carried out financial and commercial transactions with the group companies. These transactions essentially relate to the provision of services as part of the core business and the provision of funds as part of the group's cash pooling arrangement.

The table below shows the transactions carried out with parents, subsidiaries and related companies in 2018 (in Euros).

Parents

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
Toto Holding	0	29,432,443	7,050,443	1,842,340	6,134,732	0	4,731,903	2,163,324
Total	*0*	*29,432,443*	*7,050,443*	*1,842,340*	*6,134,732*	*0*	*4,731,903*	*2,163,324*

Subsidiaries

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
IMC S.r.l.	1,191,228	4,590	37,161	0	0	0	5,606	0
Ambra	284,804	0	78,163	1,564	0	0	9,321	34,355
Toto Tech	0	0	2,371,805	4,445,940	0	0	366,950	4,890,397
Pontepo Scarl	0	5,830	7,218,879	3,515,547	0	3,018,807	2,181,527	2,309,915
Radimero Scarl	0	18,058	18,642,110	14,310,743	0	25,000	5,239,620	2,822,600
Cefalù Scarl	0	5,849	1,094	0	0	0	0	0
Alitec S.p.A.	5,641,173	0	2,293,800	0	0	0	160,704	115,000
Total	*7,117,205*	*34,327*	*30,643,011*	*22,273,793*	*0*	*3,043,807*	*7,963,728*	*10,172,267*

Related companies

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
Infraengineering S.r.l.	0	0	287,349	1,868,362	0	0	78,837	66,436
Strada dei Parchi S.p.A.	3,615,866	0	13,384,080	2,985,065	0	31,389,544	57,127,359	0
Toto Real Estate	5,422,787	0	3,204,398	943,601	0	0	231,586	804,041
Parchi Global Service S.p.A.	0	123,885	0	9,284,889	0	0	9,995	4,408,090
Renexia S.p.A.	0	0	19,255	2,013	0	0	1,400	623
InterSun S.r.l.	0	0	11,932	0	0	0	1,400	0
Renexia Service S.r.l.	0	0	48,848	780	0	0	12,191	0
Aviagricola	0	0	109,229	2,871	0	0	0	1,700
Total	*9,038,653*	*123,885*	*17,065,090*	*15,087,582*	*0*	*31,389,544*	*57,462,769*	*5,280,890*

Associates

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
San Benedetto di Sambro Scarl	0	2,700	0	89,326	0	0	0	0
Intermodale S.r.l.	5,053,140	0	499,212	0	0	0	94,508	0
Novigal Scarl	78,557	2,484	0	0	0	0	0	0
Total	*5,131,697*	*5,184*	*499,212*	*89,326*	*0*	*0*	*94,508*	*0*

Related parties

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
Real estate projects	1,067,675	0	1,768,075	0	0	0	31,804	31,000
Total	*1,067,675*		*1,768,075*	*0*	*0*	*0*	*31,804*	*31,000*

Business outlook

Items are measured under the general principles of prudence and accruals basis of accounting, assuming that the company will continue as a going concern and taking into account the economic function of the relevant asset or liability. To this end, the company considered the provisions of the 2018-2022 business plan and the 2019 budget which shows the ability to restore a financial balance in 2019. The going concern assumption is also confirmed by the ability of the group to which it belongs to generate the liquidity necessary to support any cash needs.

Some of the events which characterised the company’s operations in the short-term are summarised below.

The completion of the MISU works which will enable the development of sustained production and positive profit margins in the next few months.

The works related to the Cefalù contract are expected to begin in the second quarter of 2019. Indeed, the project revision related to the S. Ambrogio tunnel, which de facto stopped the opening of the work site, was completed in early 2019 and the additional deed to the contract, whose amount will increase by approximately €38 million, will be signed by April. The greater amount agreed will be paid following the greater works to construct the S. Ambrogio tunnel and, specifically, the major works to consolidate the rock mass crossed by the tunnel which will be excavated traditionally from four entrances.

The works related to the other contracts in portfolio will continue in accordance with plans.

In general, as already described in the section on the significant events of the year, Strada dei Parchi, the operator of the A24 and A25 motorways, for which TOTO S.p.A. operates as EPC contractor and carries out the in-house works, plays an active role in the negotiations with the grantor (the Ministry of Infrastructure and Transport or “MIT”) to approve the new Business Plan (BP) which envisages a significant investment programme worth approximately € 3,140 million and relates to the obligations for the operator to bring the A24 and A25 motorways into line with ruling legislation, notably (i) seismic upgrading, (ii) the safety of viaducts, (iii) tunnel safety systems pursuant to Legislative decree no. 264 of 5 October 2006 (iv) environmental impact legislation, (v) extraordinary maintenance work (vi) and the performance of works necessary after the 2009 earthquake.

Due to the considerable size of the order book, also for 2019, the company can suitably select projects in which it will participate, favouring those of greatest value and those that are the most technologically advanced.

The commercial target is to acquire new orders during the year that are at least equal to the revenues of the year.

The company will focus its commercial efforts on both the domestic market, which remains the reference market, and promising foreign markets.

We believe that, in 2019, the profitability of the orders will return in line with the company's historical trend.

Allocation of the net loss for the year

Dear Shareholders,

we propose that you:

- discuss and approve the directors' report and the financial statements at 31 December 2018 which show a net loss of € 53,523,511;
- carry forward the net loss for the year of € 53,523,511ì.

Chairman of the Board of Directors

Alfonso Toto

2018 Financial Statements

Balance sheet - Profit and loss account

Company Registration no. 02208250692
REA no. 160647

TOTO S.p.A. COSTRUZIONI GENERALI

Managed and coordinated by TOTO HOLDING S.p.A. Single-member company

Registered office in VIALE ABRUZZO 410 - 66100 CHIETI (CH)
Share capital € 50,000,000.00 fully paid up

Financial statements as at and for the year ended 31 December 2018

Balance sheet - assets		31/12/2018	31/12/2017
A) Share capital proceeds to be received			
(of which already called up)			
B) Fixed assets			
I. Intangible fixed assets			
1) Start-up and capital costs			
2) Development costs		5	16,867
3) Industrial patents and intellectual property rights		57,368	114,202
4) Concessions, licences, trademarks and similar rights		41,506	44,965
5) Goodwill			1,385,285
6) Assets under development and payments on account		6,278	
7) Other		5,596	8,013
		110,753	1,569,332
II. Tangible fixed assets			
1) Land and buildings		7,039,231	7,039,993
2) Plant and machinery		105,775	10,303
3) Industrial and commercial equipment		23,467	33,574
4) Other assets		561,890	654,895
5) Assets under construction and payments on account		304,360	704,360
		8,034,723	8,443,125
III. Financial fixed assets			
1) Equity investments:			
a) subsidiaries		65,951,293	66,248,914
b) associates		4,897,113	4,897,113
c) parents			
d) subsidiaries of parents		8,224,566	8,224,566
d bis) other		5,005	5,006
		79,077,977	79,375,599
2) Financial receivables			
a) From subsidiaries			
- due within one year	7,117,205		6,831,619
- due after one year			
		7,117,205	6,831,619
b) From associates			
- due within one year	5,131,697		5,131,697
- due after one year			
		5,131,697	5,131,697
c) From parents			
- due within one year			31,786,226
- due after one year			

			31,786,226
d) From subsidiaries of parents			
- due within one year	9,038,653		9,168,195
- due after one year			
		9,038,653	9,168,195
d bis) From others			
- due within one year	1,068,226		1,135,226
- due after one year			
		1,068,226	1,135,226
		22,355,781	54,052,963
3) Other securities			
4) Derivatives			
		101,433,758	133,428,562
Total fixed assets		**109,579,234**	**143,441,019**
C) Current assets			
I. Inventory			
1) Raw materials, consumables and supplies		10,453,206	15,795,482
2) Work in progress and semi-finished products			
3) Contract work in progress		100,139,762	98,411,912
4) Finished goods			
5) Payments on account		2,652,618	1,736,631
		113,245,586	115,944,025
II. Receivables			
1) Trade receivables			
- due within one year	13,125,167		10,941,776
- due after one year			
		13,125,167	10,941,776
2) From subsidiaries			
- due within one year	30,643,011		7,149,545
- due after one year			
		30,643,011	7,149,545
3) From associates			
- due within one year	499,212		404,704
- due after one year			
		499,212	404,704
4) From parents			
- due within one year	7,050,444		1,053,370
- due after one year			
		7,050,444	1,053,370
5) From subsidiaries of parents			
- due within one year	17,065,090		38,035,957
- due after one year			
		17,065,090	38,035,957
5-bis) Tax receivables			
- due within one year	5,464,836		1,498,322
- due after one year			
		5,464,836	1,498,322
5 ter) Deferred tax assets	11,210,200		1,500,490
		11,210,200	1,500,490
5 quater) From others			
- due within one year	5,996,021		4,067,829
- due after one year			
		5,996,021	4,067,829
		91,053,981	64,651,993
III. Current financial assets			
1) Investments in subsidiaries		5,100	

2) Investments in associates		
3) Investments in parents		
3 bis) Investments in subsidiaries of parents		
4) Other equity investments		
5) Derivatives		
6) Other securities	249,733	811,775
7) Cash pooling arrangements		
	254,833	811,775
IV. Liquid funds		
1) Bank and postal accounts	11,634,475	964,676
2) Cheques on hand		
3) Cash-in-hand and cash equivalents	12,461	16,876
	11,646,936	981,552
V. Tangible fixed assets held for sale		
4) Tangible fixed assets held for sale	47,079,153	50,249,749
	47,079,153	50,249,749
Total current assets	**263,280,489**	**232,639,094**
D) Prepayments and accrued income	**3,116,463**	**5,613,569**
Total assets	**375,976,186**	**381,693,682**

Balance sheet liabilities	**31/12/2018**	**31/12/2017**
A) Net equity		
I. Share capital	50,000,000	50,000,000
II. Share premium reserve	20,699,616	20,699,616
IV. Legal reserve	1,335,774	1,244,905
VI. Other reserves		
Extraordinary reserve	5,365,051	5,365,051
Euro translation reserve	199,709	(487,479)
	5,564,760	4,877,572
VII. Hedging reserve	(41,542)	(138,473)
VIII. Retained earnings	9,468,312	7,741,795
IX. Net profit for the period		1,817,386
IX. Net loss for the year	(53,523,511)	()
Total net equity	**33,503,409**	**86,242,801**
B) Provisions for risks and charges		
1) Pension and similar provisions	120,000	240,000
2) Tax provisions, including deferred tax liabilities	388,673	
3) Derivatives	54,660	182,202
4) Other provisions	6,627,473	2,649,203

Total provisions for risks and charges		**7,190,806**	**3,071,405**
C) Employees' leaving entitlement		**483,449**	**591,645**
D) Payables			
1) Bonds			
- due within one year			
- due after one year			
2) Convertible bonds			
- due within one year			
- due after one year			
3) Shareholder loans			
- due within one year			
- due after one year			
4) Bank loans and borrowings			
- due within one year	34,376,583		55,723,459
- due after one year	21,446,798		32,495,938
		55,823,381	88,219,397
5) Loans and borrowings from other financial backers			
- due within one year			
- due after one year	15,000,000		
		15,000,000	
6) Payments on account			
- due within one year	41,730,808		29,326,166
- due after one year	14,103,559		4,175,649
		55,834,367	33,501,815
7) Trade payables			
- due within one year	63,155,286		77,302,388
- due after one year			
		63,155,286	77,302,388
8) Commercial paper			
- due within one year			
- due after one year			
9) Payables to subsidiaries			
- due within one year	22,308,120		1,489,182
- due after one year			
		22,308,120	1,489,182
10) Payables to associates			
- due within one year	94,510		657,022
- due after one year			
		94,510	657,022
11) From parents			
- due within one year	31,274,783		3,286,525
- due after one year			
		31,274,783	3,286,525
11 bis) Payables to subsidiaries of parents			

- due within one year	15,211,467		8,856,499
- due after one year			
		15,211,467	8,856,499
12) Tax payables			
- due within one year	34,995,374		44,086,743
- due after one year	30,192,228		22,115,596
		65,187,602	66,202,339
13) Social security charges payable			
- due within one year	5,555,207		6,902,924
- due after one year	1,237,858		
		6,793,065	6,902,924
14) Other payables			
- due within one year	3,752,682		4,837,375
- due after one year			
		3,752,682	4,837,375
Total payables	**334,435,263**		**291,255,466**
E) Accrued expenses and deferred income	**363,259**		**532,365**
Total liabilities	**375,976,186**		**381,693,682**

Profit and loss account

		2018	**2017**
A) Production revenues			
1) Turnover from sales and services		97,732,407	141,653,946
2) Change in work in progress, semi-finished products and finished goods			
3) Change in contract work in progress		1,975,039	8,404,073
4) Internal work capitalised			
5) Other revenues and income, with separate mention of grants related to income			
a) Sundry	2,044,183		121,776
b) Grants related to income			
		2,044,183	121,776
Total production revenues		**101,751,629**	**150,179,795**
B) Production cost			
6) Raw materials, consumables, supplies and goods		16,301,317	46,944,173
7) Services		87,078,120	63,134,923
8) Use of third party assets		3,669,065	2,651,496
9) Personnel expenses			
a) Wages and salaries	24,217,428		19,939,664
b) Social security contributions	8,101,564		6,320,596
c) Employees' leaving entitlement	1,561,572		1,247,805
d) Pension and similar costs			
e) Other costs	133,501		604,663
		34,014,065	28,112,728

10) Amortisation, depreciation and write-downs			
a) Amortisation of intangible fixed assets	1,471,054		1,688,907
b) Depreciation of tangible fixed assets	229,914		233,455
c) Other write-downs of fixed assets	3,170,597		
d) Write-downs of current receivables and liquid funds			100,000
		4,871,565	2,022,362
11) Change in raw materials, consumables, supplies and goods		5,310,618	(5,153,204)
12) Provisions for risks		4,717,246	288,297
13) Other provisions		120,000	120,000
14) Other operating costs		4,606,389	2,468,423
Total production cost		**160,688,385**	**140,589,198**
Operating profit (loss) (A-B)		**(58,936,756)**	**9,590,597**
C) Financial income and charges			
15) Income from equity investments			
from subsidiaries			
from associates			
from parents			
from subsidiaries of parents			
other			
16) Other financial income			
a) from receivables classified as fixed assets			
from subsidiaries	181,449		255,919
from associates	94,509		111,169
from parents	734,250		729,596
from subsidiaries of parents	219,135		233,127
other			
		1,229,343	1,329,811
b) from securities classified as fixed assets which are not equity investments			
c) from securities classified as current assets which are not equity investments	379,598		
d) other income			
from subsidiaries			
from associates			
from parents			47,601
from subsidiaries of parents			
other			535,125
		379,598	532,725
		1,608,941	1,912,536
17) Interest and other financial charges			
to subsidiaries			
to associates			
to parents	885,104		950,220
to subsidiaries of parents			
other	6,851,391		6,344,991
		7,736,495	7,295,211
17 bis) Net exchange rate gains (losses)		(902,124)	275,714
Net financial charges		**(7,029,678)**	**(5,106,961)**

D) Adjustments to financial assets and liabilities			
18) Write-backs			
a) equity investments			1,441
b) financial fixed assets which are not equity investments			
c) securities classified as current assets which are not equity investments			
d) derivatives			
e) cash pooling arrangements			
			1,441
19) Write-downs			
a) equity investments	306,120		
b) financial fixed assets			
c) securities classified as current assets which are not equity investments	562,042		213,008
d) derivatives			
e) cash pooling arrangements			
		868,162	213,008
Total adjustments to financial assets and liabilities	**(868,162)**		**(211,567)**
Pre-tax profit (loss) (A-B±C±D)	**(66,834,596)**		**4,272,069**
20) Income taxes, current and deferred			
a) Current			2,928,938
b) Taxes relative to prior years	13,661		(19,456)
b) Deferred			
change in deferred tax liabilities	388,672		(36,194)
change in deferred tax assets	(9,740,320)		(418,605)
		(9,351,648)	(454,799)
d) expense from participation in the tax consolidation/transparency scheme	(3,973,098)		
		(13,311,085)	2,454,683
21) Net profit (loss) for the year		**(53,523,511)**	**1,817,386**

Chairman of the Board of Directors
Alfonso Toto

2018 Financial Statements

Notes to the financial statements

Cash flow statement

Company Registration no. 02208250692
REA no. 160647

TOTO S.p.A. COSTRUZIONI GENERALI

Managed and coordinated by TOTO HOLDING S.p.A. Single-member company

Registered office in Viale Abruzzo 410 - 66100 CHIETI (CH)
Share capital € 50,000,000.00 fully paid up

Notes to the financial statements as at and for the year ended31 December 2018

Foreword

Toto S.p.A. Costruzioni Generali ("Toto S.p.A.") is the company of the Toto Group which directly and indirectly - through its subsidiaries and associates – designs and constructs infrastructure and residential and industrial buildings.
On the Italian market, Toto S.p.A. is one of the top building firms specialised in the design and construction of large-scale transport infrastructure.
At the reporting date, the company had an order book of approximately € 788 million.

Basis of preparation

Group membership

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, it is noted that the company is managed and coordinated by Toto Holding S.p.A.
In accordance with current law, the company made use of the option not to prepare the group's consolidated financial statements, despite holding controlling interests directly in the following companies: Alitec S.p.A., IMC S.r.l., Ambra S.r.l., Toto Tech S.r.l., Pontepo Scarl, Radimero Scarl and Cefalù Scarl, since the consolidated financial statements are drawn up by the parent Toto Holding S.p.A.
The following table provides key figures from the most recent approved financial statements of the aforesaid company which carries out management and coordination activities.

	2017	2016
BALANCE SHEET		
ASSETS		
A) Share capital proceeds to be received		
B) Fixed assets	363,665,260	360,021,202
C) Current assets	31,240,586	29,059,888
D) Prepayments and accrued income	766,057	689,462
Total assets	**395,671,903**	**389,770,552**
LIABILITIES:		
A) Net equity:	297,078,559	291,323,373
Share capital	100,000,000	100,000,000
Reserves	262,157,816	262,093,850
Losses carried forward	(70,834,444)	(77,071,243)
Net profit for the year	5,755,187	6,300,766
B) Provisions for risks and charges	678,404	51,363,620
C) Employees' leaving entitlement	363,576	212,408
D) Payables	97,549,347	46,860,529
E) Accrued expensed and deferred income	2,017	10,622
Total liabilities	**395,671,903**	**389,770,552**
PROFIT AND LOSS ACCOUNT		
A) Production revenues	4,488,350	4,804,105
B) Production costs	8,902,846	22,571,397
C) Net financial income	11,159,058	10,929,954
D) Adjustments to financial assets	(326,156)	(831,105)
Income taxes	663,219	(13,969,209)
Net profit for the year	**5,755,187**	**6,300,766**

Financial statements preparation

The financial statements at 31 December 2018 and these notes have been prepared in accordance with the provisions of the Italian Civil Code on financial statements as amended by Legislative decree no. 139/15 which implemented EU directive no. 2013/34.

They consist of:
- a balance sheet;
- a profit and loss account;
- a cash flow statement;
- and these notes.

Items are measured under the general principles of prudence and accruals basis of accounting, assuming that the company will continue as a going concern and taking into account the economic function of the relevant asset or liability. To this end, the company considered the provisions of the 2018-2022 business plan and the 2019 budget which shows the ability to restore a financial balance in 2019. The going concern assumption is also confirmed by the ability of the group to which it belongs to generate the liquidity necessary to support any cash needs.

Under the prudence principle, the items making up each asset or liability are measured individually to avoid offsetting losses which should have been recognised against unrealised profits not to be recognised.
In accordance with the accruals-based accounting principle, the effect of transactions and other events has been recorded and allocated to the year to which these transactions and events relate and not to the one in which the related cash flows took place (receipts and payments).

In accordance with the principle of materiality, the company did not comply with the obligations applicable to recognition, measurement, presentation and disclosure when the effects of compliance therewith were irrelevant for the purposes of giving a true and fair view.

The company did not depart from the accounting polices, including pursuant to article 2423 of the Italian Civil Code.

Measurement criteria

Fixed assets

Intangible fixed assets

These are recognised at their historical purchase cost and are shown net of accumulated amortisation, which is directly charged to the individual items.

Start-up and capital costs and development costs of a long-term nature are recognised under assets with the approval of the Board of Statutory Auditors and are amortised over five and three years, respectively.

Costs for the use of intellectual property rights are capitalised and amortised over three years. Concessions, licences and trademarks are amortised over 20 years.

If, regardless of the amortisation already charged, an impairment loss exists, the asset is written down accordingly. If in following years the reasons for the write-down no longer apply, the original amount is reinstated adjusted by amortisation only.

Tangible fixed assets

These are recognised at purchase cost and adjusted by the corresponding accumulated depreciation.
The carrying amount takes into account ancillary charges and costs incurred for using the asset, less any material trade or cash discounts.
The depreciation charges, taken to the profit and loss account, are calculated on the basis of the type of use and the expected useful life of the assets. The following depreciation rates are believed to reflect the effective useful life of the assets, and are unchanged from the previous year. They are halved in the year in which the asset comes into use.

Description	Rates
Industrial buildings	3.00%
Light construction	12.50%
General plant and sundry equipment	10.00%
Operator machinery and specific plant	15.00%
Sundry equipment and small items	40.00%
Ordinary office equipment and furniture	12.00%
Electrical and electronic equipment	20.00%
Cars	25.00%
Lorries	20.00%
Self-propelled excavators	20.00%

Assets held for sale are reclassified to a specific item under current assets and are therefore measured at the lower of their carrying amount and the net realisable value based on market trends.

If, regardless of the depreciation already charged, an impairment loss exists, the asset is written down accordingly. If, in following years, the reasons for the write-down no longer apply, the original value is reinstated adjusted by depreciation only.

Finance leases

Assets under finance lease are recognised using the liability method, taking the lease instalments paid during the year to the profit and loss account. For the purposes of reconciling the financial and the liability methods, these notes describe all the effects that would have impacted the various financial statements captions had the financial method been used.

Financial fixed assets

Investments, debt securities and own shares held on a long-term basis following management's decision and the company's effective ability to held them for a long time are classified under financial fixed assets. Otherwise, they are recognised under current assets.
The transfer from fixed assets to current assets, or vice-versa, is recognised using measurement criteria that are specific to the original portfolio.

Receivables are classified under financial fixed assets and current assets based on their allocation criterion with respect to ordinary business activities, hence, regardless of their due date. Financial receivables are classified under financial fixed assets, while trade receivables under current assets. The measurement criterion applied to receivables is described below.

Equity investments

Investments in subsidiaries and associates, recognised under financial fixed assets, are measured at purchase or subscription cost.
Other equity investments are recognised at purchase or subscription cost.
Equity investments classified as fixed assets represent the company's long-term, strategic investments.
Equity investments recognised at purchase cost which have undergone an impairment loss have been written down. With respect to other investments, if the cost of the investment exceeds the relevant portion of net equity, no write down is recognised since the higher carrying amount is justified by the gains and goodwill of subsidiaries and associates.

Inventory

Raw and ancillary materials are recognised at purchase cost or at their realisable value (or replacement value) based on market trends, whichever is lower. Purchase cost is equal to the latest price which reflects the average weighted cost.

Work in progress is measured as follows:

Italy's contracts: despite the binding agreement between the parties and the company's ability to reliably estimate the contract profit/loss, contract work in progress is recognised based on the progress of works (or the percentage of completion), whereby costs, revenues and margins are recognised based on the work performed.
The percentage of completion is obtained by applying the physical measurement method.

Foreign contracts: given the existence of an internal procedural system which generates reliable and updated estimates of total contract revenues and costs, work in progress is measured using the percentage of

completion method determined on a cost-to-cost basis. This method better reflects the results of this type of contracts.
The contract costs incurred at the reporting date are proportional to the total estimated contract costs. The percentage earned is subsequently applied to the contract's total estimated revenues, obtaining the amount to be allocated to the work performed and, accordingly, the revenues earned on the same date.

Measurement reflects the best estimate of works at the reporting date. The assumptions underlying measurements are periodically updated. Any financial effects are recognised in the year the update takes place.

Contract revenues include: the contractually-agreed consideration, formalised variations to works, price adjustments, claims requested and incentives, to the extent that it is reasonably certain that they can be measured reliably.

In accordance with OIC document no. 23 of 22 December 2016, pre-operating costs have been recognised under inventory. These costs are considered in the contract profit margin based on the progress of works.

Additional fees have been recognised in accordance with the principle of prudence; consequently, the repayment of the greater costs incurred or the greater consideration are included under contract revenues only to the extent of the amounts which can be reasonably identified and calculated. Claims are measured considering the estimates prepared by the specific company areas (based on the type of each claim, including assessments of the legal grounds and financial capacity) and the historical figures related to their recognition by the customers and independent experts' valuations.

Finished goods are measured at the lower of carrying amount and realisable value.

Receivables

Receivables are recognised using the amortised cost method, considering the time factor and the estimated realisable value. In particular, the opening carrying amount is the nominal amount of the receivable, net of all premiums, discounts and allowances and inclusive of any costs directly attributable to the transaction that generated the receivable. The transaction costs, any commission income or expense and any difference between the initial amount and the nominal amount upon maturity are included in the calculation of the amortised cost, using the effective interest method.
As permitted by Legislative decree no. 139/15, at 31 December 2016, the receivables that already existed at 31 December 2015 are recognised at their nominal amount.
Furthermore, according to the company, the effects of the application of the amortised cost method and of discounting receivables due within one year are not significant as well as any difference between the opening balance and the nominal amount at the expiry date.

Receivables are rights to receive amounts of cash or its equivalent from customers or other third parties and are measured at their estimated realisable value.
The nominal amount of receivables is adjusted to reflect bad debts, invoice adjustments, discounts and rebates and other reasons for a reduced use.

A specific provision for bad debts is accrued to cover possible insolvency risks. The accrued amount is checked periodically and, in any case, at each year end, considering existing or probable bad debts and the general economic, sector and country risk conditions.

Securities

Securities recognised under current assets are measured at purchase cost or their realisable value based on market trends, whichever is lower.

Liquid funds

They are measured at their estimated realisable value, which is the same as their nominal amount.

Prepayments and accrued income, accrued expenses and deferred income

These are determined on an accruals basis.
For those of a long-term nature, the conditions which led to them being initially recognised have been checked and changes made as necessary.

Provisions for risks and charges

Provisions for risks and charges comprise specific liabilities of a certain or probable nature, whose due date or amount is not known. Specifically, the provisions for risks reflect specific and probable liabilities with estimated amounts, while the provisions for charges reflect specific and certain liabilities, with estimated amounts or due dates, related to commitments in place at the reporting date, but which will take place in subsequent years.
Accruals to the provisions for risks and charges are recognised in the profit and loss account under the items to which the transaction refers, classifying costs by nature.
The amount of accruals reflects the best estimate of costs, including legal fees, at each reporting date and is not discounted. When a change in amounts is identified, the accrual reflects the best estimate between the highest and lowest limits of such change range.

Provisions are subsequently used directly and only for those costs and liabilities for which they were originally accrued. Any positive or negative differences with respect to the charges actually incurred are recognised in the profit and loss account in line with the original accrual.

Derivatives

Derivatives are recognised on the date the company signs the contract and is, therefore, subject to its rights and obligations.
Pursuant to article 2426.1.11-bis of the Italian Civil Code and OIC 32, derivatives, including those embedded in other financial instruments, are measured at fair value upon initial recognition and at each subsequent reporting date. Fair value and changes therein compared to the previous year are recognised using different methods, depending on whether the derivative transaction qualifies (and is effectively designated) as a hedge of financial risks.

Transactions which do not qualify (or are not designated) as hedges

When the transaction does not qualify (or is not designated) as a hedge, fair value changes are recognised in the profit and loss account item D) "Adjustments to financial assets and liabilities". In accordance with article 2426.1.11-bis of the Italian Civil Code, gains on derivatives other than hedges are accrued to undistributable net equity reserves.

Transactions which qualify (and are designated) as hedges

The company enters into derivatives to hedge the interest rate risk.
A derivative qualifies for hedge accounting when:
- the hedging relationship consists only of eligible hedging instruments and eligible hedged items under OIC 32;
- there is close and formal documentation of the relationship between the characteristics of the derivative or the hedged item and those of the derivative pursuant to article 2426.1.11-bis of the Italian Civil Code. The documentation refers to the formalisation of the hedging relationship, the company's risk management objectives and the strategy for undertaking the hedge;
- the hedging relationship meets the hedge effectiveness requirements.

The economic relationship is checked qualitatively, checking that the main elements of the hedging instrument and the hedged item match or are closely in line, and quantitatively. When hedging relationships relate to

derivatives with characteristics very similar to those of the hedged item ("simple hedges") and the derivative has been entered into at market conditions, the hedging relationship is deemed effective by just checking that the main elements of the hedging instrument and hedged item (nominal amount, settlement date of cash flows, due date and underlying variable) match or are closely in line and the counterparty's credit risk does not significantly affect the fair value of the hedging instruments and hedged item.
The eligibility requirements are constantly checked and, at each reporting date, the company checks that the effectiveness requirements described above are still met.
Hedge accounting ceases prospectively when:
a) the hedging instrument is sold, expires or is terminated (with no replacement already provided for in the original hedging strategy);
b) the hedge no longer meets hedge accounting requirements.
The company enters into cash flow hedges.

Cash flow hedges

Cash flow hedges exist if a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction. The company recognises the cash flow hedge related to a recognised asset or liability, a firm commitment or a highly probable forecast transaction in the balance sheet at fair value and recognises the portion of the hedge deemed effective in caption A) VII "Hedging reserve", while the ineffective portion, calculated for hedging relationships that do not qualify as "simple", is taken to section D) of the profit and loss account.
In cash flow hedges related to a recognised asset or liability or a highly probable forecast transaction or a firm commitment, the amount of the reserve is taken to the profit and loss account in the same years the hedged cash flows have an effect on the net profit (loss) for the year and in the same item affected by the cash flows. In a cash flow hedge related to a highly probable forecast transaction or a firm commitment which subsequently results in the recognition of a non-financial asset or liability, the company reclassifies the amount included in the hedging reserve to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon recognition of the related asset or liability. However, when the reserve is negative and the company does not expect to recover all the loss or part of the reserve in one or more future years, the reserve (or part thereof) that it does expect to recover will be directly taken to the profit and loss account.

Fair value calculation

In order to determine the fair value of financial instruments, the parent maximised the use of the main observable inputs and minimised the use of unobservable inputs in accordance with the following fair value hierarchy:

Level	Description
1	market value (for financial instruments for which an active market can be easily identified)
2	amount derived from the market value of a component of the instrument or a similar instrument (when the market value cannot be easily identified for an instrument, but can be identified for its components or a similar instrument)
3	amount derived from generally-accepted valuation models and techniques which can ensure a reasonable approximation of market value (for instruments for which no active market can be easily identified)

Employees' leaving entitlement (TFR)

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment, pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296 of 27 December 2006. It reflects the total amounts accrued considering any form of ongoing remuneration, net of advances paid and partial advances in accordance with collective or individual employment agreements or company agreements for which no reimbursement is requested. The related liability is the amount that the company would have paid had all employees left at the reporting date. The provision does not include the amounts accrued from 1 January 2007 allocated to supplementary pension schemes under Legislative decree no. 252 of 5 December 2005 (or transferred to the INPS - Italian Social

Security Institute) treasury fund.

Payables

Payables are recognised using the amortised cost method, considering the time factor and the estimated realisable value. In particular, the opening carrying amount is the nominal amount of the payable, net of transaction costs and all premiums, discounts and allowances derived directly from the transaction that generated the payable. The transaction costs, any commission income or expense and any difference between the initial amount and the nominal amount upon maturity are included in the calculation of the amortised cost, using the effective interest method.

The company deems that the effects of the application of the amortised cost method and discounting are negligible when the payables are due within one year, also considering all contractual and substantial considerations in place on the date the payable was recognised, the transaction costs and any difference between the opening balance and the nominal amount at the payable's due date. In this case, payables are not discounted and interest is calculated at the nominal amount, while transaction costs are recognised under financial charges.
At the reporting date, all payables are recognised at their nominal amount, adjusted in the event of returns or invoicing adjustments.

Foreign currency transactions, assets and liabilities

Receivables and payables originally expressed in foreign currencies, recognised at the exchange rates in force on the date they arose, are adjusted to the exchange rates applicable at the reporting date.
In particular, current assets and liabilities and financial receivables recognised under fixed assets are recognised at the spot exchange rate applicable at the reporting date. Exchange rate gains and losses arising from the translation of receivables and payables are taken to the profit and loss account item 17-bis Exchange rate gains and losses.
Fixed assets in foreign currency are instead recognised at the exchange rate in force at the time of their purchase or at the lower reporting rate only if the negative changes result in permanent impairment of the fixed assets.
The financial statements of the branch have been prepared in foreign currency. Therefore, balance sheet items are translated into Euros using the closing rate, while profit and loss account items are translated using the average translation rate of the year.
The financial statements of the branch have been included in the company's accounting records. The exchange rate differences arising from the Euro translation of the financial statements have been recognised under net equity reserves.

Commitments, risks and guarantees

The risks related to guarantees given, personal guarantees or collateral, related to third-party liabilities are presented at an amount equal to the amount of the guarantee given. The amount of the third-party liability assisted at the reporting date is included in these notes when it is below that of the guarantees given.
Commitments are stated at their nominal amount, based on the relevant documentation.
Risks for which a liability is probable are described in the notes and adequately provided for in the provision for risks.
Risks for which a liability is only possible are described in the notes, but no amount is accrued in the provision for risks in accordance with the applicable accounting standards. Remote risks have not been taken into account.

Revenue recognition

Revenues from contract work in progress are recognised on a percentage of completion basis, as shown in the work progress reports (SALs) certified by the contracting bodies.

Income taxes

Taxes are provided for on an accruals basis. Therefore, they reflect accruals for taxes paid or to be paid during the year, calculated in accordance with applicable rates and laws.

Deferred tax assets are recognised only in the case of temporary differences when it is reasonably certain that there will be a lower tax charge in the future.

They are recognised in order to reflect the future tax benefits that result from the temporary differences between the carrying amounts of reported assets and the corresponding amounts considered in order to determine the current taxes, as well as any tax losses carried forward. Deferred tax assets are recognised in compliance with the principle of prudence, if it is reasonably certain that, in the years in which the temporary deducible differences that led to their recognition reverse, the company will report a taxable profit equal to at least the amount of the differences that will be offset.

They are determined based on the tax rate defined for the income tax for the years in which the temporary differences will be offset. The effect of the change of the tax rates for said taxes is recognised in the year in which the related legal provisions are approved. In the balance sheet, deferred tax assets are recognised under “Deferred tax assets”. In the profit and loss account, the deferred tax assets and liabilities are recognised under “Income taxes, current and deferred”.

From 2009, the company, as consolidated company, has opted to participate in the national tax consolidation scheme – which allows for IRES (corporate income tax) to be calculated according to a taxable basis corresponding to the total of positive and negative taxable amounts of the individual participating companies – together with Toto Holding S.p.A., the latter acting as the tax parent.
Financial relationships between the parent and the subsidiary, in addition to their mutual responsibilities and obligations, are set out in the Consolidation Regulations for the group companies which was signed on 16 June 2009, as subsequently amended and integrated.

Deferred IRES (corporate income tax) is calculated based on the temporary differences between the amounts of assets and liabilities determined in accordance with statutory criteria and the corresponding tax values solely with reference to the company.

Current and deferred IRAP (regional tax on production) is calculated exclusively with reference to the company.

Workforce

The company's annual average workforce, broken down by category, underwent the following changes compared to the previous year.

Personnel	31/12/2018	31/12/2017	Change
Senior managers	24	24	
White collars and junior managers	131	111	20
Blue collars	232	175	57
Others	4	4	
	391	**314**	**77**

The employment contract applied for white and blue collars is the Collective National Employment Contract for employees of construction firms and similar businesses of 19 April 2010, updated by the agreement of 18 July 2018. The agreement applied for managers is the Collective National Employment Contract for managers of companies that produce goods and services of 25 November 2009, updated by the agreement of 30 December 2014.

Assets

B) Fixed assets

I. Intangible fixed assets

Balance at 31/12/2018	Balance at 31/12/2017	Change
110,753	1,569,332	(1,458,579)

Total change in intangible fixed assets

Costs	Carrying amount at 31/12/2017	Increase of the year	Other changes	Amortisation of the year	Other decreases of the year	Carrying amount at 31/12/2018
Development	16,867			16,862		5
Industrial patents	114,202	6,196		63,030		57,368
Concessions, licences and trademarks	44,965			3,459		41,506
Goodwill	1,385,285			1,385,285		0
Assets under development		6,278				6,278
Other	8,013			2,417		5,596
	1,569,332	**12,474**		**1,471,053**		**110,753**

The opening historical cost is broken down as follows.

Costs	Historical cost	Accumulated amortisation	Revaluations	Write-downs	Carrying amount
Start-up and capital costs	1,042,318	1,042,318			0
Development	50,592	33,725			16,867
Industrial patents	1,123,035	1,008,833			114,202
Concessions, licences and trademarks	69,176	24,211			44,865
Goodwill	5,636,341	4,251,056			1,385,285
Other	210,953	202,940			8,013
	8,132,415	**6,563,083**			**1,569,332**

Breakdown of start-up and capital costs, research, development and advertising costs

Start-up and capital costs and research and development costs, recognised with the approval of the Board of Statutory Auditors, are broken down below together with the reasons for their recognition.

Development costs

Costs	Carrying amount at 31/12/2017	Increase of the year	Rounding	Amortisation of the year	Carrying amount 31/12/2018
SOA certification	16,867			16,862	5
	16,867			**16,862**	**5**

The increase is due to the costs incurred to obtain the new certificate of qualification pursuant to Presidential decree no. 207/2010 (three-year term).

Industrial patents and intellectual property rights

Costs	Amount 31/12/2017	Increase of the year	Decrease of the year	Amortisation of the year	Carrying amount at 31/12/2018
Software	114,202	6,196		63,030	57,368
	114,202	**6,196**		**63,030**	**57,368**

The balance refers to software licences purchased and used during the year as part of business activities (Autocad, Oracle, MS Office, etc.).

Concessions, licences and trademarks

Costs	Amount 31/12/2017	Increase of the year	Rounding	Amortisation of the year	Carrying amount at 31/12/2017
Trademarks	44,965			3,459	41,506
	44,965			**3,459**	**41,506**

These are costs incurred to develop a branding strategy. They are amortised over 20 years.

Goodwill

Costs	Carrying amount at 31/12/2017	Increase of the year	Decrease of the year	Amortisation of the year	Carrying amount 31/12/2018
Business unit acquisition	1,385,285			1,385,285	0
	1,385,285			**1,385,285**	**0**

This item refers to the acquisition of the business units of Imprese Co.E.Stra. S.p.A. (€ 2,040,200) and L'Avvenire 1921 (€ 1,539,035) in 2014 and S.E.C.O.L. S.p.A. in 2015 (€ 1,961,906) which form part of the Joint Venture that was awarded the contract by ANAS for the executive design and execution of the variation to state road 1 Aurelia: access roads to the La Spezia harbour, totalling € 125 million. Given the company's decision to terminate the contract with ANAS, cost was written off.

Assets under development

Costs	Amount 31/12/2017	Increase of the year	Rounding	Amortisation of the year	Carrying amount at 31/12/2018
HR system		6,278			6,278
		6,278			**6,278**

These costs relate to the development of a service, not yet operational, which analyses the HR Infinity Global Solution system.

Other

Costs	Carrying amount at 31/12/2017	Increase	Decrease	Amortisation of the year	Carrying amount 31/12/2018
Leasehold improvements	8,013			2,417	5,596
	8,013			**2,417**	**5,596**

These costs are amortised over the period of future usefulness of the expenses incurred or the residual lease term, whichever is shorter.

II. Tangible fixed assets

Balance at 31/12/2018	Balance at 31/12/2017	Change
8,034,723	8,443,125	(408,402)

The decrease is due to the depreciation of the year:

Land and buildings

	Amount	
Historical cost	12,440,536	
Accumulated depreciation	(5,400,544)	
Balance at 31/12/2017	**7,039,993**	of which: land 4,119,790
Increase of the year		
Depreciation of the year	(761)	
Balance at 31/12/2018	**7,039,231**	of which: land 4,119,790

Plant and machinery

	Amount
Historical cost	10,470
Accumulated depreciation	(167)
Balance at 31/12/2017	**10,303**
Increase of the year	114,467
Other changes	(2,690)
Depreciation of the year	(16,305)
Balance at 31/12/2018	**105,775**

Industrial and commercial equipment

	Amount
Historical cost	41,967
Accumulated depreciation	(8,393)
Balance at 31/12/2017	**33,574**
Increase of the year	8,350
Decrease of the year	0
Depreciation of the year	(18,457)
Balance at 31/12/2018	**23,467**

Other assets

	Amount
Historical cost	4,384,569
Accumulated depreciation	(3,729,674)
Balance at 31/12/2017	**654,895**
Increase of the year	110,913
Decrease of the year	(9,778)
Other changes	(1)
Depreciation of the year	(194,139)
Balance at 31/12/2018	**561,890**

III. Financial fixed assets

Balance at 31/12/2018	Balance at 31/12/2017	Change
101,433,758	133,428,562	(31,994,804)

Equity investments

	31/12/2017	Increase	Decrease	31/12/2018
Subsidiaries	66,248,914	13,599	311,220	65,951,293
Associates	4,897,113			4,897,113
Subsidiaries of parents	8,224,566			8,224,566
Other companies	5,006		1	5,005
	79,375,599	**13,599**	**311,221**	**79,077,977**

The increase in subsidiaries may be analysed as follows:
- € 5,800 relates to the 58% investment in the newco Radimero Scarl, which was set up in 2018 to perform, in joint venture with SELI OVERSEAS S.p.A., line civil works and related works from pk 19+700.00 to pk 27+455.00, as part of the construction of the HS/HC section of the “Giovi Third Tunnel” — Valico (RADIMERO) lot;
- € 7,799 relates to the 77.99% investment in the newco Cefalù Scarl, which was set up in 2018 to perform, in joint venture with ICI S.p.A., the civil works for new railway office and the doubling of the Cefalù Ogliastrillo - Castelbuono section of the Palermo-Messina line, with a length of approximately 12.3 km, entirely on double tracks, including the construction of the Cefalù, S.Ambrogio and Malpertugio tunnels and related works.

The decrease in subsidiaries is due to the following write-downs for impairment losses: € 300,000 related to Ambra S.r.l., € 6,120 related to IMC in liquidation and € 5,100 related to Toto S.p.A. in Association with Taddei S.p.A. Scarl. The latter investment was transferred to current financial assets as it is held for sale.

The decrease in other companies relates to the carrying amount of the investment in Fiumicino Pista Scarl in liquidation which ceased operations in 2018.

Subsidiaries

	City or foreign country	Share/quota capital	Net equity (deficit)	Net loss for the year	% of invest.	Portion of NE	Carrying amount
ALITEC S.p.A.	CHIETI	45,000,000	37,105,300	(2,856,484)	95.54	35,450,404	42,993,820
I.M.C. S.r.l. IN LIQUID.	CHIETI	12,000	(294,631)	(3,561)	51.00	(150,262)	0
AMBRA S.r.l.	CHIETI	6,900,000	4,848,709	(176,433)	98.55	4,778,403	4,700,000
TOTO TECH S.r.l.	CHIETI	10,000,000	16,952,398	(555,634)	100.00	16,952,398	18,236,101
PONTEPO SCARL	CHIETI	10,000	10,000		77.73	7,773	7,773
RADIMERO SCARL	CHIETI	10,000	10,000		58.00	5,800	5,800
CEFALU’ SCARL	CHIETI	10,000	10,000		77.99	7,799	7,799

1) ALITEC S.p.A.

The business purpose of the company is the construction and management of properties.

The company owns an industrial complex not used for several years, for a total of 165,000 square metres, located in Chieti Scalo, to be used for hand craft production.

Being unable to continue the path it began in 2017 for reasons beyond its control, which was aimed at removing the lien introduced by the ASI land use plan, to which the owned area relates, i.e., the intended use as “commercial and service equipment” in the widest meaning of craft and production area, the company decided to launch a new project to enhance its asset.

The new project provides for real estate development envisaging the construction of a mall focused on sports (sports, related services, sale of sports-related technical products), called **“MALL OF SPORT”** (**MOS)**.

The carrying amount in excess of net equity is deemed recoverable based on the value of the industrial complex owned by the company. The enhancement of the area, as indicated above, will allow full recoverability of the recognised amounts.

Net equity and the net loss for the year refer to the financial statements at 31 December 2018.

The shares were pledged to CAI (Compagnia Aerea Italiana S.p.A.) to guarantee the parent Toto Holding S.p.A.'s payment obligations vis-à-vis CAI.

2) I.M.C. S.r.l. IN LIQUIDATION

Investment acquired in 2005 for a share of 51% in the quota capital. I.M.C. S.r.l. operates in the road barrier production and installation sector. The company, in a joint venture with Toto S.p.A., is the contractor for the replacement of the road traffic safety barriers of the A/24 – A/25 Motorways. Contracting body: Strada dei Parchi S.p.A.
The company was put into liquidation in May 2016 as it met the requirements of article 2484 of the Italian Civil Code.

Net deficit and the net loss for the year refer to the financial statements at 31 December 2018.

The net deficit is substantially due to the VAT due and the related penalties and interest arising from the tax audit conducted by the tax authorities. IMC appealed against the tax audit before the Court of Cassation as it believes that the reasons put forward by the tax authorities are groundless.
The company prudently recognised an accrual to the provision for future charges to cover losses on investments with a balance adequate to the recovery of net equity.

3) AMBRA S.r.l.

The company was established on 23 September 2004 with the purpose of purchasing, building, restructuring, selling and managing all types of buildings.
On 30 September 2013, Toto S.p.A. subscribed the quota capital increase resolved by Ambra S.r.l. quotaholders, becoming the company's majority quotaholder.

Net equity and the net loss for the year are taken from the financial statements at 31 December 2018.

4) TOTO TECH S.r.l.

The company was established on 16 November 2016 to lease machinery, tools and equipment in the building and civil engineering sector.

n 22 December 2016, Toto S.p.A. launched a reorganisation plan which provided for the contribution of the business unit made up of machinery, plant, equipment and related personnel to Toto Tech.

The company, which became operative on 1 January 2017, was set up to improve the efficiency and effectiveness of its operations, including with a view to diversifying uses, other than in the construction sector.

Net equity and the net loss for the year are taken from the financial statements at 31 December 2018.

The excess of the carrying amount of the investment over net equity is deemed recoverable based on the expected future profits.

5) PONTEPO SCARL

This consortium company was established in 2017 by Toto S.p.A. (77.73%) and Vezzola S.p.A. (22.27%) to perform the works related to the Ponte sul Po (Po bridge) contract awarded by the Mantua province.

The carrying amount of the investment is equal to the portion of net equity held on the date of the company's incorporation.

6) RADIMERO SCARL

This consortium company was set up in 2018 by Toto S.p.A. (58%) and Seli Overseas S.p.A. (42%) to perform the works related to the contract assigned by Consorzio Collegamenti Integrati Veloci (*COCIV)* for line civil works and related works from pk 19+700.00 to pk 27+455.00, as part of the construction of the HS/HC section of the "Giovi Third Tunnel" — Valico (Radimero) lot.

The carrying amount of the investment is equal to the portion of net equity held on the date of the company's incorporation.

7) CEFALU' SCARL

This consortium company was set up in December 2018 by Toto S.p.A. (77.99%) and ICI S.p.A. (22.01%) to perform part of the works related to the contract awarded by ITALFERR for the performance of civil works for new railway office and the doubling of the Cefalù Ogliastrillo - Castelbuono section of the Palermo-Messina line, with a length of approximately 12.3 km, entirely on double tracks, including the construction of the Cefalù, S.Ambrogio and Malpertugio tunnels and related works.

The carrying amount of the investment is equal to the portion of net equity held on the date of the company's incorporation. The company's first financial statements are those as at and for the year ending 31 December 2019.

Associates

	City or foreign country	Share/quota capital	Net equity	Net loss for the year	% of invest.	Portion of NE	Carrying amount
SAN BENEDETTO VAL DI SAMBRO SCARL	ROME	10,000	10,000		36	3,600	3,600
NOVIGAL SCARL	BARI	10,000	10,000		33	3,300	3,312
INTERMODALE S.r.l.	CHIETI	8,000,000	4,860,216	(573,031)	49.9	2,425,248	4,890,200

1) SAN BENEDETTO VAL DI SAMBRO SCARL

A non-profit consortium company set up on 23 January 2007 under article 23 bis of Law no. 584/77 between Vianini S.p.A. (54%), Toto S.p.A. (36%) and Profacta S.p.A. (10%) after the integrated tender (under article 19.1.b of Law no. 109/94) was awarded to the joint venture formed between these three companies involving the "Upgrading of the Apennines stretch between Sasso Marconi and Barberino del Mugello – La Quercia Badia Nuova Section – Lots 6 and 7" – Contracting body Autostrade per l'Italia S.p.A.

The carrying amount of the investment is equal to its purchase cost.

2) NOVIGAL SCARL

A non-profit consortium company set up under article 96 of Presidential decree no. 554 of 21 December 1999 between Dec S.p.A. (67%) and Toto S.p.A. (33%) after the Municipality of Potenza awarded the joint venture formed between these two companies the contract involving the construction of the "Galitello Complex Road

Junction” in the same Municipality.

3) INTERMODALE S.r.l.

The company was established on 8 April 2008 as a special-purpose company pursuant to article 156 of Legislative decree no. 163/2003. Its business purpose is the execution of the agreement entered into by the Abruzzo region and the Joint Venture Dino Di Vincenzo & C. S.p.A. and Toto S.p.A. on 10 January 2008. The agreement provides for, among other things, the design, construction, management and maintenance of the completion of the Val Pescara Multimodal Freight Terminal located in Manoppello (PE) and the financial and functional management and maintenance of work already carried out by Interporto Val Pescara S.p.A.

Toto S.p.A. holds 49.90% of the company’s quota capital.

Net equity and the net loss for the year are taken from the financial statements at 31 December 2018.
The greater amount of the investment compared to the portion of net equity held is deemed recoverable based on the future income expectations set out in the BP, under review. In this respect, given the inactivity of the Abruzzo Region, the joint venture served a writ of summons in 2017 before the Court of L’Aquila, requesting that its right to examine the BP related to the Agreement be ascertained and acknowledged. This would enable the joint venture to immediately return to a break-even position.
The Abruzzo Region appealed, raising objections and disputing the validity of Intermodale’s claims and, by way of counter-claim, applied for a declaration of partial or full annulment of the Agreement and article 21 thereof.
In the first hearing held on 6 November 2018, Intermodale’s lawyers confirmed the reasons for the inadmissibility of the counter-claim for partial annulment and requested, should the Court allow the claim, that the pre-contractual responsibility of the Region for causing the partial annulment of the contract be checked.
The Judge set the deadlines for filing the briefs and adjourned the proceedings to examine the preliminary requests to 14 May 2019.

Subsidiaries of parents

	City or foreign country	Share capital	Net deficit	Net loss for the year	% of invest.	Amount under the equity method	Carrying amount
STRADA DEI PARCHI S.p.A.	ROME	48,114,240	(34,449,450)	(6,191,412)	5	2,854,347	8,224,566

The company is held by Concessioni Autostradali S.p.A. (93%), Autostrade per l’Italia S.p.A. (2%) and TOTO S.p.A. Costruzione Generali (5%) which manages, under concession, the two motorway sections A24 and A25 that connect Rome with Pescara and Teramo. The concession was awarded to the company following the international tender called by ANAS, and has a term of twenty-eight years, starting from 2003.

As set out in article 2426.3 of the Italian Civil Code, the difference in the carrying
amount of the investment in Strada dei Parchi S.p.A. and the amount determined using the equity method is justified below.

Net deficit and the net loss for the year relate to the financial statements at 2018. Following the application of the cost measurement criterion, this investment was recognised at a higher amount than that obtained using the equity method at the reporting date.

The resulting amount is the sum of Strada dei Parchi S.p.A.’s net deficit at 31 December 2018 and the amount allocated to the Concession on the company’s date of first consolidation, net of accumulated amortisation/depreciation and without considering the “Hedging reserve” which was negative by approximately € 61.2 million at 31 December 2018. Indeed, pursuant to article 2426 of the Italian Civil Code, the net equity reserves that derive from the fair value measurement of the derivatives used to hedge the expected cash flows from another financial instrument or a forecast operation, are not considered in the calculation of net equity for the purposes set out in articles 2412, 2433, 2442, 2446 and 2447 and, if positive, are not available and cannot be used to cover losses. The resulting amount was subsequently considered only to the extent of the portion held by Toto S.p.A. in Strada dei Parchi S.p.A. (5%).

The difference between the carrying amount of the investment and the amount calculated using the equity method is deemed recoverable, based on the future income expectations set out in the BP of the concession. Given the losses incurred in the current and prior years, this assessment was supported by an impairment test, in accordance with OIC 9.

The analysis was carried out using the discounted cash flow method which estimates the recoverable amount of the recognised investment based on the value in use.

The following should be noted with respect to the impairment test:
- the subsidiary Strada dei Parchi S.p.A. has been identified as a single cash-generating unit. Indeed, the cash flows generated by the motorway sections assigned under concession specifically refer to the above company.
- value in use was estimated based on the current business plan, which will expire in 2030, including projections about traffic, investments, costs and revenues for the entire life of the concession. The use of a long-term plan with a time horizon equal to the term of the concession is more appropriate than that envisaged in OIC 9 (a projection period of up to five years), considering the inherent characteristics of the concession arrangement (Single Agreement), specifically, sector regulations.

The table below shows the key assumptions (traffic growth rate, tariff growth rate and discount rate) of the long-term plan currently in place used to estimate the recoverable amount.

Traffic growth rate (CAGR)	Discount rate
0.86%	5.02%

The impairment test confirmed the full recoverability of the carrying amount of the investment in Strada dei Parchi S.p.A. recognised in the financial statements.

For the sake of complete disclosure, it is noted that, following the expiry of the long-term business plan, negotiations are underway to sign the new BP which provides for further investments and confirms the expected return to medium/long-term financial balance.

The recoverable amount was also confirmed by the fair value of the investment calculated as the terminal value which includes receivables for figurative items accrued at 31 December 2018 and amounting to € 644 million, as certified by a leading independent company.

Financial receivables

	31/12/2017	Increase	Decrease	31/12/2018
Subsidiaries	6,831,619	441,424	155,838	7,117,205
Associates	5,131,697			5,131,697
Parents	31,786,226		31,786,226	0
Subsidiaries of parents	9,168,195		129,542	9,038,653
From others	1,135,226	10,050	77,050	1,068,226
	54,052,963	**451,474**	**32,148,656**	**22,355,781**

From subsidiaries

They refer to interest-bearing loans in favour of subsidiaries. These include the receivable from Alitec S.p.A. of € 5,641,173.

From associates

They mainly relate to the € 5,053,140 interest-bearing loan to Intermodale S.r.l.

From subsidiaries of parents

They relate to the interest-bearing loans granted to Toto Real Estate S.p.A. and Strada dei Parchi S.p.A. of € 5,422,787 and € 3,615,866, respectively.

From others

The balance mainly refers to an interest-bearing loan of € 1,067,675 granted to a related party (Iniziative Immobiliari Sas) at ordinary market conditions.

The breakdown of receivables at 31 December 2018 by geographical segment is shown in the table below:

Receivables	Subsidiaries	Associates	Parents	Subsidiaries of parents	From others	Total
Italy	7,117,205	5131.697	0	9,038,653	1,068,226	22,355,781
Total	**7,117,205**	**5,131,697**	**0**	**9,038,653**	**1,068,226**	**22,355,781**

C) Current assets

I. Inventory

Balance at 31/12/2018	Balance at 31/12/2017	Change
113,245,586	115,944,025	(2,698,439)

This item breaks down as follows:

	31/12/2017	Increase	Decrease	31/12/2018
Raw materials	15,795,482		5,342,276	10,453,206
Contract work in progress	98,411,912	1,727,850		100,139,762
Payments on account	1,736,631	915,987		2,652,618
	115,944,025	**2,643,837**	**5,342,276**	**113,245,586**

Raw materials, consumables and supplies: this balance refers to the stock of raw materials that will be used in production. They decreased by a net € 5,342,276 mainly as a result of the use, in 2018, of the materials in stock at the end of 2017 related to SdP's contract to prevent stair-stepping, which was completed during the year.

Contract work in progress: this item shows a net increase of € 1,727,850 on the previous year-end balance and includes work carried out pending the issue of the payment certificate (€ 20,071,772), in addition to the increase in fees requested from customers for claims (€ 65,500,000).

Contract work in progress includes the pre-operating costs recognised in accordance with OIC document no. 23 of 22 December 2016 for a total of € 14,567,990. This item decreased by € 2,325,950.

Pre-operating costs are considered contract costs and form part of the net profit (loss) for the year based on the progress of work, calculated using the percentage of completion method with the physical measurement method.

Claims are measured considering the estimates prepared by the specific company areas (based on the type of each claim, including assessments of the legal grounds and financial capacity).
According to the directors, the disputes underway will have a positive outcome and therefore these amounts will be recoverable, based on past experience and taking into account the assessments and opinions issued by an independent professional.

Payments on account increased by € 915,987 on the previous year-end balance and include the amounts paid to suppliers for the purchase of goods.

II. Receivables

Balance at 31/12/2018	Balance at 31/12/2017	Change
91,053,981	64,651,993	26,401,988

The balance of receivables at 31 December 2018 may be analysed by due date as follows.

	Due within one year	Due after one year	Due after 5 years	Total
Trade receivables	13,125,167			13,125,167
From subsidiaries	30,643,011			30,643,011
From associates	499,212			499,212
From parents	7,050,444			7,050,444
From subsidiaries of parents	17,065,090			17,065,090
Tax receivables	5,464,836			5,464,836
Deferred tax assets	11,210,200			11,210,200
From others	5,996,021			5,996,021
	91,053,981			**91,053,981**

Changes compared to the previous year-end balance are analysed below by item:

	31/12/2018	31/12/2017	Changes
Trade debtors	13,125,167	10,941,776	2,183,391
From subsidiary companies	30,643,011	7,149,545	23,493,466
From affiliated companies	499,212	404,704	94,508
Due to parent companies	7,050,444	1,053,370	5,997,074
From subsidiaries of parents	17,065,090	38,035,957	-20,970,867
Tax receivables	5,464,836	1,498,322	3,966,514
Prepaid taxes	11,210,200	1,500,490	9,709,710
Other debtors	5,996,021	4,067,829	1,928,192
Total	**91,053,981**	**64,651,993**	**26,401,988**

Trade receivables: they increased by € 2,183,391. The main debtors are *GDDKIA* in relation to the Polish contract (€ 2,986,633), Consorzio COCIV (€ 3,227,424) and Iniziative Immobiliari Sas (€ 1,767,946).

The nominal amount of receivables was adjusted to their estimated realisable value through the provision for bad debts of € 918,601.

From subsidiaries: they relate to transactions carried out on an arm's length basis. They increased by € 23,493,466 on the previous year-end balance and may be analysed as follows:

Company	Amount
Radimero Scarl	18,642,110
Pontepo Scarl	7,218,879
Toto Tech Srl	2,371,805
Alitec SpA	2,293,800
Ambra Srl	78,163
IMC Srl	37,161
Cefalù Scarl	1,094
Total	**30,643,011**

From associates: they increased by € 94,508 and relate to the amount due from Intermodale S.r.l.

From parents : they increased by € 5,997,074 on the previous year-end and relate to trade receivables for services provided to the parent (€ 915,712), the income from the transfer of part of the tax loss as part of the group's tax consolidation scheme (€ 3,973,098) and receivables for IRES paid on account (€ 2,161,634).

From subsidiaries of parents: the € 20,970,867 decrease is entirely due to the reduction in the amount due from Strada dei Parchi, which may be analysed as follows:

Company	Amount
Strada dei Parchi Spa	13,384,080
Toto Re SpA	3,204,398
Infraengineering Srl	287,349
Azienda Aviagricola Srl	109,229
Renexia Service Srl	48,848
Renexia SpA	19,255
Intersun Srl	11,932
Total	**17,065,090**

Tax receivables: they increased by € 3,965,514 on the previous year-end balance, mainly as a consequence of the VAT receivable of € 4,573,231. This item also comprises sundry tax receivables whose reimbursement from the tax authorities is pending.

Deferred tax assets: this item rose by € 9,709,710. The significant increase is mainly due to the IRES tax on the losses which cannot be offset against the taxable income of the tax parent and other companies participating in the tax consolidation scheme (€ 8,599,093). This amount was recognised since their future recovery is reasonably certain, considering the company's and the group's tax base expected in the future.

This item also comprises deferred tax assets of € 13,118 calculated on the negative fair value of two financial instruments at 31 December 2018. Details of the other receivables included in this item can be found in the note to taxes.

From others: this item increased by € 1,928,192 on the previous year-end balance. It includes, inter alia, the amounts due from employees for loans, advances and payments on account, receivables for guarantee deposits and receivables from others for reimbursements:

The nominal amount of receivables from others was adjusted to their estimated realisable value through the provision for bad debts of € 1,911,901.

At 31 December 2018, receivables are broken down by geographical segment in the table below, except for tax receivables and deferred tax assets.

Country	Trade receivables	Subsidiaries	Associates	Parents	Subsidiaries of parents	Others	Total
Italy	10,049,223	30,643,011	499,212	7,050,444	17,065,090	5,904,007	**71,210,987**
Poland	2,986,633					73,721	**3,060,354**
Czech Rep.	89,311					18,293	**107,604**
Norway							**-**
Total	**13,125,167**	**30,643,011**	**499,212**	**7,050,444**	**17,065,090**	**5,996,021**	**74,378,945**

III. Current financial assets

Balance at 31/12/2018	Balance at 31/12/2017	Change
254,833	811,775	(556,942)

	31/12/2017	Increase	Decrease	31/12/2018
Equity investments		5,100		5,100
Other securities	811,775		562,042	249,733
	811,775	**5,100**	**562,042**	**254,833**

Equity investments: this item relates to the carrying amount of the investment in Toto S.p.A. in Association with Taddei S.p.A. Scarl which is held for sale.

Other securities: the balance refers to 104,930 Banca Popolare di Bari shares. Their carrying amount was written down to adjust it to market value.

IV. Liquid funds

Balance at 31/12/2018	Balance at 31/12/2017	Change
11,646,936	981,552	10,665,384

	31/12/2018	31/12/2017
Bank and postal accounts	11,634,475	964,676
Cash-in-hand and cash equivalents	12,461	16,876
	11,646,936	**981,552**

The balance represents liquid funds and cash equivalents at the reporting date.

“Bank and postal accounts” include term bank deposits of € 922,814 which mainly comprise € 648,845 as a guarantee for the issue of the Bid Bond for the Polish tender and € 265,446 related to deposits on DEXIA S.p.A.'s accounts. The pledge refers to contractual charges vis-à-vis the customer Strada dei Parchi.

V. Assets held for sale

Balance at 31/12/2018	Balance at 31/12/2017	Change
47,079,153	50,249,749	(3,170,596)

This item comprises assets held for sale, specifically properties, land and abandoned industrial areas for a total of € 15,680,503 and machinery and equipment worth € 31,398,649. Machinery includes the Martina TBM (€ 30,914,620), currently unused and held for sale. The measurement of the asset at the lower of carrying amount and fair value (recoverable amount) resulted in a write-down of € 3,170,596.

These assets, which were included under finished goods in prior year financial statements, have been reclassified to a specific item under current assets, in accordance with OIC 16.

D) Prepayments and accrued income

Balance at 31/12/2018	Balance at 31/12/2017	Change
3,116,463	5,613,569	(2,497,106)

This item reflects income and expenses pertaining to previous or future years with respect to the related payment or collection. These are recognised regardless of the date of collection or payment of the respective income and expenses, which relate to two or more years and can be allocated over time.
At 31 December 2018, there were no prepayments or accrued income due after five years.

The breakdown of this item is as follows:

	Amount
Insurance premiums	2,628,646
Financial charges	155,396
Prepaid lease instalments	108,326
Rent and leases	25,380
Infrastructure expenses	50,628
Others of an immaterial amount	148,087
	3,116,463

Prepaid insurance premiums for Definitive, CAR, RCT- RCO (third party and worker liability), RC (professional liability) and ten-year post-completion polices mainly refer to long-term contracts underway or in start-up: "RFI Cefalù" (€ 1,512,781), Poland (€ 13,722), CAS Ritiro (€ 112,328), Mantua Province (€ 73,411), ANAS L'Aquila (€ 195,687) and Strada dei Parchi (Euro 226,789). The related prepayments were calculated on an accruals basis.

Liabilities

A) Net equity

Balance at 31/12/2018	Balance at 31/12/2017	Change
33,503,409	86,242,801	(52,739,392)

	31/12/2017	**Increase**	**Decrease**	**Other changes**	**31/12/2018**
Share capital	50,000,000				50,000,000

Share premium reserve	20,699,616			20,699,616
Legal reserve	1,244,905	90,869		1,355,774
Extraordinary or optional reserve	5,365,051			5,365,051
Translation reserve	(487,479)	687,188		199,709
Hedging reserve	(138,473)	96,931		(41,542)
Retained earnings	7,741,795	1,726,517		9,468,312
Net profit (loss) for the year	1,817,386	(53,523,511)	1,817,386	(53,523,511)
Total	**86,242,801**	**(50,922,006)**	**1,817,386**	**33,503,409**

Changes in net equity may be analysed as follows.

	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Foreign operations' financial statements translation reserve	Hedging reserve	Retained earnings (losses carried forward)	Net profit (loss) for the year	Total
Prior year opening balance	**50,000,000**	**20,699,616**	**837,442**	**5,365,051**	**0**	**(285,781)**	**0**	**8,149,258**	**84,765,586**
Allocation of the net profit for the year									
- legal reserve			407,463					(407,463)	0
- extraordinary reserve							7,741,795	(7,741,795)	0
- coverage of prior year losses									
- dividend distribution									0
- foreign operations' financial					(487,479)				(487,479)
Hedging reserve						147,308			147,308
- Prior year net profit								1,817,386	1,817,386
Change in accounting policies									0
Prior year closing balance	**50,000,000**	**20,699,616**	**1,244,905**	**5,365,051**	**(487,479)**	**(138,473)**	**7,741,795**	**1,817,386**	**86,242,801**
Allocation of the net profit for the year									
- legal reserve			90,869					(90,869)	0
- extraordinary reserve								0	0
- retained earnings (losses carried							1,726,517	(1,726,517)	0
- dividend distribution									0
- foreign operations' financial					687,188				687,188
Hedging reserve						96,931			96,931
- other changes									0
Net loss for the year								-53,523,511	-53,523,511
Current year closing balance	**50,000,000**	**20,699,616**	**1,335,774**	**5,365,051**	**199,709**	**-41,542**	**9,468,312**	**-53,523,511**	**33,503,409**

The breakdown of share capital is as follows.

	Number	Nominal amount in €
Ordinary shares	500,000	100
Total	**50,000,000**	

Net equity items are broken down as follows by origin, possible utilisation, distribution and utilisation in the previous three years.

	Amount	Possible use (*)	Origin / Nature	Available portion
Share capital	50,000,000			50,000,000
Share premium reserve	20,699,616	A, B, C	Contribution	20,699,616
Legal reserve	1,335,774	B	Income-related	
Other reserves	5,365,051	A, B, C	Income-related	5,365,041
Retained earnings	9,468,312	A, B, C	Income-related	9,468,312
Total				**35,532,979**
Non-distributable amount				
Residual distributable amount				**35,532,979**

(*) A: to increase capital; B: to cover losses; C: dividends

No reserves were used during the past three years.

In accordance with OIC 28 on Net equity, the following additional information is provided:

- no monetary or economic revaluation reserves are included in share capital.
- there are no reserves or other provisions which if distributed would form part of the taxable income of the company or shareholders.

The following should be noted with respect to the translation reserve:

UNITED. ARAB EMIRATES (Dubai)
The transactions of the foreign branches have been recognised in the financial statements of the parent using the “foreign currency/euro” exchange rate ruling on the date the transaction was performed.
At the reporting date, foreign currency receivables and payables were translated using the “foreign currency/euro” exchange rate in place at 31 December 2018, taking any translation differences to the profit and loss account.
Tangible fixed assets were recognised using the exchange rate ruling on the date the transaction was performed, except in the case of a persistent unfavourable trend of the reference exchange rate.

POLAND
The financial statements of the branch “TOTO SPA SPOLKA AKCYJNA, ODZIAL W POLSCE” have been prepared in zloty. Closing balance sheet amounts have been translated into Euros at the closing rate of €1 = Zloty 4.3014, while profit and loss account captions have been translated using the 2018 average exchange rate of €1 = Zloty 4.2606.
The financial statements of the Polish branch have been included in Toto S.p.A.'s accounting records. The exchange rate differences arising from the Euro translation of the financial statements drawn up in Zloty amount to € 201,897 and have been recognised under net equity reserves.

CZECH REPUBLIC
The financial statements of the branch “Toto S.p.A. CZ, odstestepny zavod” have been prepared in Czech Koruna. Closing balance sheet amounts have been translated into Euros at the closing rate of €1 = CZK 25.724, while profit and loss account captions have been translated using the 2018 average exchange rate of €1 = CZK 25.643.
The financial statements of the Czech branch have been included in Toto S.p.A.'s accounting records. The exchange rate differences arising from the Euro translation of the financial statements drawn up in Czech Koruna amount to € 2,188 and have been recognised under net equity reserves.

B) Provisions for risks and charges

Balance at 31/12/2018	Balance at 31/12/2017	Change
7,190,806	3,071,405	4,119,401

	31/12/2017	Increase	Decrease	Other changes	31/12/2018
Pension and similar provisions	240,000	120,000	240,000		120,000
Tax provision, including deferred tax liabilities	0	388,673			388,673
Derivatives	182,202	54,660	182,202		54,660
Other	2,649,203	4,717,246	738,976		6,627,473
	3,071,405	**5,280,579**	**1,161,178**		**7,190,806**

The increase in pension and similar provisions refers to the annual accrual for the end-of-office indemnity for the Board of Directors resolved by the Shareholders.

The increase in the tax provision, including deferred tax liabilities rose as a consequence of accruals (24% IRES (corporate income tax)) related to the decrease in unrealised exchange rate gains (€ 1,619,469).

Derivatives include the negative fair value of two financial instruments at 31 December 2018, as a balancing entry, gross of deferred tax liabilities, of the hedging reserve recognised in net equity.

At 31 December 2018, the other provisions include € 3,029,306 related to accruals for ten-year post-completion policies and work site disposal charges, € 150,000 related to the accrual to the provision to cover losses on investments in respect of the subsidiary IMC S.r.l. in liquidation and € 3,448,167 related to the accrual for estimated future charges following the decision to withdraw from the Czech Republic contract due to the many disputes and a strong conflict between the two parties which prevented the achievement of an agreement with the customer about project changes.

The decrease in Other reflects the elimination of provisions related to prior year accruals for contracts which were no longer in place at the reporting date.

C) Employees' leaving entitlement

Balance at 31/12/2018	Balance at 31/12/2017	Change
483,449	591,645	(108,196)

The change is broken down as follows.

Change	31/12/2017	Increase	Decrease	Other changes	31/12/2018
Employees' leaving entitlement, changes during the year	591,645	32,974	141,170		483,449

The provision represents the actual amount due to employees in accordance with the law and current employment contracts, taking into account all forms of remuneration of an ongoing nature.
It is the total of the individual amounts accrued up until 31 December 2006 by employees at the reporting date, net of any advances paid, and is equal to the amount that would be due to employees if they were to leave the company at that date, in addition to the legally-provided for revaluation amounts accrued until 31 December 2017.
The provision does not include the entitlement accrued from 1 January 2007 allocated to supplementary pension schemes under Legislative decree no. 252 of 5 December 2005 (or transferred to the INPS (Italian Social Security Institute) treasury fund).

D) Payables

Balance at 31/12/2018	Balance at 31/12/2017	Change

	334,435,263	291,255,466	43,179,797

Payables are stated at their nominal amount and are broken down as follows:

	Due within one year	Due after one year	Due after 5 years	Total
Bank loans and borrowings	34,376,583	21,446,798		55,823,381
Loans and borrowings from other financial backers		15,000,000		15,000,000
Payments on account	41,730,808	14,103,559		55,834,367
Trade payables	63,155,286			63,155,286
Payables to subsidiaries	22,308,120			22,308,120
Payables to associates	94,510			94,510
Payables to parents	31,274,783			31,274,783
Payables to subsidiaries of parents	15,211,467			15,211,467
Tax payables	34,995,374	30,192,228		65,187,602
Social security charges payable	5,555,207	1,237,858		6,793,065
Other payables	3,752,682			3,752,682
	252,454,820	**81,980,443**	**-**	**334,435,263**

Bank loans and borrowings

Bank loans and borrowings are down by € 32,396,016 compared to the previous year-end balance and include loans payable and the actual principal, interest and ancillary charges incurred and due.

This item is broken down as follows:

	31/12/2018	31/12/2017	Changes
Ordinary current accounts short-term	*(16,133)*	*(22,853)*	*6,719*
Ordinary current accounts medium/long-term	*(928)*	*0*	*(928)*
Ordinary current accounts	(17,061)	(22,853)	5,792
Advances on work progress reports/internal situation reports short-term	*(5,090)*	*(11,283)*	*6,193*
Advances on work progress reports/internal situation reports medium/long-term	*0*	*0*	*0*
Advances on work progress reports/internal situation reports	(5,090)	(11,283)	6,193
Contractual advances short-term	*(6,733)*	*(11,919)*	*5,186*
Contractual advances medium/long-term	*(17,309)*	*(22,866)*	*5,557*
Contractual advances	(24,042)	(34,785)	10,743
Loans on areas and buildings short-term	*(0)*	*(3,249)*	*3,249*
Loans on areas and buildings medium/long-term	*0*	*0*	*0*
Loans on areas and buildings	(0)	(3,249)	3,249
Loans for equipment short-term	*(6,420)*	*(6,420)*	*0*
Loans for equipment medium/long-term	*(3,210)*	*(9,630)*	*6,420*
Loans for equipment	(9,630)	(16,050)	6,420
Total bank loans and borrowings short-term	*(34,377)*	*(55,723)*	*21,347*
Total bank loans and borrowings medium/long-term	*(21,447)*	*(32,496)*	*11,049*
Total bank loans and borrowings	**(55,823)**	**(88,220)**	**32,396**

Loans for operating assets include a liability of the same amount to WESTLB AG – Milan Branch deriving from the Loan Agreement of approximately € 53 million for the purchase of the TBM boring machine used for the Variante di Valico – Lots 6/7 contract awarded by ASPI and currently classified under current assets, specifically assets held for sale. This payable is secured by a collateral on the same asset. At the reporting date, approximately € 43 million was repaid.

Loans and borrowings from other financial backers

This item comprises a first payment on account to KWAY SPV S.r.l. following a securitisation transaction which involved the sale of part of its technical claims.

Payments on account

This item, which rose by € 22,332,552 on the previous year-end balance, comprises the residual advances received from customers for ongoing contracts. The considerable increase is due to the balance between new advances of € 45,042,090 (contracts with SdP of € 32,793,776, ANAS Amatrice contract of € 4,638,109 and Polish contracts of € 7,610,204) and the return of prior year advances totalling € 22,709,538.

Trade payables

They decreased by € 14,147,102 on the previous year-end balance and are recognised net of trade discounts, while cash discounts are recognised upon payment. The nominal amount of these payables has been adjusted to reflect returns or rebates (invoicing adjustments) by the amount agreed upon with the other party.

Payables to subsidiaries

They rose by € 20,818,938 on the previous year-end balance as a result of the consortium costs which arose during the year, with the subsidiaries Radimero (€ 14,328,800), Pontepo Scarl (€ 3,051,633) and Toto Tech (€ 2,379,891).

Payables to associates

They decreased by € 562,512 on the previous year-end balance mainly as a result of the reduction in the amount due to San Benedetto Val di Sambro Scarl.

Payables to parents

They increased by € 27,988,258 on the previous year-end balance and mainly relate to the invoices received for the provision of services (€ 568,097), invoices to be received for bank and insurance counter-guarantees (€ 1,274,243) given by Toto Holding during the year and the interest-bearing loans granted by the parent as part of the intragroup current account (€ 29,432,443).

Payables to subsidiaries of parents

This item increased by € 6,534,968 on the previous year-end balance and can be analysed as follows:

Company	Amount
Parchi Global Srl	9,408,774
Strada dei Parchi Spa	2,985,065
Infraengineering Srl	1,868,362
Toto Re SpA	943,601
Azienda Aviagricola Srl	2,871
Renexia SpA	2,013
Renexia Service Srl	780
Total	**15,211,467**

Tax payables

They decrease by € 1,014,737 on the previous year-end balance and reflect the liabilities for certain and specific taxes.

This item includes:

- IRAP (regional tax on production) payables amounting to € 2,135,331;
  - ✓ € 821,040 related to 2013 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in June 2016 (nine instalments have already been paid);
  - ✓ € 254,179 related to 2015 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in June 2017 (five instalments have already been paid);
  - ✓ € 273,606 related to 2016 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in June 2018 (one instalment has already been paid);
  - ✓ € 786,506 related to the 2017 balance.

- VAT payables amounting to € 53,189,137, of which:
  - ✓ € 491,714 related to 2010; last instalment to be paid;
  - ✓ € 5,355,232 related to 2013 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in September 2014 (16 instalments have already been paid);

- ✓ € 13,918,408 related to 2014 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in October 2015 (twelve instalments have already been paid);
- ✓ € 13,320,818 related to 2016 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities January 2018 (two instalments have already been paid);
- ✓ € 13,673,071 related to 2017 to be paid in 20 quarterly instalments following the payment reminders sent by the Tax Authorities in September and November 2017 and March and May 2018 (the instalments already paid amount to € 1,904,136).
- ✓ € 6,429,894 related to 2018 to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in September 2018 (one instalment has already been paid);

- Withholdings for employees' and freelancers' income in 2017/2018 totalling € 9,455,364;

- Penalties and interest for the late payment of taxes and dues for € 407,770.

Social security charges payable

They decreased by € 109,859 on the previous year-end balance and include the amounts payable to social security institutions (INPS, INAIL, special construction workers funds and supplementary social security institutes) for contributions accrued during the year.

This item includes, inter alia:

- INPS contributions related to employees, consultants and free-lancers of € 5,794,727, of which € 4,161,738 paid in instalments;

- INAIL contributions totalling € 122,993;

- special construction workers funds totalling € 735,100;

- supplementary social security institutes of € 140,245.

Other payables

This item decreased by € 1,084,693. It is mainly comprised of payables to employees related to the December 2018 remuneration, which was fully paid in January 2019, the 14-th month pay and accrued holidays and leave at 31 December 2018 (€ 2,888,683).

The breakdown of Payables at 31 December 2018 by geographical segment is shown in the table below.

Country	Bank loans and borrowings	Loans and borrowings from other financial backers	Payments on account	Trade payables	Subsidiaries	Associates	Parents	Subsidiaries of parents	Tax payables	Social security charges payable	Other payables	Total
Italy	46,193,467	15,000,000	45,633,882	52,157,092	22,308,120	94,510	31,274,783	15,211,467	65,118,731	6,658,947	3,490,905	**303,141,903**
Poland			10,200,485	9,431,030					55,469	127,410	230,011	**20,044,405**
Czech Rep.				32,769					13,402	6,708	31,766	**84,645**
United Arab Emirates				3,927								**3,927**
Romania				223,090								**223,090**
Germany	9,629,914			1,139,729								**10,769,643**
Bulgaria				20,000								**20,000**
Austria				1,571								**1,571**
Great Britain				977								**977**
Spain				49,000								**49,000**
Lebanon				18,485								**18,485**
Hong Kong				12,492								**12,492**
Colombia				662								**662**
France				33,315								**33,315**
Norway				31,147								**31,147**
Total	**55,823,381**	**15,000,000**	**55,834,367**	**63,155,286**	**22,308,120**	**94,510**	**31,274,783**	**15,211,467**	**65,187,602**	**6,793,065**	**3,752,682**	**334,435,263**

E) Accrued expenses and deferred income

Balance at 31/12/2018	Balance at 31/12/2017	Change
363,259	532,365	(169,106)

These are adjusting entries for the year calculated on an accruals basis.
At 31 December 2018, there were no accrued expenses or deferred income due after five years.

The breakdown of this item is as follows:

	Amount
Accrued financial charges	105,205
Deferred income for insurance policies	208,570
Deferred income for surety policies	42,114
Others of an immaterial amount	7,370
	363,259

Profit and loss account

A) Production revenues

2018 balance	2017 balance	Change
101,751,629	150,179,795	(48,428,166)

	2018	**2017**	**Change**
Turnover from sales and services	97,732,407	141,653,946	(43,921,539)
Change in contract work in progress	1,975,039	8,404,073	(6,429,034)
Other revenues and income	2,044,183	121,776	1,922,407
	101,751,629	**150,179,795**	**(48,428,166)**

The change is strictly related to that set out in the Directors' Report.

Turnover from sales and services may be analysed as follows:

Revenues by business segment

	2018	2017	Change
Sales/service provision	97,732,407	141,653,946	(43,921,539)
Of which: executive design	*239,619*	*662,976*	*(423,357)*
	97,732,407	**141,653,946**	**(43,921,539)**

Revenues by geographical segment

	Sales	Services	Total
Italy	4,968,376	74,790,817	79,759,193
Poland	129,748	17,843,466	17,973,214
	5,098,124	**92,634,283**	**97,732,407**

B) Production cost

2018 balance	2017 balance	Change
160,688,385	140,589,198	20,099,187

	31/12/2018	31/12/2017	Changes
Raw materials	16,301,317	46,944,173	(30,642,856)
Services	87,078,120	63,134,923	23,943,197
Use of third party assets	3,669,065	2,651,496	1,017,569
Wages and salaries	24,217,428	19,939,664	4,277,764
Social security contributions	8,101,564	6,320,596	1,780,968
Employees' leaving entitlement	1,561,572	1,247,805	313,767
Other personnel expenses	133,501	604,663	(471,162)
Amortisation of intangible fixed assets	1,471,054	1,688,907	(217,853)
Depreciation of tangible fixed assets	229,914	233,455	(3,541)
Other write-downs of fixed assets	3,170,597		3,170,597
Write-downs of current receivables		100,000	(100,000)
Change in raw materials	5,310,618	(5,153,204)	10,463,822
Provisions for risks	4,717,246	288,297	4,428,949
Other provisions	120,000	120,000	-
Other operating costs	4,606,389	2,468,423	2,137,966
Total	**160,688,385**	**140,589,198**	**20,099,187**

Raw materials, supplies and goods

Raw materials, supplies and goods amount to € 16,301,317 and may be analysed as follows:

- costs for construction materials (cement, inert substances, additives, prefabricated elements, wood and iron manufactured products, paints, supports, etc.), € 12,986,144;
- fuel and lubricants, € 2,727,419
- spare parts, € 158,277;
- electric materials, € 190,816.

Services

They amount to € 87,078,120 and may be analysed as follows:

- external processing and services, € 30,202,704;
- rentals and transportation, € 17,626,462;
- sundry utilities, € 715,837;
- insurance and sureties, € 5,204,918;
- costs recharged by consortium companies, € 16,461,049;
- technical, legal and administrative consultancies, € 9,433,536;
- maintenance and repairs, € 566,298;
- temporary and seconded personnel, € 2,117,856;
- worksite and office surveillance, Euro 2,170,654;
- directors', statutory auditors' and consultants' fees, € 1,136,935.

Use of third party assets

This item is up by € 1,017,569. These costs relate to lease payments for assets under finance lease with repurchase right (€ 684,115) and to costs for property leases and rentals (€ 2,888,807).

Personnel expenses

This item comprises all personnel expenses, including promotions, seniority raises, paid holidays accrued but not taken and accruals required by law and collective employment contracts.

Depreciation of tangible fixed assets

Depreciation was calculated based on the useful life of the asset and its use during production.

Other write-downs of fixed assets

This item comprises the write-down of the Martina TBM which is currently unused and held for sale. This asset is measured at the lower of carrying amount and fair value (recoverable amount).

Other operating costs

This item increased by € 2,137,966 on the previous year and can be analysed as follows:

- other taxes and dues (local property tax, registration tax, construction tax, waste tax, etc.) for a total of € 498,450;
- infrastructure expenses of € 74,667;
- penalties for the late payment of taxes and dues for € 2,653,143;
- interest expense on payment reminders of € 817,564;
- damage compensation and contractual penalties of € 408,745;
- prior year expense and other charges of € 102,834.

C) Financial income and charges

2018 balance	2017 balance	Change
(7,029,678)	(5,106,961)	(1,922,717)

Financial income

	2018	2017	Change
From financial receivables classified as fixed assets	1,229,343	1,329,811	(100,468)
Other income	379,598	582,725	(203,127)
(Interest and other financial charges)	(7,736,495)	(7,295,211)	(441,284)
Net exchange rate gains/(losses)	(902,124)	275,714	(1,177,838)
	(7,029,678)	**(5,106,961)**	**(1,922,717)**

Other financial income

	Parents	Subsidiaries	Associates	Other	Total
Bank and post office interest				2,368	2,368
Interest income on loans				376,246	376,246
Other income				984	984
				379,598	**379,598**

Other income refers to commissions on guarantees given to the parent Toto Holding.

Interest and other financial charges

	Parents	Subsidiaries	Associates	Other	Total
Bank interest				2,605,703	2,605,703
Interest to the tax authorities -				2,648,196	2,648,196
suppliers	885,104			602,642	1,487,746
Commissions and sureties					
Mediocredito interest				364,981	364,981
Discounts/expenses, other financial charges				393,973	393,973
Interest on loans				235,896	235,896
	885,104			**6,851,391**	**7,736,495**

Exchange rate gains and losses

	31/12/2018	31/12/2017	Changes
Realised exchange rate gains	1,431	282,085	(280,654)
Unrealised exchange rate gains	1,619,469	5,171	1,614,298
Total exchange rate gains	**1,620,900**	**287,256**	**1,333,644**
Realised exchange rate losses	(78,082)	(8,877)	(69,205)
Unrealised exchange rate losses	(2,444,942)	(2,664)	(2,442,278)
Total exchange rate losses	**(2,523,024)**	**(11,541)**	**(2,511,483)**
Net exchange rate gains (losses)	**(902,124)**	**275,715**	**(1,177,839)**

Realised exchange rate gains and losses refer to the transactions carried out by the foreign branches. Unrealised exchange rate gains and losses refer to exchange rate adjustments to foreign currency receivables and payables.

D) Adjustments to financial assets

2018 balance	2017 balance	Change
(868,162)	(211,567)	(656,595)

Write-backs

	2018	2017	Change
Equity investments		1,441	(1,441)
		1,441	**(1,441)**

Write-downs

	2018	2017	Change
Equity investments	306,120		(306,120)
Securities classified as current assets	562,042	213,008	(342,034)
	868,162	**213,008**	**(655,154)**

Write-downs of equity investments relate to AMBRA S.r.l. and IMC S.r.l., while write-downs of securities refer to Banca Popolare di Bari securities.

Income taxes

2018 balance	2017 balance	Change
(13,311,085)	2,454,683	15,765,768

Taxes	31/12/2018	31/12/2017	Change
Current IRES	0	2,142,432	(2,142,432)
Current IRAP	0	786,506	(786,506)
Total current taxes	**0**	**2,928,938**	**(2,928,938)**
Prior year taxes	**13,661**	**(19,456)**	**33,117**
Changes in deferred IRES	(9,351,903)	(455,308)	(8,896,595)
Changes in deferred IRAP	255	509	(254)
Total changes in deferred tax assets	**(9,351,648)**	**(454,799)**	**(8,896,849)**
Income from participation in the tax consolidation scheme	**(3,973,098)**		**(3,973,098)**
Total income taxes	**(13,311,085)**	**2,454,683**	**(15,765,768)**

The reconciliation between the tax charge shown in the financial statements and the theoretical tax charge is provided below:

Reconciliation between the tax charge shown in the financial statements and the theoretical tax charge (IRES)

	Amount	Taxes
Pre-tax profit	66,834,596	
Theoretical tax charge (%)	24	(16,040,303)
Temporary differences taxable in subsequent years:		
Temporary differences deductible in subsequent years:		
Unpaid interest expense	132,175	
Undeductible accruals	5,800,254	
Undeductible goodwill	1,077,444	
Non-deductible write-downs	3,715,751	
Unrealised exchange rate losses	2,444,942	
Unrealised exchange rate gains	(1,619,469)	
	11,551,097	
Reversal of temporary differences from previous years		
Prior year interest expense (undeducted) paid in 2017	(132,270)	
Portion of goodwill not deducted in prior years	(5,289)	
	(137,559)	
Differences that will not reverse in subsequent years		
Undeductible car costs	728,662	
Undeductible prior year expense	276,049	
Undeductible taxes (IMU)	115,159	
Undeductible taxes, penalties and charges	2,755,977	
Other increases	179,907	
IRAP (regional tax on production) tax paid in the year (10%)	(2,577)	
Other decreases	(1,016,249)	
	3,036,928	
Tax loss	**(52,384,130)**	
(Income) from participation in the tax consolidation scheme – gross amount		**(12,572,191)**
Amount that cannot be absorbed by the taxable income of the tax. par.		**8,599,093**
(Income) from participation in the tax consolidation scheme – net amount		**(3,973,098)**

€ 8,599,093, which relates to the IRES tax on losses which cannot be absorbed by the taxable income of the tax parent and of the other participating in the tax consolidation scheme, was recognised under deferred tax assets.
For IRES purposes, the company has a negative tax base. Consequently, as it participates in the group's tax consolidation scheme, it transferred its negative tax base to the parent Toto Holding S.p.A., thereby recognising income from the tax consolidation scheme. However, the group's total taxable income, which is negative in 2018, prevented the full absorption of the tax losses incurred by its consolidated companies and by Toto S.p.A. Consequently, after checking the recoverability of the losses exceeding the tax base that the tax consolidation scheme will incur in the next few years, the tax parent, in accordance with the Italian reporting standards, decided that the consolidated companies, hence Toto S.p.A., recognise deferred tax assets on the tax losses in excess. Accordingly, Toto S.p.A. recognised income from the tax consolidation scheme against the tax losses incurred during the year of € 3,973,098 for the tax losses absorbed by the group's taxable income and deferred tax assets of € 8,599,093 for the tax losses in excess and which were not absorbed by the tax consolidation scheme in 2018.
This amount was recognised since their future recovery is reasonably certain, considering the company's and the group's tax base expected in the future as per the 2018-2022 business plan.

Calculation of IRAP (regional tax on production) tax base

	Amount	Taxes
Operating profit	(58,936,756)	
Personnel expenses	34,014,065	
Revenues not relevant for IRAP purposes	8,330,851	
Costs not relevant for IRAP purposes	5,963,717	
Revenues not relevant for IRAP purposes	(42,562)	
Employee deduction	(27,531,498)	
Share of foreign production	3,699,648	
Taxable IRAP	**(34,502,535)**	
Current IRAP for the year	**0**	

The information required under article 2427.1.14 of the Italian Civil Code on deferred taxes is as follows:

Deferred tax assets and liabilities

Deferred tax assets are recognised since it is reasonably certain that the company will report a taxable profit in future years equal to or more than the amount of deductible temporary differences on which they were calculated.

The main temporary differences which resulted in the recognition of deferred tax assets and liabilities are stated in the table below together with their effects.

Recognition of deferred tax assets and liabilities and related effects:

	31/12/2018			31/12/2017	
	Temporary differences	Tax effect		Temporary differences	Tax effect
Deferred tax assets					
Accruals	(1,239,079)	(297,379)		(408,297)	(97,991)
Unpaid interest expense	(132,270)	(31,745)		(133,484)	(32,036)
Unrealised exchange rate losses	(2,444,942)	(586,786)			
Non-deductible write-downs				(213,008)	(51,122)
Undeductible goodwill	(1,077,444)	(258,587)		(1,077,444)	(258,587)
Recovery of prior year amortisation/depreciation	5,289	1,524		5,289	1,524
Tax losses not absorbed by the tax consolidation scheme	(35,829,554)	(8,599,093)			
Recovery of prior year interest expense Paid during the year	132,270	31,745		55,050	13,212
Recovery of losses on prior year unrealised exchange rates				28,479	6,835
Rate adjustment					(440)
Total deferred tax assets	**(40,585,730)**	**(9,740,320)**		**(1,743,415)**	**(418,605)**
Deferred tax liabilities					
Recovery of unrealised exchange rate gains	-	-		- 150,809	- 36,194
Unrealised exchange rate gains	1,619,469	388,672			
Total deferred tax liabilities	**1,619,469**	**388,672**		**0**	**0**
Net deferred tax assets:	**- 38,966,261**	**(9,351,648)**			**(418,605)**

Finance leases

In accordance with the instructions provided in document “OIC 1 - The main effects of the corporate law reform on the preparation of financial statements”, information is provided in the table below on the effects on Net equity and the Profit and Loss Account which would have occurred had 34 finance leases been recognised using the financial method instead of the liability method whereby lease payments are taken to the profit and loss account.

Business	
a) Contracts in progress	
Assets under finance lease at the end of the previous year, net of depreciation	1,599,393
+ Assets under finance lease acquired during the year	536,046
- Assets under finance lease repurchased during the year	(311,046)
- Depreciation of the year	(589,529)
- Reversal of provision for repurchased assets	0
Assets under finance lease at the end of the year, net of depreciation	**1,234,864**
Prepaid down payments	(169,298)
b) Assets repurchased	
Higher (lower) total value of assets repurchased, determined in accordance with the financial method, compared to the carrying amount at the reporting date	
c) Liabilities	
Finance lease payments at the end of the previous year	2,014,100
+ Residual payments arising during the year	529,843
- Reductions due to repayment of principal	(939,336)
Finance lease payments at the end of the year	**1,604,608**
Accrued interest on lease payments between year end and the beginning of the year	(2,358)
d) Total gross effect at year end (a+b-c)	**(539,043)**
e) Net tax effect	(174,219)
f) Effect on net equity at the end of the year (d-e)	**(364,824)**
The effect on the profit and loss account can be broken down as follows:	
Reversal of finance lease payments	678,124
Reversal of lease down payment	70,794
Recognition of financial charges on finance leases	(46,838)
Recognition of accumulated depreciation	(589,529)
Effect on profit before taxes	**112,551**
Recognition of the tax effect	32,437
Net effect of recognition of leases with the financial method on the net loss for the year	**80,114**

Significant events after the reporting date

There were no significant events after the reporting date.

Green certificates

Pursuant to OIC 7, GREEN CERTIFICATES, it is noted that the company had no green certificates at the reporting date.

Greenhouse gas emissions

Pursuant to OIC 8, GREENHOUSE GAS EMISSIONS, it is noted that the company had no grey certificates at the reporting date.

Revenue or cost components of a significant amount or unusual impact

Pursuant to article 2427.13 of the Italian Civil Code, it is noted that no such components were recognised during the year.

Derivatives

The fair value and information on the scope and nature of each category of derivatives of the company are provided below (article 2427-bis.1.1 of the Italian Civil Code). The derivatives listed below were entered into in order to hedge the interest rates applied to the loans acquired.

1) Contract: INTEREST RATE SWAP
a. type of derivative contract: unlisted financial derivative (Interest Rate Swap);
b. contract start date: 30/12/2011
c. contract end date: 30/12/2019
d. purpose: hedging;
e. notional amount: € 1,771,875;
f. underlying financial risk: interest rate risk;
g. fair value of derivative contract: € (43,417);
h. liability hedged: bank debt

2) Contract: OPTION
a. type of derivative contract: CAP option;
b. contract start date: 30/12/2011
c. contract end date: 30/12/2019
d. purpose: hedging;
e. notional amount: 4,134,375
f. underlying financial risk: interest rate risk;
g. fair value of derivative contract: € (11,242);
h. liability hedged: bank debt

Derivatives issued

Pursuant to article 2427.1.18 and 19 of the Italian Civil Code, it is noted that the company did not issue any derivatives.
Pursuant to OIC 8, GREENHOUSE GAS EMISSIONS, it is noted that the company had no grey certificates at the reporting date.

Related-party transactions

(Ref. article 2427.1.22-bis, Italian Civil Code)

The significant related party transactions of a financial or trade nature carried out by the company took place on an arm's length basis. During the year or after the reporting date, the company did not carry out atypical or unusual transactions, i.e., transactions not related to the company's ordinary operations, or transactions which may have a significant effect on the company's financial position, financial performance and cash flows. For additional information, reference should be made to the directors' report.

Parents

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
Toto Holding	0	29,432,443	7,050,443	1,842,340	6,134,732	0	4,731,903	2,163,324
Total	***0***	***29,432,443***	***7,050,443***	***1,842,340***	***6,134,732***	***0***	***4,731,903***	***2,163,324***

Subsidiaries

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
IMC S.r.l.	1,191,228	4,590	37,161	0	0	0	5,606	0
Ambra	284,804	0	78,163	1,564	0	0	9,321	34,355
Toto Tech	0	0	2,371,805	4,445,940	0	0	366,950	4,890,397
Pontepo Scarl	0	5,830	7,218,879	3,515,547	0	3,018,807	2,181,527	2,309,915
Radimero Scarl	0	18,058	18,642,110	14,310,743	0	25,000	5,239,620	2,822,600
Cefalù Scarl	0	5,849	1,094	0	0	0	0	0
Alitec S.p.A.	5,641,173	0	2,293,800	0	0	0	160,704	115,000
Total	***7,117,205***	***34,327***	***30,643,011***	***22,273,793***	***0***	***3,043,807***	***7,963,728***	***10,172,267***

Related companies

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
Infraengineering S.r.l.	0	0	287,349	1,868,362	0	0	78,837	66,436
Strada dei Parchi S.p.A.	3,615,866	0	13,384,080	2,985,065	0	31,389,544	57,127,359	0
Toto Real Estate	5,422,787	0	3,204,398	943,601	0	0	231,586	804,041
Parchi Global Service S.p.A.	0	123,885	0	9,284,889	0	0	9,995	4,408,090
Renexia S.p.A.	0	0	19,255	2,013	0	0	1,400	623
InterSun S.r.l.	0	0	11,932	0	0	0	1,400	0
Renexia Service S.r.l.	0	0	48,848	780	0	0	12,191	0
Aviagricola	0	0	109,229	2,871	0	0	0	1,700
Total	***9,038,653***	***123,885***	***17,065,090***	***15,087,582***	***0***	***31,389,544***	***57,462,769***	***5,280,890***

Associates

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
San Benedetto di Sambro Scarl	0	2,700	0	89,326	0	0	0	0
Intermodale S.r.l.	5,053,140	0	499,212	0	0	0	94,508	0
Novigal Scarl	78,557	2,484	0	0	0	0	0	0
Total	***5,131,697***	***5,184***	***499,212***	***89,326***	***0***	***0***	***94,508***	***0***

Related parties

	Financial receivables	Financial payables	Trade receivables	Trade payables	Receivables from tax consolidation scheme	Payments on account	Revenues	Costs
Real estate projects	1,067,675	0	1,768,075	0	0	0	31,804	31,000
Total	***1,067,675***		***1,768,075***	***0***	***0***	***0***	***31,804***	***31,000***

Off-balance sheet arrangements

No such transactions were carried out.

Independent auditors' fees

As required by law, it is noted that the fees pertaining to the year for services provided by the independent auditors and its network entities amount to € 40,000.

Other information

As required by law, the total fees due to directors and statutory auditors are shown below:.

Position	Fee
Directors	900,000
Board of Statutory Auditors	93,000

Off-balance sheet commitments, guarantees and contingent liabilities

Pursuant to article 2427.9 of the Italian Civil Code, off-balance sheet commitments, guarantees and contingent liabilities are shown below:

Sureties and collateral

The company did not issue off-balance sheet sureties or collateral.

Commitments

This item may be analysed as follows:

	31/12/2017	Increase	Decrease	31/12/2018
Commitments taken on by the company	678,497,339	257,975,886	210,311,661	726,161,564
Other memorandum accounts	148,947,026	81,393,559	30,948,004	199,392,581
	827,444,365	**339,369,445**	**241,259,665**	**925,554,145**

Commitments taken on by the company refer to the contractually-agreed commitments for the residual amount of the work to be performed (OIC 23.28).

Other memorandum accounts, which include insurance and bank sureties issued in favour of contracting bodies, may be analysed as follows:

- Insurance and bank sureties to customers as a performance guarantee totalling € 144,921,613;
- Insurance sureties to customers as release of guarantee withholdings on work totalling € 2,232,827;
- Insurance sureties to customers as a guarantee for advances received for work totalling € 48,631,296;
- Insurance sureties as a guarantee for various contractual commitments totalling € 3,606,845.

Contingent liabilities

The company has no contingent liabilities.

These financial statements, consisting of a Balance Sheet, Profit and Loss Account, Cash Flow Statement and these Notes, give a true and fair view of the company's financial position, financial performance and cash flows as at and for the year ended 31 December 2018 and are consistent with the accounting records.

Dear Shareholders,

we propose that you:

- discuss and approve the financial statements at 31 December 2018 which show a net loss of € 53,523,511;

- carry forward the net loss for the year of € 53,523,511.

As required by law, this document will be filed under the double filing mechanism. These notes to the financial statements will thus be prepared using the so-called “XBRL taxonomy” to enable digital processing (as required by the Register of Companies managed by the Chambers of Commerce in compliance with article 5.4 of Prime Ministerial Decree no. 304 of 10 December 2008). The double filing mechanism is necessary since the notes to the financial statements prepared under the “XBRL taxonomy” are not sufficient to present the company's position in accordance with the principles of clarity, fairness and truthfulness as set forth under article 2423 of the Italian Civil Code.

Chairman of the Board of Directors
Alfonso Toto

Company Registration no. 02208250692
REA no. 160647

TOTO S.p.A. COSTRUZIONI GENERALI

Managed and coordinated by TOTO HOLDING S.p.A. Single-member company

Registered office in VIALE ABRUZZO 410 - 66100 CHIETI (CH)
Share capital € 50,000,000.00 fully paid up

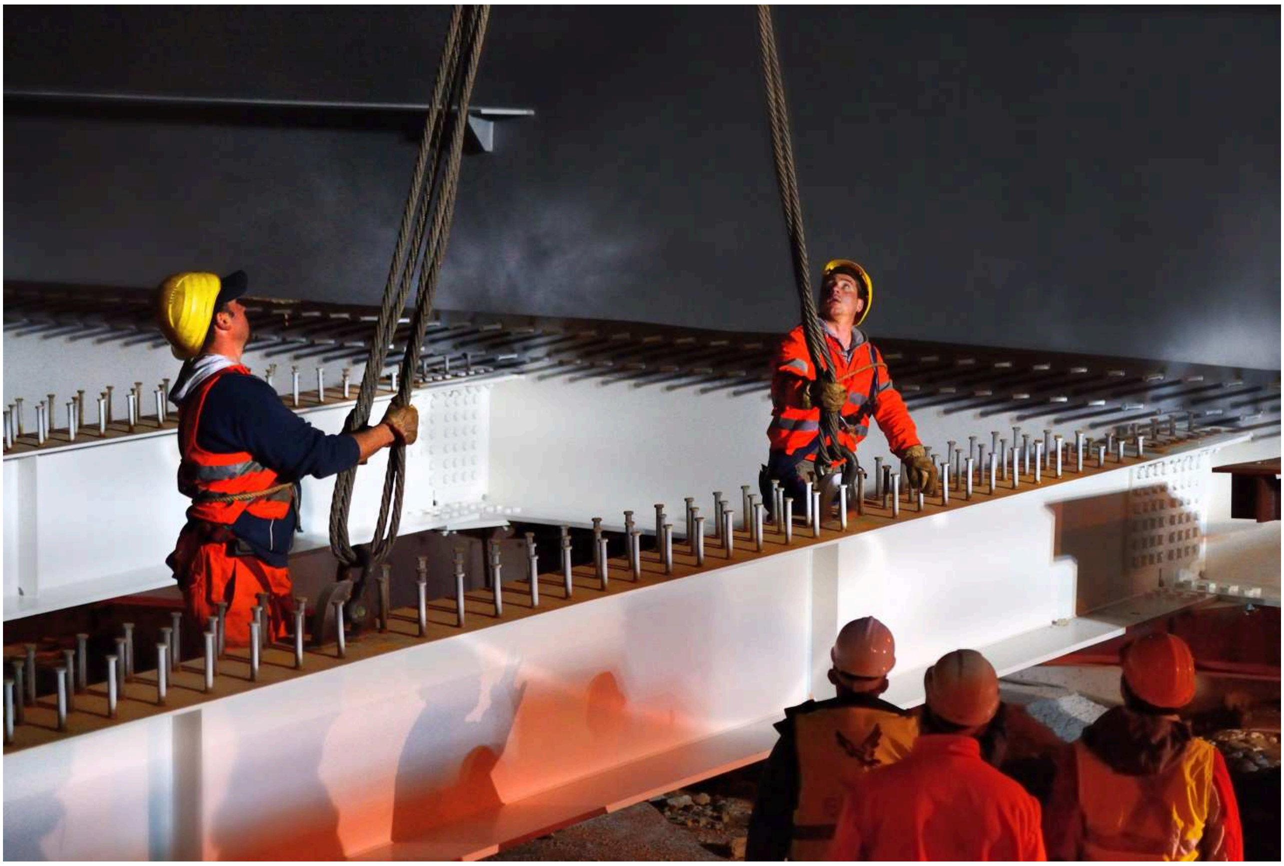
Cash flow statement for the year ended 31 December 2018

Cash flow statement Toto S.p.A.

	2018	2017
A. Cash flows from operating activities (indirect method)		
Net profit (loss) for the year	(53,523,511)	1,817,386
Income taxes	(13,311,085)	2,454,683
Net interest expense	7,029,678	5,106,961
Dividends		
(Gains)/losses on the sale of assets	0	0
1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses on the sale of assets	**(59,804,918)**	**9,379,030**
Accruals to provisions	6,398,818	1,656,102
Amortisation/depreciation	1,700,967	1,922,362
Impairment losses	4,038,759	311,567
Other adjustments for non-monetary items	(3,170,597)	0
Total adjustments for non-monetary items	*8,967,947*	*3,890,031*
2. Cash flows before changes in NWC	**(50,836,971)**	**13,269,061**
Decrease/(increase) in inventory	3,098,439	(14,731,346)
Decrease/(increase) in trade receivables	(2,183,391)	8,412,922
Increase /(decrease) in trade payables	(14,147,101)	15,300,038
Decrease in prepayments and accrued income	2,497,107	717,531
Decrease in accrued expenses and deferred income	(169,106)	(268,318)
Other changes in NWC	38,137,143	7,608,218
Total changes in net working capital	*27,233,091*	*17,039,045*
3. Cash flows after changes in NWC	**(23,603,880)**	**30,308,107**
Net interest paid	(6,598,464)	(6,131,095)
Income tax	(2,419,354)	(770,092)
Use of provisions	(2,387,614)	(3,053,061)
Other non-monetary changes in provisions (included in NWC)		
Total other adjustments	*(11,405,432)*	*(9,954,248)*
4. Cash flows after other adjustments	**(35,009,312)**	**20,353,859**
Cash flows from /used in) operating activities (A)	**(35,009,312)**	**20,353,859**
B. Cash flows from investment activities		
Tangible fixed assets	(226,391)	(260,713)
Intangible fixed assets	(8,048)	(159,111)
Financial fixed assets	30,689,306	(17,517,913)
Current financial assets	556,942	213,008
Sale or purchase of subsidiaries or business units, net of liquid funds	0	0
Cash flows used in investing activities (B)	**31,011,809**	**(17,724,729)**

C. Cash flows from financing activities		
Third party funds		
Decrease in short-term bank loans and borrowings	(21,346,877)	(9,448,569)
Loans taken out	15,000,000	0
Intragroup loans taken out	31,274,783	
Increase (decrease) in long-term bank loans and borrowings	(11,049,139)	4,388,376
Own funds		
Share capital increase against consideration		
Sale (purchase) of own shares		
Other changes in NE	784,120	(340,171)
Dividends (and interim dividends) paid		
Cash flows from (used in) financing activities (C)	**14,662,887**	**(5,400,364)**
Increase (decrease) in liquid funds (A +/- B +/- C)	**10,665,384**	**(2,771,234)**
Closing liquid funds	11,646,936	981,552
Opening liquid funds	981,552	3,752,786
Increase/(decrease) in liquid funds	**10,665,384**	**(2,771,234)**

Chairman of the Board of Directors
Alfonso Toto



2018 Financial Statements

Board of statutory auditors' report

TOTO S.p.A. COSTRUZIONI GENERALI

Single-member company limited by shares managed and coordinated by Toto Holding S.p.A.

Registered office in VIALE ABRUZZO, 410 - 66013 CHIETI SCALO (CH) Share capital €50,000,000 fully paid up

Report of the Board of Statutory Auditors on the financial statements at 31 December 2018 pursuant to article 2429 (2) of the Italian Civil Code

Dear Shareholder,
during the year, the Board of Statutory Auditors operated in accordance with the law and the rules of conduct issued by the Italian Accounting Profession.
This report has been approved by the board and was submitted in time for its filing with the company's office, having acknowledged the sole shareholder's waiver of the terms pursuant to article 2429 (3) of the Italian Civil Code.
The Board of Directors provided the following documentation about the year ended 31 December 2018:
- draft financial statements, including the notes thereto;
- cash flow statement;
- directors' report.

Supervisory activities pursuant to article 2403 and following articles of the Italian Civil Code

With respect to the supervisory activities carried out, we confirm the following:
- the company's core business did not change during the year and is consistent with its business object;
- the organisational structure and the IT equipment are substantially unchanged;
- the workforce is substantially unchanged compared to production volumes;
- the above is confirmed indirectly by checking the profit and loss account figures for the year against those of the previous year.

Consequently, this report summarises the information to be reported pursuant to article 2429 (2) of the Italian Civil Code about:
- the activities carried out to fulfil the duties required by the law;
- he comments and proposals about the financial statements, specifically with respect to the possible use by the directors of the waiver permitted by article 2423 (4) of the Italian Civil Code;
- the company's net profit for the year.

Activities carried out

We operated throughout the entire year during which we met in accordance with the provisions of article 2404 of the Italian Civil Code.

During our periodic checks, we acknowledged the company's business development, focusing, in particular, on contingent and/or extraordinary issues to identify the impact on the financial position, financial performance and cash flows of the year, as well as any risks. In this respect, we discussed technical and specific issues with the departments' heads.

We regularly assessed the adequacy of the company's organisational and functional structure and any changes therein based on operating needs.

The relevant employees worked on the basis of mutual collaboration, respecting their individual roles.

In conclusion, based on our checks, we confirm that:

- the decisions made by the shareholder and the Board of Directors complied with the law and the by-laws and were not risky or such to jeopardise the integrity of the company's assets;
- the information about the company's overall performance, its outlook and most significant transactions carried out by the company, in terms of amount or characteristics, was obtained, including pursuant to article 2381 (5) of the Italian Civil Code;
- the transactions carried out complied with the law and the by-laws and were not in contrast with the shareholder’s decisions or such to jeopardise the integrity of the company's assets;
- there are no specific remarks to be made about the adequacy of the company's organisational structure, its administrative or accounting system or the latter's reliability in fairly representing the company's operations;
- during the performance of our supervisory activities, no other significant facts were noted which require disclosure in this report;
- there were no omissions by the Board of Directors that triggered the obligations to act pursuant to article 2406 of the Italian Civil Code;
- no claims were received pursuant to article 2408 of the Italian Civil Code;
- no claims were submitted pursuant to article 2409 (7) of the Italian Civil Code;
- we did not issue any legally-required opinions during the year.

Comments and proposals about the financial statements and approval thereof

The company assigned the engagement to perform the statutory audit of its financial statements to Pwc S.p.A., an audit company registered with the Register set up by Ministry of Justice.
Based on the information obtained from the Independent Auditors, no significant figures were identified or such to be disclosed in this report.
On today's date, the Independent Auditors issued their report pursuant to article 14 of Legislative decree no. 39/2010, stating that the financial statements give and true and fair view of the company's financial position as at 31 December 2018 and the financial performance and cash flows for the year then ended, in accordance with the Italian legislation governing their preparation.
Finally, the Independent Auditors also confirmed that the directors' report is consistent with the financial statements and complies with the applicable law.
We also examined the draft financial statements. In this respect, we note the following:
- we checked the structure of the draft financial statements and their overall compliance with the law to the extent of structure and format and we have nothing to report in this respect;
- the accounting policies applied to assets and liabilities are consistent with the provisions of article 2426 of the Italian Civil Code;
- we checked compliance with the laws governing the preparation of the directors' report. In this respect, there are no remarks to be included in this report;
- the Board of Directors did not avail of any of the waivers permitted by article 2423 (4) of the Italian Civil Code in the preparation of the financial statements;
- we checked that the financial statements complied with the facts and information we became aware of while fulfilling our duties and we have nothing to report in this respect;
- we are in favour of the recognition of development costs of € 5;
- we read the report of the Supervisory Body. In this respect, we did not identify any critical issues about the organisational model such to be included in this report.
The directors described the net loss of the year which was mainly due to non-recurring events.
These events accentuated the factors causing the domestic crisis and resulted in a slowdown in ordinary operations, impacting the financial position and the adequate fulfilment of some commitments, especially with the tax authorities, also subject to instalments.
The directors also confirmed the company’s ability to continue as a going concern, based on that set out in the 2019 budget and the 2018-2022 business plan, thanks to its ability to return to financial balance already in 2019 and the group’s ability to generate the cash flows necessary to support the company’s financial needs.

Net loss for the year

The company's net loss for the year ended 31 December 2018 amounts to €53,523,511. We have nothing to report about the Board of Directors’ proposed allocation of the net loss for the year included in the notes to the financial statements.

Conclusions

Based on the above and the checks carried out, we are unanimously in favour of the approval of the draft financial statements at 31 December 2018, as they stand.

Chieti, 29 April 2019

Board of Statutory Auditors

GIOVANNI SMARGIASSI	Chairman	
FRANCESCO CANCELLI	Standing auditor	
VITO GIUSEPPE RAMUNDO	Standing auditor	

2018 Financial Statements

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT PURSUANT TO
ARTICLE 14 OF LEGISLATIVE DECREE NO. 39
OF 27 JANUARY 2010

TOTO S.p.A. COSTRUZIONI GENERALI

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2018

Independent auditors' report

pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholder of Toto S.p.A. Costruzioni Generali

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Toto S.p.A. Costruzioni Generali (the "company"), which comprise the balance sheet as at 31 December 2018, the profit and loss account, the cash flow statement for the year then ended and notes thereto.
In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters - Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Toto S.p.A. Costruzioni Generali does not extend to such data.

Responsibilities of the directors and board of statutory auditors ("Collegio sindacale") of Toto S.p.A. Costruzioni Generali for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian legislation governing their preparation and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.
The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant

doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. *39/10*

The directors of Toto S.p.A. Costruzioni Generali are responsible for the preparation of the company's directors' report at 31 December 2018 and for the consistency of such report with the related financial statements and its compliance with the applicable law.
We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report, with the financial statements of Toto S.p.A. Costruzioni Generali at 31 December 2018 and its compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report is consistent with the financial statements of Toto S.p.A. Costruzioni Generali at 31 December 2018 and has been prepared in compliance with the applicable law.
With reference to the statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the company and its environment obtained through our audit, we have nothing to report.

Pescara, 29 April 2019

PricewaterhouseCoopers S.p.A.

(signed on the original)

Stefano Amicone

(Director of Audit)