



# TOTO S.p.A. Costruzioni Generali

## Financial Statements at 31 December 2019

*Vision is the art of seeing  
what is invisible to others.*

Jonathan Swift



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## Company

### **TOTO S.p.A. COSTRUZIONI GENERALI**

Registered office in Viale Abruzzo 410, 66013 Chieti Scalo (CH)

Share capital € 50,000,000 fully paid up

Company Registration No. 02208250692

REA (Economic Administrative Index) No. CH-160647

## Corporate Bodies

### **BOARD OF DIRECTORS<sup>1</sup>**

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

### **BOARD OF STATUTORY AUDITORS<sup>2</sup>**

Giovanni Smargiassi	Chairman
Vito Ramundo	Standing auditor
Francesco Cancelli	Standing auditor

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers S.p.A.<sup>3</sup> Independent auditors

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<sup>1</sup> The Board of Directors of TOTO S.p.A. Costruzioni Generali was appointed on 14 May 2018. Its term of office expires with the approval of the financial statements at 31 December 2020.

<sup>2</sup> The Board of statutory auditors was appointed on 14 May 2018. Its term of office expires with the approval of the financial statements as at 31 December 2020.

<sup>3</sup> PWC S.p.A. were appointed for the 2019-2021 period by the Meeting of Shareholders of TOTO S.p.A. Costruzioni Generali on 30 April 2019.

## Glossary

AMBRA – Ambra S.r.l.

ANAS – National Autonomous Roads Corporation

ALPITEL – Alpitel S.r.l.

ARMAFER – Armafer del Dott. Michele Morelli S.r.l.

TJV - Temporary Joint Venture

ADE – Tax authority

ALITEC – Alitec S.p.A.

ASPI – Autostrade per l'Italia S.p.A.

AVIAGRICOLA – Azienda Aviagricola Abruzzese S.r.l.

CAI – Compagnia Aerea Italiana S.p.A.

CAS - Consorzio per le Autostrade Siciliane

COCIV – Consorzio Collegamenti Integrati Veloci

CEFALU' – CEFALU S.c.a r.l.

DIRPA - DIRPA S.c.a r.l.

ESIM – ESIM S.r.l.

FORUM – FORUM S.r.l.

GALLERIA DI TENDA – GALLERIA DI TENDA S.c.a r.l.

GDKKiA – Poland's road and motorway operator

GROUP – Toto Holding Group

ICI – ICI Italiana Costruzioni Infrastrutture S.p.A.

IMC – I.M.C. S.r.l. in liquidation

INFRA – Infraengineering S.r.l.

INIZIATIVE IMMOBILIARI – Iniziative Immobiliari S.a.s.

INTERSUN – Intersun S.r.l.

ITALFERR – Italferr S.p.A.

JV - Joint Venture

PGS – Parchi Global Services S.p.A.

BP – Business Plan

PONTEPO – Pontepo S.c.a r.l.

RENEXIA – Renexia S.p.A.

RENEXIA SERVICES – Renexia Services S.r.l.

SDP – Strada dei Parchi S.p.A.

SELI – Seli Overseas S.p.A.

RADIMERO – Radimero S.c.a r.l.

TH – Toto Holding S.p.A.

TOTO WITH TADDEI – Toto Costruzioni Generali S.p.A in association with Taddei S.p.A. S.c.a r.l.

TOTO CG – Toto S.p.A. Costruzioni Generali

TOTO CONSTRUCTION – Toto Construction Corporation

TOTO RE – Toto Real Estate S.p.A.

TOTO TECH – Toto Tech S.p.A.

VEZZOLA – Vezzola S.p.A.



## Management report

### Foreword

The financial statements at 31 December 2019 show a net loss of € 9,542 thousand. This report has been prepared in accordance with article 2428 of the Italian Civil Code and accompanies the financial statements.

It provides information about the Company and its operating results. This report, in which all amounts are expressed in euro units, accompanies the financial statements and provides information about the Company's profit and loss account, balance sheet, financial position and results of operations, together with historical data and forward-looking assessments, where possible.

The reclassified profit and loss account, the reclassified balance sheet and the statement of changes in net equity of Toto Holding S.p.A. Costruzioni Generali for 2019 are provided and commented on in this report, with corresponding figures for the previous year.

## Operating conditions and business development

TOTO CG has been operating for over 50 years in the construction sector and has developed considerable experience in the management of complex road and railway infrastructure projects for the main public and private customers, in Italy and abroad. The Company is specialised in tunnelling, using both traditional methods and mechanised technology, and in the construction of large bridges and viaducts in structural metalwork, using arches or large beams of pre-stressed reinforced concrete. Toto is also among the leading companies in Italy in the heavy prefabrication sector, and has been so for over thirty years. This consolidated experience in the construction of complex infrastructures has allowed the Company to undertake a process of industrial development, and to progress from ordinary contractor to general contractor and EPC contractor, for the execution of complex “turnkey” projects.

The Company undertakes work on behalf of public and private customers, including: ANAS, ASPI, ITALFERR, SDP, GDKKIA, local authorities. With its well-established presence throughout Italy, Toto has also grown internationally in the last twenty years and has carried out work in the Middle East and Eastern Europe.

## Governance and corporate structure

Toto CG is a joint-stock company managed and coordinated by the sole shareholder Toto Holding S.p.A.

Toto Holding S.p.A. is the parent of the industrial group with the same name that operates through subsidiaries in different business sectors, including the design and construction of infrastructures, residential and industrial buildings; motorway network management; renewable energy; services; engineering and real estate management.

Graph 1 – Group structure (Main business sectors)



Within the group, Toto CG works directly and indirectly in the design and construction of infrastructures and residential and industrial buildings. In Italy, it is one of the top building firms specialised in the design and construction of large-scale transport infrastructures.

Toto CG also operates in Italy through its subsidiaries. A brief description of these and their main data as at 31 December 2019 are provided below:

### CEFALU' S.c.a r.l.

The consortium company was established on 13 December 2018 by TOTO CG (77.99%) and ICI S.p.A. (22.01%) to carry out the works contracted by RFI/ITALFERR concerning the detailed technical design and construction of the new double-track railway line on the section of the Palermo-Messina line between Cefalù Ogliastrillo and Castelbuono. The lot is approximately 12.3 km long, and the whole section will be modified with respect to the existing line. The project envisages the construction of the dual-bore Cefalù tunnel and underground station, the single-bore S. Ambrogio tunnel and respective descent tunnel, and the Malpertugio tunnel. Overall, TOTO CG will build around 20 km of new tunnels. The contractual agreement was signed on 11 June 2012. As at 31 December 2019, the total value of the contract was € 374,549 thousand, and the value of the portion allocated to TOTO CG was € 349,493 thousand.

Table 1 – Cefalù S.c.a r.l. Financial statements highlights

Description	2019	2018	Change	% change
Production revenues	11,374,977	0	11,374,977	100%
EBIT	2,621	0	2,621	100%
Financial income (expenses)	(1,691)	0	(1,691)	100%
Net profit (loss) for the year	<b>0</b>	<b>0</b>	<b>0</b>	<b>100%</b>
Total assets	11,491,332	0	11,491,332	100%
Liabilities	11,481,332	0	11,481,332	100%
Net equity	<b>10,000</b>	<b>0</b>	<b>10,000</b>	<b>100%</b>

#### PONTEPO S.c.a r.l.

The consortium company was established on 7 March 2017 by Toto CG (77.73%) and Vezzola S.p.A. (22.27%) for the contract awarded by the Province of Mantua for the detailed technical design and construction of the new bridge over the river Po along the former SS 413 “Romana” road in the municipalities of Bagnolo San Vito and San Benedetto. At the time it was awarded, the contract value was € 24,773 thousand. This increased to € 25,295 thousand following the variance report.

Table 2 – Pontepo S.c.a r.l. Financial statements highlights

Description	2019	2018	Change	% Change
Production revenues	6,385,598	2,971,715	3,413,883	115%
EBIT	(18,269)	29,855	(48,124)	-161%
Financial income (expenses)	(942)	(4,518)	3,576	-79%
Net profit (loss) for the year	<b>0</b>	<b>0</b>	<b>0</b>	<b>0%</b>
Total assets	5,316,515	8,555,350	(3,238,835)	-38%
Liabilities	5,306,515	8,545,350	(3,238,835)	-38%
Net equity	<b>10,000</b>	<b>10,000</b>	<b>0</b>	<b>0%</b>

#### ALITEC S.p.A.

The company, in which TOTO CG holds a 95.54% stake, owns a long-abandoned industrial complex extending over a total area of 165,000 square metres, located in Chieti Scalo, to be used as a craft production area. ALITEC is currently working on a new real estate development project called “Mall Of Sport” (“MOS”) which envisages the construction of a mall focused on sports (sports, related services, sale of sports-related technical products).

Financial data for the year ending on 31 December 2019 show a loss of € 134,491. This was mainly due to fixed operating costs and to charges that refer to borrowings from the parent TOTO CG.

Table 3 – ALITEC S.p.A. Financial statements highlights

Description	2019	2018	Change	% Change
Production revenues	364,102	115,000	249,102	217%
EBIT	25,884	(2,732,990)	2,758,874	-101%
Financial income (expenses)	(226,128)	(149,136)	(76,992)	52%
Net profit (loss) for the year	<b>(134,491)</b>	<b>(2,856,484)</b>	<b>2,721,993</b>	<b>-95%</b>
Total assets	45,561,723	45,537,913	23,810	0%
Liabilities	8,590,914	8,432,613	158,301	2%
Net equity	<b>36,970,809</b>	<b>37,105,300</b>	<b>(134,491)</b>	<b>0%</b>

#### AMBRA S.r.l.

The company was set up in 2004 and TOTO CG holds a 98.55% interest. AMBRA constructed a building complex called "Agorà", located in Chieti Scalo. The work was completed in early 2009 and a total of 197 building units were constructed. AMBRA is continuing with sales of the property units still on the market.

Financial data for the year ending on 31 December 2019 show a loss of € 3,020 thousand, essentially due to the write-down in the year to align the book value of the properties with their estimated market value.

Table 4 – AMBRA S.r.l. Financial statements highlights

Description	2019	2018	Change	% Change
Production revenues	(2,770,819)	(43,669)	(2,727,150)	6245%
EBIT	(2,934,944)	(156,776)	(2,778,168)	1772%
Financial income (expenses)	(16,608)	(28,005)	11,397	-41%
Net profit (loss) for the year	<b>(3,019,595)</b>	<b>(176,433)</b>	<b>(2,843,162)</b>	<b>1611%</b>
Total assets	3,954,144	7,143,367	(3,189,223)	-45%
Liabilities	1,803,756	2,294,658	(490,902)	-21%
Net equity	<b>2,150,388</b>	<b>4,848,709</b>	<b>(2,698,321)</b>	<b>-56%</b>

#### 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 CG undertook a reorganisation that involved the transfer of its "machine fleet" business unit made up of machinery, plant, equipment and related personnel to TOTO TECH.

Financial data for the year ending on 31 December 2019 show a loss of € 533,793.

Table 5 – TOTO TECH S.r.l. Financial statements highlights

Description	2019	2018	Change	% change
Production revenues	6,527,424	5,152,808	1,374,616	27%
EBIT	(812,997)	(792,708)	(20,289)	3%
Financial income (expenses)	(163,873)	(34,041)	(129,832)	381%
Net profit (loss) for the year	<b>(533,793)</b>	<b>(555,643)</b>	<b>21,850</b>	<b>-4%</b>
Total assets	24,515,359	24,400,046	115,313	0%
Liabilities	8,096,753	7,447,647	649,106	9%
Net equity	<b>16,418,606</b>	<b>16,952,399</b>	<b>(533,793)</b>	<b>-3%</b>

### I.M.C. S.r.l. in liquidation

I.M.C operates in the road barrier production and installation sector. The company, in a TJV with TOTO CG, was awarded the contract to replace the road traffic safety barriers of the A/24 – A/25 Motorways, which it completed. The company was placed in liquidation in May 2016. Financial data for the year ending on 31 December 2019 show a loss of € 44,448.

Table 6 – I.M.C. S.r.l. in liquidation Financial statements highlights

Description	2019	2018	Change	% change
Production revenues	21,386	8,383	13,003	155%
EBIT	3,800	1,728	2,072	120%
Financial income (expenses)	(48,277)	(4,147)	(44,130)	1064%
Net profit (loss) for the year	<b>(44,448)</b>	<b>(3,561)</b>	<b>(40,887)</b>	<b>1148%</b>
Total assets	1,210,232	1,213,274	(3,042)	0%
Liabilities	1,549,311	1,507,905	41,406	3%
Net equity	<b>(339,079)</b>	<b>(294,631)</b>	<b>(44,448)</b>	<b>15%</b>

Lastly, TOTO CG operates abroad through branch offices that it has set up to facilitate its participation in international tenders and develop business opportunities in new markets. In detail:

- TOTO S.p.A. COSTRUZIONI GENERALI (MIDDLE EAST BRANCH), with registered office in Dubai, UAE, established in 2012.
- TOTO SOCIETA PER AZIONI COSTRUZIONI GENERALI SPÓŁKA AKCYJNA ODDZIAŁ W POLSCE, with registered office in Warsaw, Poland, established in 2015.
- TOTO S.p.A. COSTRUZIONI GENERALI CZ odstepny zavod, with registered office in Prague, Czech Republic, established in 2016.

TOTO CONSTRUCTION CORPORATION, with registered office in Baltimore, Maryland (U.S.A.), was also established in 2018.

## Macroeconomic Context

### The International Economy

The slowdown in the world economy and the contraction in global trade continued in 2019. Significant risks affected the expansion of international economic activity, attributable to protectionist tensions, which eased following negotiations between the parties, the economic slowdown in China and the time frame and arrangements for the United Kingdom's withdrawal from the European Union. The main central banks adopted highly expansionary monetary policies.

The United States and Japan saw a slowdown in GDP growth, as did the United Kingdom, where companies ran down their inventories accumulated as a precaution ahead of the original Brexit date, at the end of March 2019. However, economic growth indicators improved in the last quarter.

In China and India, economic activity lost momentum in the spring and throughout the summer months, before stabilising towards the end of the year. Brazil and Russia reported a slight recovery, although growth remained low. The decline in international trade, which began in 2018, continued in 2019, although there was a return to growth in the third quarter in both the emerging and the advanced economies. Unfortunately, the outlook for world trade continues to be unfavourable.

In August, trade tensions between the United States and China, which have been affecting global trade since 2018, intensified. The US administration raised tariffs on imports from China and the Chinese government, in turn, increased duties on imports from the United States. In December, trade negotiations between the two countries led to an agreement in principle that includes the suspension of some of the tariff increases previously envisaged, although duties are still high compared to those in force two years ago. In October 2019, the United States announced new tariffs of between 10 and 25 per cent on imports of specific products from Europe, as a compensatory measure, authorised by the World Trade Organisation, to offset the state subsidies given to the aerospace consortium Airbus.

According to projections released by the OECD, the world economy grew by 2.9 per cent in 2019, at its slowest rate since the global financial crisis of 2008-09. The weakness of world trade and manufacturing output continue to weigh on economic activity. According to estimates by Banca d'Italia, international trade increased by just 0.6 per cent in 2019, and will accelerate slightly in 2020. The risks for global growth remain downward-biased; although the risks of an escalation of trade tensions between the United States and China, and of the United Kingdom leaving the European Union without a deal have been reduced, there has been a sharp increase in geopolitical tensions, especially between the United States and Iran, and there are still concerns that the Chinese economy might slow more than expected.

*(source: Banca d'Italia – Economic Bulletin – January 2020).*

### The Italian economy

Italy's GDP, which grew by 0.1 per cent in the third quarter, buoyed by domestic demand and especially household spending, remained substantially unchanged in the last quarter. Overall in 2019, GDP rose by around 0.2 per cent.

Based on the latest cyclical indicators, industrial output decreased in the last quarter. The businesses that took part in a survey conducted by Banca d'Italia reported a slight expansion of their investment plans for 2020. The increase in disposable income recorded in 2019, also due to a slight improvement in the labour market, boosted household spending in the summer months; the propensity to save remained practically unchanged.

In the third quarter, Italian exports reflected weak growth in international trade. Nevertheless, the current account surplus remains ample and Italy's net international investment position is still close to balance. In recent months, there has been substantial foreign investment in Italian government bonds; this has improved Banca d'Italia's negative balance on the TARGET2 European payment system, which was further reduced with the introduction of the new remuneration system for bank reserves held with the Eurosystem.

Banks continued to offer relaxed lending terms: they reported an easing of credit standards and the cost of credit for households has fallen significantly. Business loans contracted slightly, consistent with the weakness of demand. The proportion of new non-performing loans continued to be limited, despite the unfavourable cyclical phase. Italian government bond yields started to rise in mid-October, reflecting a similar trend in other euro-area countries. Share prices benefited from the easing of trade tensions and from the publication of better than expected euro-area macroeconomic data.

Official assessments indicate that the budgetary provisions approved in December for the three-year period from 2020 to 2022 will increase net borrowing by 0.7 percentage points of GDP on average per year compared to its current legislation level. After stabilising in 2020, the Government's plans indicate that net borrowing and debt will decline in 2021 and 2022 as a percentage of GDP. According to the quarterly account estimates released by Istat, in the first nine months of 2019 net borrowing amounted to 3.2 per cent of GDP, compared to 3.4 per cent in the same period of 2018.

*(source: Banca d'Italia – Economic Bulletin – January 2020).*



### The construction sector in Italy

The Italian economy continues to lack the fundamental contribution of a strong sector, i.e., the construction industry, which has experienced a profound crisis in recent years and been unable to support the economy as it did during the previous period of expansion between 1998 and 2008 when investment in construction increased by +28.4% and GDP by +16.1%.

The few positive signs that have appeared should not be seen as a trend reversal but, rather, as physiological changes, often imperceptible within the industry and among the general public, in a sector where growth is at a record low.

According to estimates by ANCE, in 2019 investment in the construction sector increased by 2.3%, in real terms, in line with the forecast it issued at the beginning of that year.

This is linked to continuing positive performance of the private residential and non-residential sector and a first "positive" sign for public works.

The increase is truly negligible, considering production has dropped by more than a third, resulting in the closure of some 130 thousand firms and the loss of 640 thousand jobs.

The Istat index for production in the construction sector showed a growth trend of 2.9% in construction for the first ten months of last year. Although 2019 marked the third consecutive year in which production increased (+0.7% in 2017 and +1% in 2018), after getting off to a good start, the pace of growth then slowed in the second half of 2019.

Figures published by Istat also show that investments in construction rose by a further 2.5% in 3Q 2019 in relation to the same period of the previous year, but slowed compared to the significant increases seen in the previous two quarters (+6% in 1Q 2019 and +3.4% in 2Q 2019). Overall, investments increased by 4.0% in the first nine months of 2019.

Preliminary estimates for 2019 indicate a 2.9% increase in the amount of investments in public non-residential buildings. Measures introduced by the Government in recent years at last seem to be having some effect on investment levels. With reference to the public works segment as a whole, despite an increase in investments by local authorities, the latest analyses by Ance confirm the persistence of difficulties and uncertainties in the large infrastructure sector for major investors, such as Anas and Ferrovie, owing to the overly long approval procedures for the respective Programme contracts, which have led to delays in respect of time schedules.

*(source: Ance - Construction industry observatory - January 2020).*

## Performance and operating results

Against this economic background, despite implementing all the necessary strategies and synergies, it was impossible for TOTO CG to remain immune to the economic downturn and the profound crisis that has significantly penalised all Italian companies in this sector.

In financial year 2018 the crisis in the construction sector had a particularly negative impact on the economic and financial performance of TOTO CG, which reported a significant loss owing to a notable reduction in production volumes and limited profit margins of contracts in progress.

2019 ended with a net loss of € 9,541 thousand. While this cannot be considered satisfactory, in relation to the profit levels and margins achieved in 2017, 2016 and previous years, it can be interpreted as an indicator of economic recovery when compared with financial year 2018.

The profit margin (EBITDA), though still well below previous levels, was positive again, at € 3,375 thousand. The increase in the EBITDA margin actually reflects a trend reversal, which was also confirmed by production revenues, which reached one of the highest levels in the last five years.

Table 7 - Earnings over the last 5 years

Description	2019	2018	2017	2016	2015
Production revenues	154,154,092	101,751,629	150,179,795	178,272,986	141,287,610
EBITDA	3,375,157	(49,227,945)	12,021,256	21,704,261	22,271,109
Net profit (loss)	(9,541,898)	(53,523,511)	1,817,386	8,149,258	5,648,576

Performance in 2019 was significantly affected by the € 10.7 million loss recorded by the Polish branch as a result of the significant increase in costs and charges sustained by the company during the performance of works, due to the fault of the customer.

Given the evident lack of cooperation by the Polish customer to manage and resolve the issues raised by the company, the latter terminated the contract for breach by the customer.

It is worth noting that other leading Italian contractors operating in Poland have found themselves in exactly the same position as our company, and had to terminate their contracts for breach by the same customer or, in some cases, their contracts have been terminated by the customer.

Works for stage two of the urgent safety measures involving the A24 and A25 motorways (so-called M.I.S.U. Project) under the contract awarded to TOTO CG by motorway operator SDP had a positive impact on performance in the year. The start of these works benefited profit margins in 2019.

The start of operating activities for the Cefalù contract in the second half of 2019 also produced positive effects in terms of profit margins, given the size of the order book (€ 349.5 million).

## Significant events

### Radimero contract

Consorzio Collegamenti Integrati Veloci (COCIV) issued a call for tenders for civil works and the construction of structures along the line and related works from Pk 9+700.00 to Pk 27+455.00, as part of the project to construct the HS/HC section of the "Giovi Third Tunnel" – VALICO RADIMERO LOT. TOTO CG and Seli Overseas S.p.A. (hereinafter "SELI") made a joint offer for the contract as a Temporary Joint Venture (TJV), stating that, if they were awarded the contract, they would carry out the works together, establishing a limited liability consortium for that purpose. At the end of the selection procedure, the contract was awarded to the TJV. The contract was signed on 30 January 2018 and Società Consortile Radimero S.c.a r.l. was established on 9 February 2018.

In the performance stage of the contract, the company Grandi Lavori Fincosit S.p.A., with a 100 per cent interest in SELI, found itself in serious financial difficulty and, as a consequence, filed a request with the Court of Rome to enter into an arrangement with creditors on a going concern basis. Within the framework of this procedure, Salini Impregilo S.p.A., parent of COCIV, submitted an irrevocable offer to acquire SELI. TOTO CG thus expressed its intention to withdraw from the contract and from the TJV since, as a result of the aforesaid acquisition, SELI, a partner of the TJV, and COCIV, the contracting authority, were owned by the same company.

Consequently, on 29 March 2019, TOTO CG and SELI signed an agreement concerning the withdrawal of TOTO CG from the contract and from the TJV as from 1 February 2019. The agreement acknowledged the entitlement of TOTO CG to receive a consideration in exchange for its transfer of the rights and obligations in connection with the performance of the contract, in the amount of € 7,286,505, and in exchange for its interest in RADIMERO, for an amount equal to the nominal value of the shares initially subscribed.

### Poland S05 contract

TOTO CG in a joint venture with Vianini Lavori S.p.A. was awarded a contract in Poland for the *construction of a 16 km stretch of the S5 Poznan – Breslavia highway.*

The contract between the joint venture, of which TOTO CG is the lead enterprise, and the customer GDKKIA was signed on 30 July 2015. The areas were handed over on 21 August 2015.

The completion date was initially set as 30 November 2017, but this had to be extended several times during the performance of the contract, due to a series of events for which TOTO CG was not in any way responsible.

On 24 May 2019 the Customer unilaterally decided to set 1 June 2019 as the new project completion date. TOTO CG did not agree to this deadline, because this new extension was granted after a delay of more than six months and left only six days before the new completion date. The Customer repeatedly behaved in this way during the performance of the contract, obliging the JV to work on a "day-to-day" basis and preventing it from planning construction site activities in an organised and structured manner, so that the work was carried out under the constant risk of penalties. The Customer also postponed decisions that were important for the correct scheduling of activities and never had any intention of considering the claims put forward by the JV.

Therefore, on 4 June 2019, TOTO GC gave GDKKIA notice of termination of the contract in accordance with article 640 of the Polish Civil Code, with *ex tunc* effects, on the grounds of lack of cooperation by the Customer in performance of contractual obligations. As at the date of termination of the contract, 82.15 per cent of the work had been completed. Immediately after serving such notification, the Company set about dismantling the construction site, completing these activities in September. It also reduced its staff working on the project in order to keep structural costs to a minimum.

During the performance of the contract, TOTO CG, guaranteed by a Bulgarian insurance undertaking, had to provide three separate first demand guarantees for a total of PLN 76,119 thousand (€ 17,882 thousand). In detail:

- A performance bond for PLN 52,924 thousand (€ 12,434 thousand) to guarantee the correct execution of all contractual obligations.
- An advance payment bond for PLN 13,880 thousand (€ 3,261 thousand) to guarantee the sum paid in advance by the entity awarding the contract.
- A Milestone 1 bond for PLN 9,315 thousand (€ 2,188 thousand) to guarantee penalties that would have accrued following any delays in attainment of the targets agreed upon in the contract, referred to as "Milestone 1".

After receiving the notice of termination of the contract, on 4 June 2019, GDKKIA attempted to activate the guarantees, seeking payment of:

- PLN 25,731 thousand (€ 6,045 thousand) by way of penalties due for termination of the contract.
- PLN 9,315 thousand (€ 2,188 thousand) for failure to reach Milestone 1.
- PLN 13,019 thousand (€ 3,058 thousand) for failure to reach Milestone 2.
- PLN 54,900 thousand (€ 12,897 thousand) to obtain reimbursement of amounts paid to suppliers by GDKKIA on behalf of TOTO CG (solidarity payments).
- PLN 4,086 thousand (€ 960 thousand) for repayment of the remainder of the sum paid in advance.

Within the scope of proceedings on the merits to ascertain, in advance, whether GDKKIA was entitled to impose the penalties and enforce the bonds, on 6 November 2019 TOTO CG, through its lawyers in Poland, applied to the Polish court to order GDKKIA not to enforce the guarantees or impose the penalties pending a decision on the merits of the case. The request to prevent the enforcement of the bonds is based on the fact that the contract was terminated due to the actions and fault of the Customer. The proceedings on the merits of the case were also modified for the same reason. In detail, in its application TOTO CG requested:

- Cancellation of the penalties of PLN 25,731 thousand (€ 6,045 thousand) for termination of the contract.
- Cancellation of the penalties of PLN 9,315 thousand (€ 2,188 thousand) and PLN 13,019 thousand (€ 3,058 thousand) for failure to reach Milestone 1 and Milestone 2, respectively.
- Recognition of termination of the contract with *ex tunc* effect and the award of damages in the amount of PLN 294,650 thousand (€ 69,219 thousand).
- As an alternative to the above point, recognition of termination of the contract *ex nunc* and the award of damages in the amount of PLN 126,077 thousand (€ 29,618 thousand).

Pending a decision on the merits of the case by the Court of Warsaw in Poland, TOTO CG has made several applications in Poland, Bulgaria and Italy against the enforcement of the guarantees. To date, the applications lodged with the Court of Sofia and with the Court of Rome referring to the enforcement of the performance and milestone bonds have been allowed. The Company awaits news on the outcome of the applications to prevent the enforcement of the advance payment bond in Poland, Bulgaria and Italy.

#### [Czech Rep. contract](#)

The JV set up by TOTO CG, its local partner GEOSAN GROUP and the Kazakh company SP Sine Midas Stroy LLC was awarded a construction contract commissioned by RSD (Ředitelství Ssilnic a dálnic ČR) to modernise a section of the D1 motorway between Brno and Prague in the Czech Republic.

The contract between the JV and RSD was signed on 30 January 2018 and the works were delivered on 11 April 2018.

Right from the start, the contractual relationship between the JV and the customer was particularly difficult, with much conflict between the parties as delays built up and work fell behind schedule due to unexpected physical obstacles encountered during the performance stage as a result of design errors (in the project put out for bids by the customer). By December 2018 these delays amounted to several weeks and, when it became clear that no agreement could be reached with the customer with regard to the necessary changes to the project, on 18 December 2018 the partner GEOSAN decided to terminate the contract and take appropriate legal action against RSD.

In January 2019 the JV gave RSD details about how it had calculated the cost of the work carried out up to the date of termination of the contract, at current market rates, as totalling CZK 789.6 million (€ 31.0 million). Meanwhile, the JV also submitted a claim for CZK 279.8 million (€ 11.0 million), calculated as the difference between the total value of the work actually carried out at current market rates, the work progress certificates signed by the customer and the contractual advance received.

On its part, RSD submitted a claim for CZK 137.0 million (€ 5,392 thousand) to cover the additional costs incurred following the termination of the contract, in addition to the penalties that will be discussed later on in this report.

The case has not yet been brought before the competent court in the Czech Republic, for reasons that will be discussed later on in this report.

During the performance of the contract, the JV issued two bank guarantees in favour of RSD:

- An advance payment bond for CZK 262.3 million (€ 10.3 million) securing repayment of the sum paid in advance.
- A performance bond for CZK 174.9 million (€ 6.88 million) to ensure completion of the contract.

Under the JV agreement, TOTO CG and GEOSAN were to issue half of the guarantees each. However, for reasons not attributable to TOTO CG, the entire advance payment bond was issued by GEOSAN, also on behalf of TOTO CG. TOTO CG issued its share of the performance bond, equal to CZK 87.4 million (€ 3.4 million).

When the contract was terminated, RSD claimed it was entitled to contractual penalties for CZK 60.1 million (€ 2.4 million) and, on these grounds, it attempted to call the performance bond issued by TOTO CG.

To block the calling of the performance bond for the counter-guaranteed portion, TOTO CG instructed its lawyers to appeal under article 700 of the Italian Code of Civil Procedure against the enforcement of the surety issued by BPM in Milan (subject to Italian law) in favour of the Czech bank that issued the performance bond (Ceska Spořitelna).

TOTO CG's lawyers applied to the Court of Rome for an injunction against the calling, without prior hearing of the other side, according to articles 669-*bis*, 669-*ter*.1 and 3, and 700 of the Italian Code of Civil Procedure; on the same day, the judge hearing the matter issued a ruling setting the term for serving the order and convening the parties for the adversarial hearing. At the hearing on 8 May, the judge set 30 May 2019 as the deadline for the parties to file any additional pleadings.

With order dated 12 February 2020 the Italian judge rejected the request for an injunction, declaring that the Court lacked jurisdiction, on the basis of previous orders regarding similar situations. An appeal was filed against the order. The hearing was scheduled for 27 March 2020 but then postponed as a consequence of the public health emergency caused by the Covid-19 outbreak. A new date for the hearing has yet to be set.

In any case, on 4 April 2019, at the request of GEOSAN, the Court of Prague also issued an order suspending the enforcement of the performance bond. Subsequently, at the beginning of May 2019, GEOSAN initiated relevant proceedings against RSD as requested by the Czech Court with the aforesaid order. TOTO CG also appeared *in adiuvandum* in such case, applying in the Czech Republic for a measure to prevent Ceska Bank from requesting BPM for payment within the scope of the aforesaid case between Geosan S.A. and RSD. The application was lodged on 13 March 2020.

In the light of the above preventive measure and also as ordered by the Czech court, GEOSAN also had to bring an action to establish which solution should prevail, that of the JV or that of the customer, RSD. The outcome of such action, which is pending, will constitute a preliminary ruling in respect of the action to be brought by the JV against the Customer to seek damages for termination of the contract.

In 2019 GEOSAN started two arbitration procedures against TOTO CG in the Czech Republic, specifically arbitration procedures RSP No. 125/19 and No. 170/19.

On 24 January 2019, following the termination of the contract by the JV, RSD enforced the advance payment bond for CZK 262.3 million (€ 10.3 million) issued by GEOSAN on behalf of the JV for the total amount. GEOSAN subsequently started arbitration procedure RSP No. 125/19 before the Court of Arbitration in the Czech Republic to demand that TOTO CG repay 50 per cent of the guarantee.

On 15 July 2019 the Board of Arbitrators notified the parties of its ruling, which was against TOTO CG, ordering the latter to pay CZK 142.6 million (€ 5.6 million) inclusive of legal fees, interest and other costs incurred in connection with the arbitration procedure. GEOSAN started enforcement action in the Czech Republic, but in Italy the request to enforce the ruling had not yet been filed with the Court of Appeal in L'Aquila.



This arbitration award has, in any case, been challenged before the Court of Appeal in Prague, with a request to suspend the enforcement of the award, on the grounds of two procedural errors, in particular:

- the absence of a specific arbitration clause in the addendum to the JV agreements put forward by GEOSAN;
- non-compliance with the principle that both sides should be heard.

On 12 November 2019, the Court of Appeal in Prague issued an interim measure in *ex parte* proceedings, suspending the enforcement of the award. GEOSAN duly appealed before the Supreme Court of Prague against the measure suspending the enforcement of the award. On 24 April 2020, the Supreme Court of Prague allowed the appeal by GEOSAN against the suspension of the enforcement of the award. It thus annulled the ruling of the Municipal Court of Prague, on the grounds of two procedural errors, one regarding the absence of reasoning on the *periculum* and the other for breach of procedural rules in respect of the party ordering the suspension. The Supreme Court thus referred the case back to the Court of Appeal in Prague for a decision based on the grounds outlined above.

On 20 May 2020, TOTO CG was served notice of the *exequatur* of the award issued by the L'Aquila Court of Appeal. Although the ruling by the president of the Court of Appeal states that a foreign arbitration award is enforceable in Italy, it cannot be enforced until the time specified for an appeal has elapsed. At the time of writing, legal steps are being taken to lodge an appeal with the Court of Appeal in L'Aquila against recognition of the award in Italy.

Arbitration procedure No. 170/19 was started on 17 April 2019, on the matter of repayment of 50 per cent of the amounts paid to suppliers of the JV by GEOSAN also on behalf of TOTO CG. The total request is for CZK 68.2 million (€ 2.7 million). TOTO CG is of the opinion that it is not obliged to pay, arguing in particular that GEOSAN failed to comply with the approval procedures as set forth in the JV agreements and basically managed most of the sub-contracts of its own accord.

The arbitration award was issued on 18 November 2019. The award rejected the request by GEOSAN, which was deemed premature, and established that GEOSAN could not take steps to share the losses incurred by the JV until the date of closure of the accounts of the latter.

Therefore, on 27 December 2019, GEOSAN gave TOTO CG notice of termination of the JV agreement for just cause, with effect as from 31 December 2019. In a letter dated 24 January 2020, TOTO CG informed GEOSAN that the JV agreement could not be regarded as having ended and urged the latter to meet its contractual obligations to disclose information by providing economic and financial data about the JV as at 31 December 2019 (financial statements of the TGS JV at 31 December 2019). Such information has yet to be received.

## La Spezia contract

As is known, given the conduct of ANAS, which confirmed its total lack of willingness to resolve the significant issues that, since the contract take-over date (end of 2014), have prevented the regular performance of works, TOTO CG claimed damages for termination of the contract and 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 (€ 47,537,469). In response, with communication No. 428790 of 8 August 2018, ANAS declared the contract terminated for breach by the contractor, on the grounds that TOTO CG had arbitrarily suspended the works upon service of the writ of summons. This decision was merged in the above ruling.

Previously, in 2017, TOTO CG had summoned ANAS before the Court of Rome (ruling R.G. 65886/2017 - Section 9, company affairs division) to obtain payment of claims for compensation and additional costs, as recognised during the course of the contract (€ 99,305,665, of which € 93,160,485 accrued).

At the preliminary hearing held on 14 June 2018, ANAS requested that the two cases be combined, considering the notification of the deed under ruling R.G. 49268/2018 concerning the damages for contract termination. The Judge reserved his decision to the hearing of 11 October 2018.

The two cases were combined during the hearing on 11 October 2018 and the deadlines for filing the various briefs were set, pursuant to article 183.6, points 1, 2 and 3 of the Italian Code of Civil Procedure. Such deadlines were duly met.

The hearing to examine the preliminary requests was then held on 16 October last year, at the end of which the Judge reserved pronouncement of his decision. Subsequently, putting aside such reservation, with the Order dated 23 October the Court declared the need to appoint a technical expert (as requested by Toto CTU) and defined the assessments to be carried out thereby (timeliness, eligibility and merits of the claims, determination of any amounts due to the contractor in relation to the claims, etc.), postponing the appointment of such expert until 5 March 2020. However, the Order actually only refers to matters concerning the ruling on the claims in the case before the Court of Rome (R.G. 65886/2017) and not to those concerning the ruling on the termination of the contract (R.G. 49268/2018). The Company's lawyers therefore conferred with the judge hearing the case, who clarified that he had not correctly evaluated the need to/appropriateness of extending the scope of activity of the technical expert to the issue referred to in the second writ of summons. He therefore proposed they submit a specific request stating the additional aspects to be examined by the technical expert, in addition to those already defined. This request was duly filed.

The hearing for the swearing of the oath by the expert was held on 5 March 2020. On that occasion, the Company's lawyers pointed out that the order to reword the aspects to be examined had not yet been issued. Acknowledging this, the Judge adjourned the hearing until a date to be defined.

The Judge subsequently reworded the aspects to be examined and fixed the date of the hearing for the expert to take the oath for 15 October 2020.

With respect to these combined rulings, the following should be noted, especially regarding case R.G. 65886/2017, concerning claims.

The initial claim was for € 99,305,665, of which € 93,160,486 accrued. Indeed, claim 62 – concerned with the correct calculation of safety charges - had been determined in the writ of summons as the amount accrued at that time for the work already performed (€ 3,476,510), while also stating the total amount which would have accrued upon completion of the work (€ 8,273,758). Clearly, owing to the subsequent termination of the contract, the safety charges will not have accrued as above upon completion of the work.

In addition, at the time of filing the brief pursuant to article 183.6.1 of the Italian Code of Civil Procedure (deadline: 17 March 2019), the amount of the claims was increased by the additional amounts recognised after the date the writ of summons was notified, hence, to cover the whole of the interim payment certificate (SAL 13) for works up to 9 April 2018, totalling € 22,546,335. Consequently, the total amount was increased to € 115,706,821, as follows: € 93,160,486 + € 22,546,335 = € 115,706,821.

Conversely, the amount related to ruling R.G. 49268/2018, of € 47,537,469, is unchanged.

### Cefalù contract

On 21 October 2019 TOTO CG served a writ of summons on ITALFERR to appear before the Court of Rome to seek recognition of the technical provisions recognised in the accounts for claims for additional costs in respect of those specified in the contract. TOTO CG subsequently expressed its willingness not to pursue legal action any further were ITALFERR to initiate an amicable settlement procedure in accordance with article 240 of Legislative Decree No. 163/06.

In a letter dated 30 October 2019, ITALFERR agreed to set up a Committee for the amicable settlement procedure pursuant to article 240 of Legislative Decree No. 163/2006. As a result, TOTO CG did not lodge the writ of summons with the Court. The case therefore never started.

The matter concerns a total of 46 claims recognised up to interim payment certificate (SAL) No. 22 dated 30 April 2019, for a total of € 233,208 thousand, of which € 176,587 accrued at the date of reference.

At the time of writing, TOTO CG awaits the Committee's opinion.

### Ritiro Viaduct contract

As regards the claims for additional payments submitted to CAS by TOTO CG, the amicable settlement procedure envisaged by article 240 of Legislative Decree No. 163/06 was initiated in 2019 to calculate the claims recognised by TOTO CG up to interim payment certificate (SAL) 23, which totalled € 28,604 thousand at 26 November 2019. Subsequently, on 11 September 2019, the current Head of the Inter-regional Public Works Department for Sicily and Calabria was appointed as Chairman, completing the Committee, in accordance with article 240 of Italian Legislative Decree No. 163/06, to calculate the claims recognised by TOTO CG.

On 6 March 2020, the Committee proposed an amicable settlement amounting to € 6,890 thousand. TOTO CG endorsed the decision in a letter dated 17 March 2019. The entity awarding the contract subsequently also confirmed its willingness to proceed and agreed to the proposed amicable settlement in the amount determined by the Committee.

Procedures are underway to define and sign the amicable settlement agreement in accordance with article 240 of Legislative Decree No. 163/06.

## Intermodale

INTERMODALE 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 Temporary Joint Venture between 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. The structure is currently managed by the operator.

With respect to the review of the Business Plan of INTERMODALE, given the inactivity of the Abruzzo Region, in 2017 the TJV served a writ of summons 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 TJV to immediately return to a break-even position. The case was filed under number RG 1309/2017.

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.

Once the briefs had been filed pursuant to article 183.6 of the Italian Code of Civil Procedure, the hearing to examine the preliminary requests was held on 28 October 2019. INTERMODALE'S lawyers insisted on the appointment of a technical expert and the judge reserved the right to decide. The Judge subsequently agreed to the need for a technical expert and set the date of 18 May 2020 for the hearing to appoint said expert and for the swearing of the oath. This hearing was subsequently postponed (due to the COVID-19 emergency situation) until 21 September 2020.

## Order book

As at 31 December 2019, TOTO CG's order book amounted to € 607.4 million (€ 788.1 million at 31 December 2018).

Table 8 - Order book

Contract	Customer	Contract value	Share (%) Toto CG	Order book	Order book	Difference
				31 Dec. 2019	31 Dec. 2018	
Cefalù	Italfer	374.5	93%	333.3	315.1	18.2
Ritiro viaduct	C.A.S.	43.5	100%	24.6	31.6	(7.0)
Marana	Anas	46.1	100%	42.9	45.0	(2.1)
Res. Bridge over Po	Prov. Mantua	25.3	100%	17.7	21.4	(3.7)
M.I.S.U.	SDP	154.8	100%	88.1	154.8	(66.7)
Miscellaneous orders	SDP	16.0	100%	4.5	3.6	0.9
Poland - S61	Gdkkia	100.4	100%	96.2	99.6	(3.4)
Poland - S05	Gdkkia	99.8	100%	0.0	19.8	(19.8)
Radimero	COCIV	183.6	100%	0.0	97.1	(97.1)
<b>Total</b>				<b>607.4</b>	<b>788.0</b>	<b>(180.6)</b>

The order book as at 31 December 2019 decreased by € 180.6 million compared with the end of financial year 2018, due to the execution of works in 2019, the disposal of the Radimero contract and the termination of the Poland - S05 contract.

### Cefalù contract

The Cefalù contract was awarded by ITALFERR to the TJV set up by TOTO CG, ICI, ESIM, APLPITEL and ARMAFER for the detailed technical design and execution of works for the construction of the new railway line on the section between Cefalù Ogliastrillo – Castelbuono, of the Palermo – Messina line. The project extends over approximately 12.3 km, and the whole section will be modified with respect to the existing line. It envisages the construction of the dual-bore Cefalù tunnel, approximately 6,800 metres in length, the new underground station at Cefalù, the single-bore, double-track S. Ambrogio tunnel and respective descent tunnel, and the Malpertugio tunnel. Overall, TOTO CG will build around 20 km of new tunnels.

The contract agreement was signed on 11 June 2012, for a total value of € 338.6 million. This amount was later increased to € 374.5 million following the stipulation of the second addendum (25 July 2019) that ratified an increase in the contract amount for safety works and charges.

This increase was necessary to adjust the project expenditure plan in view of engineering activities following in-depth investigations carried out in 2018. In detail, a technical variance report was drawn up to solve some geological problems that were brought to light during tests carried out on the S. Ambrogio tunnel.

Operating activities at the work site progressed slowly in 2019, and mainly regarded the works taken over by TOTO CG at the end of 2018 from the partner ICI, as well as tunnel entrances and the S. Ambrogio tunnel window.

#### M.I.S.U. contracts

TOTO CG carries out in-house works assigned by SDP, operator of the A24 and A25 motorways. In 2018 SDP awarded TOTO CG the contract for works to ensure the safety of the A24 and A25 motorways as part of a set of urgent measures known as the M.I.S.U. project. The contracts mainly regard work to improve the seismic capacity of several viaducts along the two motorways managed by SDP, the upgrading of existing structures and, in the most critical cases, the demolition and reconstruction of entire viaducts, (piers and decks).

Planned activities also include the stabilisation of slopes prone to landslide and the overhaul of some motorway junctions. The total value of the contract is € 154.8 million.

In 2019 work started at the various construction sites along the entire motorway. Work activities, which began in the first half, continued throughout the second half of the year and involved some 500 units comprising labourers and contract staff.

#### Poland S61 contract

In 2018 TOTO CG and GDDKIA signed the contract for the design and construction of the S-61 Ostrów Mazowiecka-Szczuczyn highway, section: Łomża Zachód - Kolno, for a length of approximately 12.922 km [S61] + DK64 [GP] 6.963 km. The contractual amount was PLN 427.4 million (€ 100.1 million). The deadline for completion is 2 November 2021.

Final design work was carried out in the first half of 2019, as set out in the contract (design and build). The final design of the lot was completed and delivered to the customer on 8 August 2019 in order to initiate the procedure for obtaining the construction permit (originally scheduled for December 2019).

Pending receipt of the construction permit and completion of all expropriation procedures by third parties, work on the detailed technical design got underway in August 2019.

The procedure to obtain the construction permit has undergone several delays, for reasons not attributable to the Company, and is currently about 280 days behind schedule. The Company has already asked the Customer for an extension of the deadline.

Moreover, a number of “unforeseen geological events” emerged during the detailed technical design process, following site surveys in 2019 which obtained different geotechnical and stratigraphic results to those supplied by the customer in the tender specifications.

The detailed technical design is now being developed based on the new stratigraphic data.

The findings of these geological-geotechnical surveys resulted in a claim for recognition of additional works and longer execution times (approximately 260 days). The Company has already asked the Customer to extend the deadline and submitted a claim for additional payments.

Owing to these longer execution times, and the delays in obtaining the necessary permits, completion is now scheduled for summer 2023 instead of November 2021 (+540 days).

#### Ritiro Viaduct contract

C.A.S. awarded the Ritiro Viaduct contract to TOTO CG for the detailed technical design and works to improve the static and seismic capacity of the “RITIRO VIADUCT” on the A20 motorway linking Messina and Palermo. This will be done by reinforcing the piers and foundations and replacing the decks with new, structurally different steel-concrete composite decks with a continuous girder. The contract was signed on 17 June 2015 and the works were delivered on 29 April 2016. The value of the contracted works is € 43.5 million.

In addition to operating activities at the construction site, which continued according to schedule in 2019, and as requested by the Customer, the Company developed a project to resolve a number of technical problems related to the reinforcement of the viaduct piers that emerged during the work, not included in the original project. Therefore, as well as following the instructions of the Civil Engineering Authority in Messina in order to obtain the authorisation to carry out works to reinforce foundations 10D and 8S partially interfering with the bed of the Badiazza river, a specific technical variance report worth around € 8,479 thousand was drawn up and approved in accordance with the laws in force, in addition to the main contract. The Company has been granted a further 18 months in which to complete the works as per the aforesaid additional technical variance report, starting from the date on which the authorisation to commence the works is received. This extension takes into account the nature and size of the works to be undertaken as well as the inevitable delays due to the need to reschedule supplies of new materials and reorganise work at the construction site.



### Pontepo contract

The Pontepo contract, which includes the detailed technical design and reconstruction of the bridge over the Po river – formerly SS413 “Romana” – in the municipalities of Bagnolo San Vito and San Benedetto, was awarded by the Province of Mantua to the TJV established by TOTO CG and VEZZOLA. The contract was signed on 22 December 2016 for a total value of € 24.8 million, which subsequently increased to € 25.3 million following the adoption of the first additional variance report.

Activities did not continue according to work site schedules in the second half of the year. This was mainly due to unexpected trends in river water levels in relation to seasonal statistics, but also to the fact that the sub-contractor chosen to supply the structural metalwork decided to withdraw from the contract owing to financial problems. In view of this situation, the provincial authority agreed to subsequent extensions of the deadline for completion of works, for a total of 205 days.

### Marana contract

ANAS awarded the Marana contract to TOTO CG on 5 April 2017. The total value of the contract was € 41.5 million, subsequently increased to € 46.1 million following the adoption of variance reports. The contract, for the detailed technical design and construction of “S.S. No. 260 Picente”, Amatrice - Montereale - L’Aquila, lot IV from the Marana junction to the Cavallari junction, was awarded by ANAS on 3 October 2018.

Activities continued according to construction site schedules during the year.

### Poland S5 contract

As regards the Poland S5 contract for the detailed technical design and construction of the 16 km stretch of the S5 Poznan - Breslavia highway (for further details, reference should be made to the paragraph on “Significant events”), on 24 May 2019 the last extension of the contractual period granted by the Customer was signed with reservation. Then, on 4 June 2019, the Company notified the Customer of its termination of the contract and claim for damages owing to the Customer’s obvious lack of cooperation in the management of the contract. The Company then immediately set about dismantling the construction site, completing these activities in September. It also reduced its staff working on the project in order to keep structural costs to a minimum.

## Capital, financial position and operating results

### Profit and loss account

The table below shows the profit and loss account reclassified on a management accounts basis and accompanied by prior year corresponding figures:

Table 9 – Reclassified profit and loss account

Profit and Loss Account	2019	2018	Change	% change
Net revenues	148,994,744	103,878,655	45,116,089	43%
External costs	(112,940,171)	(127,504,392)	14,564,221	11%
<b>Added value</b>	<b>36,054,573</b>	<b>(23,625,737)</b>	<b>59,680,310</b>	<b>253%</b>
Personnel costs	(35,656,523)	(34,014,065)	(1,642,458)	-5%
Other income	5,159,348	13,136,128	(7,976,780)	-61%
Other operating costs	(2,182,241)	(4,606,389)	2,424,148	53%
<b>EBITDA</b>	<b>3,375,157</b>	<b>(49,110,063)</b>	<b>52,485,220</b>	<b>107%</b>
Amort./deprec., write-downs and other provisions	(3,742,249)	(9,708,811)	5,966,562	61%
<b>EBIT</b>	<b>(367,092)</b>	<b>(58,818,874)</b>	<b>58,451,782</b>	<b>99%</b>
Financial income and charges	(8,294,650)	(7,147,559)	(1,147,091)	-16%
Adjustments to financial assets	(3,848,594)	(868,162)	(2,980,432)	-343%
<b>EBT</b>	<b>(12,510,336)</b>	<b>(66,834,595)</b>	<b>54,324,259</b>	<b>81%</b>
Income taxes	2,968,438	13,311,084	(10,342,646)	-78%
<b>Net profit (loss)</b>	<b>(9,541,898)</b>	<b>(53,523,511)</b>	<b>43,981,613</b>	<b>82%</b>

Net revenues (€ 148,995 thousand), increased by € 45,116 thousand compared with the end of the previous year. This item includes consideration for works approved by customers, production up to 31 December 2019 and claims submitted for additional costs.

External costs (€ 112,940 thousand) decreased by € 14,564 thousand compared with 31 December 2018 (-11%). This resulted in a significant improvement in added value, which was negative for € 23,626 thousand at 31 December 2018 and positive for € 36,055 thousand at 31 December 2019.

Personnel costs increased by € 1,643 thousand to € 35,657 thousand (€ 34,014 thousand at 31 December 2018). The increase was due to the combined effect of the increase in the cost of blue-collar workers (€ 2.8 million) and the reduction in white collars (€ 1.2 million). The increase in the cost of blue collars reflects performance of the Cefalù and Strada dei Parchi contracts which together gave rise to an increase of around 150 units and of approximately 36,000 hours worked compared to 2018. The reduction in white collars was due to the reorganisation of the headquarters, which led to some employees leaving the Company and others moving to other Group companies.

Earnings before interest, taxes, depreciation and amortisation (€ 3,375 thousand) returned to positive territory, rising by € 52,485 thousand compared with 31 December 2018.

EBITDA, though positive at 31 December 2019 (€ 3,375 thousand) and notably better than in the previous year, was significantly affected by the negative results of the Polish branch, which reported EBITDA negative by € 10,554 owing to significantly higher costs, as discussed previously. EBITDA net of the loss linked to the Polish branch stood at € 13,929 thousand.

Amortisation, depreciation and provisions (€ 3,742 thousand) had a significant impact on operating earnings (EBIT), which amounted to € 367 thousand. This item mainly relates to write-downs in 2019 for impairment losses on certain assets and the additional accrual to the provision to hedge risks in connection with the dispute in the Czech Republic that was set up at the end of 2018.

Net financial charges at the end of the year amounted to € 8,295 thousand, increasing by € 1.2 million in relation to 2018. Interest payable to the parent TH (€ 2,301 thousand), financial charges on the advance payment received in the previous year in connection with the securitisation of technical provisions (€ 2,391 thousand) and unpaid interest on arrears and deferred payments (€ 2,192 thousand) all had a significant impact.

Adjustments to financial assets, negative for € 3,849 thousand, mainly regard write-downs in 2019 for impairment losses in relation to the investment in AMBRA (€ 2,909 thousand), the investment in TOTO TECH (€ 683 thousand) and in bonds issued by Banca Popolare di Bari (€ 250 thousand).

## Balance sheet

The balance sheet reclassified on a financial basis is given below accompanied by prior year corresponding figures:

Table 10 – Reclassified balance sheet

Balance sheet	2019	2018	Change	% change
Intangible fixed assets	53,580	110,753	(57,173)	-52%
Tangible Fixed Assets	7,720,383	8,034,723	(314,340)	-4%
Financial fixed assets	76,300,845	79,077,977	(2,777,132)	-4%
<b>Fixed assets</b>	<b>84,074,808</b>	<b>87,223,453</b>	<b>(3,148,645)</b>	<b>-4%</b>
Inventory	134,993,531	113,245,586	21,747,945	19%
Trade receivables - third parties	5,256,764	13,125,167	(7,868,403)	-60%
Inter-company trade receivables	30,684,197	55,257,757	(24,573,560)	-44%
Tangible fixed assets held for sale	44,297,824	47,079,153	(2,781,329)	-6%
Tax receivables	21,574,407	16,675,036	4,899,371	29%
Other receivables	19,752,483	9,112,484	10,639,999	117%
<b>Current assets</b>	<b>256,559,206</b>	<b>254,495,183</b>	<b>2,064,023</b>	<b>1%</b>
Trade payables - third parties	(66,514,935)	(63,155,286)	(3,359,649)	5%
Payments on account	(22,452,327)	(55,834,367)	33,382,040	-60%
Inter-company trade payables	(51,485,592)	(39,293,041)	(12,192,551)	31%
Tax payables and social security charges due within one year	(43,218,394)	(40,550,581)	(2,667,813)	7%
Other payables due within one year	(3,541,107)	(4,115,939)	574,832	-14%
<b>Current liabilities</b>	<b>(187,212,355)</b>	<b>(202,949,214)</b>	<b>15,736,859</b>	<b>-8%</b>
<b>Net working capital</b>	<b>69,346,851</b>	<b>51,545,969</b>	<b>17,800,882</b>	<b>35%</b>
Employees' leaving entitlement	(382,975)	(483,449)	100,474	-21%
Provisions for risks and charges	(7,487,474)	(7,190,806)	(296,668)	4%
Tax payables and social security charges due after one year	(19,718,962)	(31,430,086)	11,711,124	100%
<b>Non-current liabilities</b>	<b>(27,589,411)</b>	<b>(39,104,341)</b>	<b>11,514,930</b>	<b>-29%</b>
<b>Invested capital</b>	<b>125,832,248</b>	<b>99,665,081</b>	<b>26,167,167</b>	<b>26%</b>
Net equity	43,507,293	33,503,411	10,003,882	30%
Short-term net financial position	61,831,505	44,714,872	17,116,633	38%
Medium/long-term net financial position	20,493,450	21,446,798	(953,348)	-4%
<b>Own funds and indebtedness</b>	<b>125,832,248</b>	<b>99,665,081</b>	<b>26,167,167</b>	<b>26%</b>

The balance of fixed assets (€ 84,074 thousand) decreased by € 3,149, mainly referring to the write-down of certain assets and investments in subsidiaries.

Invested capital, amounting to € 125,832 thousand, increased by € 26,167 thousand (+26%) on the previous year. During the year, invested capital was mainly affected by:

- A € 21,748 thousand increase in "Inventory", mainly attributable to the entering of technical provisions in connection with claims submitted for additional costs and damages against certain customers.

- A € 24,574 thousand reduction in trade receivables due from Group companies, mainly attributable to the reduction to zero of receivables from the parent TH and from the subsidiary RADIMERO that was sold to SELI in 2019, as explained in the paragraph on "Significant events in 2019" to which reference should be made for details.
- A € 15,737 reduction in current liabilities mainly referring to an overall reduction in trade payables due to inter-company suppliers and advance payments billed to customers. The significant reduction in the amount of advance payments is partly attributable to the reclassification of advances billed to SDP as inter-company payables to better represent these in the accounts.
- An € 11,515 reduction in non-current liabilities, mainly due to the reduction in deferred tax payables and social security charges due after one year.

Net equity increased by € 10,004 thousand, as the net effect of the loss recorded at the end of the year (€ 9,542 thousand) and of the capital contribution (€ 20,000 thousand) by the shareholder TH which waived part of the loan due.

Finally, with respect to the net financial position at 31 December 2019, reference should be made to the paragraph on "Net financial position".

The overall analysis reveals an equity structure in which net working capital (€ 69,347 thousand) is positive gross of technical provisions (€ 93,480 thousand) and of tangible fixed assets held for sale (€ 44,298 thousand), and invested capital (€ 125,832 thousand) is funded by venture capital for € 43,507 thousand and the remainder by financial debt, of which € 61,832 thousand due within one year and € 25,007 to Toto Group companies. The increase in invested capital for the year, equal to € 26,167 thousand, is entirely funded by financial debt due after one year.

## Net financial position

The breakdown of the Company's net financial position is shown below.

Table 11 – Net financial position

Net financial position	2019	2018	Change	% change
Bank deposits	3,534,941	11,634,475	(8,099,534)	-70%
Cash-in-hand and cash equivalents	9,986	12,461	(2,475)	-20%
<b>Liquid funds</b>	<b>3,544,927</b>	<b>11,646,936</b>	<b>(8,102,009)</b>	<b>-70%</b>
Financial receivables from group companies	24,437,780	21,287,555	3,150,225	15%
Financial receivables from others	550	1,068,226	(1,067,676)	-100%
Other securities	0	254,833	(254,833)	-100%
<b>Short-term financial receivables</b>	<b>24,438,330</b>	<b>22,610,614</b>	<b>1,827,716</b>	<b>8%</b>
Bank loans and borrowings (due within one year)	(22,978,512)	(34,376,583)	11,398,071	33%
Loans and borrowings from other financial backers	(17,391,481)	(15,000,000)	(2,391,481)	-16%
Financial payables to group companies	(629,016)	(163,396)	(465,620)	-285%
Shareholder loans	(48,815,753)	(29,432,443)	(19,383,310)	-66%
<b>Short-term financial liabilities</b>	<b>(89,814,762)</b>	<b>(78,972,422)</b>	<b>(10,842,340)</b>	<b>-14%</b>
<b>Short-term NFP</b>	<b>(61,831,505)</b>	<b>(44,714,872)</b>	<b>(17,116,633)</b>	<b>-38%</b>
Bank loans and borrowings (due after one year)	(20,493,450)	(21,446,798)	953,348	4%
<b>Medium/long-term NFP</b>	<b>(20,493,450)</b>	<b>(21,446,798)</b>	<b>953,348</b>	<b>4%</b>
<b>Total net financial position</b>	<b>(82,324,955)</b>	<b>(66,161,670)</b>	<b>(16,163,285)</b>	<b>-24%</b>

At 31 December 2019, the net financial position was negative for € 82,325 thousand, an increase of € 16,163 thousand on the previous year-end balance. The main changes in 2019 were as follows:

- An increase in loans to other TOTO Group companies of € 3,150 thousand. This difference reflects the reclassification of financial items previously recorded under current assets and to interest receivable accrued in 2019.
- A decrease in bank loans and borrowings for a total of € 12,351 thousand, of which € 11,398 thousand attributable to the decrease in the portion due within one year and € 953 thousand attributable to the increase in the portion due after one year.
- A € 2,391 thousand rise in loans and borrowings from other financial backers. This item includes the € 15,000 thousand advance received in 2018 in connection with the securitisation of technical provisions. The increase during the year refers to financial charges ancillary to the transaction, including interest for the year.
- A € 19,383 thousand increase in shareholder loans. The item mainly refers to loan payments due to TH and the change reflects the net effect of disbursements during the year and the capital contribution (€ 20,000) made by TH which waived repayment of its loan, to increase the equity of TOTO CG.

The € 16,163 thousand increase in the NFP is mainly attributable to inter-company loans and borrowings, especially to the loan granted by the parent TH. As shown in the table below, third-party loans and borrowings, bank loans and borrowings and loans and borrowings from other financial backers were substantially in line with the previous year.

The breakdown of third-party loans and borrowings recognised under payables to banks and loans and borrowings from other financial backers and the respective changes as at 31 December 2019 are shown in the table below.

Table 12 – Payables to banks and to other financial backers by type

Type	2019	2018	Change	% change
Asset finance	5,454,166	9,629,914	(4,175,748)	-43%
Factoring	17,391,481	15,000,000	2,391,481	16%
Self-liquidating loans	23,141,592	38,546,766	(15,405,174)	-40%
Corporate debts	14,876,203	7,646,701	7,229,503	95%
<b>Total</b>	<b>60,863,443</b>	<b>70,823,381</b>	<b>(9,959,938)</b>	<b>-14%</b>

Asset finance payables (€ 5,454 thousand) refer to the loan agreement with WESTLB AG - Milan Branch totalling € 53 million for the purchase of the TBM used for the Variante di Valico - Lots 6/7 contract awarded by ASPI. The loan is due to expire on 15 April 2020. The change regards the repayment of the instalments due during the year.

Factoring payables (€ 17,391 thousand) refer to the securitisation transaction with KWAY SPV S.r.l., an Italian vehicle, wholly owned by King Street Capital Management, that was completed on 28 November 2018, for the sale of certain technical provisions. The contract requires the transferee to make a € 15,000 thousand advance payment and payment of the residual amount upon settlement of the disputes over claims. The amount due increased by € 2,391 thousand during the year, entirely attributable to financial liabilities maturing, including interest for the period.

Self-liquidating loans (€ 23,142 thousand) mainly refer to advances by banks in connection with construction contracts entered into with customers. Exposure decreased by € 15,405 thousand compared to 31 December 2018.

Corporate loans (€ 14,876 thousand) increased by € 7,230 thousand and mainly refer to exposure on credit lines granted by banks on ordinary current accounts.

The reduction in self-liquidating loans and the increase in corporate loans were due to the renegotiation of an advance account, originally used for the La Spezia contract, the nature and repayment schedule of which have changed as a result of said renegotiation.

The breakdown of payables to banks and other financial backers by type and due date is shown in the table below.

Table 12-bis – Payables to banks and to other financial backers by type and due date

Type	Due within one year	Due after one year	Due after five years	Tot.
Asset finance	5,454,166	0	0	5,454,166
Factoring	17,391,481	0	0	17,391,481
Self-liquidating loans	7,374,722	15,766,870	0	23,141,592
Corporate debts	10,149,624	4,726,580	0	14,876,203
<b>Total</b>	<b>40,369,993</b>	<b>20,493,450</b>	<b>0</b>	<b>60,863,443</b>



## Organisational, management, control and corruption-prevention model

TOTO CG ensures the sound and transparent management and control of its business activities in accordance with the provisions of Italian and international law, specifically:

- the requirements of Italian Legislative Decree 231/2001 governing the administrative liability of legal entities;
- the principles of Italian Law 190/202 laying down rules for the prevention and combating of corruption and illegality in public administration, and of other subsequent laws on the same subject.

Legislative Decree 231 established the principle of “administrative” (criminal) liability of entities when an offence is committed or attempted in the interests or to the advantage of the company concerned. Such liability does not replace the criminal liability of the actual perpetrator of the crime.

Law 190, on the other hand, requires companies to adopt measures, instruments and models to ensure adherence to ethical standards and full compliance with international laws governing the prevention of all forms of corruption, whether direct or indirect, and the integrity, transparency and fairness of their business activities.

The two laws converge on important aspects of the controls to be implemented to prevent corruption. Hence the need for companies to draw up a Model that addresses the requirements of Legislative Decree 231 and the corruption-prevention measures laid down by Law 190: a single tool whereby the Company ratifies its compliance with the aforesaid principles.

Toto CG also uses an Internal Audit department (set up at the Parent, Toto Holding S.p.A.) and has set up its own Supervisory Body made up of external experts.

The Internal Audit department works in a systematic and structured way to control and monitor the main risks to which the Company is exposed, acting as the Supervisory Body’s “operational arm”.

The Organisational model is thus supported by a complex, structured set of control procedures and activities aimed at preventing, or at least reducing to an acceptable level, the risk of offences being committed.

In addition to its system of governance and internal controls and for the purposes of its regulation, the Company has adopted a Code of Ethics, which supplements the Model. Together, they ensure the efficient and transparent management of processes and effective control and monitoring of risks. The Code adopted by TOTO CG lays down the basic principles of ethical conduct that guide the Company in pursuing its objectives, and with which all corporate bodies, employees and third parties are expected to comply for the purpose of preventing corruption.

The ongoing controls performed by the Internal Audit department and Supervisory Body, and the timely and effective use of disciplinary measures to punish any type of unlawful conduct ensure the proper implementation of the Model.

## Risks and uncertainties

In the course of its business activities, TOTO CG is exposed to risks and uncertainties which may be of a general or financial nature or more closely linked to the specific characteristics of the activities undertaken.

The main risk factors that are generally monitored by management regard operational risk, linked to investments in the various projects, and financial risk.

With regard to the financial statements at 31 December 2019 to be approved, the risks related to the COVID-19 pandemic, while of an operational and financial nature, need to be discussed separately.

### Risks and uncertainties linked to the possible impact of COVID-19 on business activities

The COVID-19 pandemic and subsequent measures introduced by the Italian Government to fight the spread of the virus have already had a negative impact on our business activities in the first months of 2020. Apart from the known effects, macroeconomic uncertainty has disrupted economic activity and the potential long-term impacts on our business are unknown. The extent and duration of this pandemic are still uncertain, but it will certainly have a further impact on our business. The main risks associated with current uncertainties caused by the Covid-19 outbreak are:

- Risks linked to procurement of the necessary personal protective equipment (PPE) in order for work activities to continue at construction sites.
- Risks associated with work site activities that were suspended at the beginning of the emergency, which is not yet over.
- Significant loss of revenues due to the suspension of work site activities.
- Reduction in available funds, including at the level of the Group, because of the need to pay fixed overheads in the absence of cash flows.

To mitigate the negative effects of the operational and financial risks linked to the spread of COVID-19, which will inevitably lead to a liquidity crisis, the Company and the Group are considering adopting the measures made available by the Government to help Italian businesses overcome the recession triggered by the pandemic.

The main Government measures being used by the Company and by Toto Group can be summarised as follows:

- Social welfare measures (the "CIGO" wage guarantee fund) for nine weeks starting from April.

- Regulatory tax measures introduced by the "Cura Italia" Decree-law and by the "Liquidity Decree", with which the Government suspended payments of withholding taxes, VAT and social security contributions, deferring the deadlines and suspending tax and social security payments.
- Measures to aid companies with difficulty accessing liquid funds, introduced by the Decree-law of 8 April 2020 ("Liquidity Decree"). More in detail, talks with a leading bank to quickly obtain a loan are already at an advanced stage. SACE will guarantee 90% of the six-year loan in accordance with the aforesaid Decree.
- Government measures to safeguard the liquidity of contractors introduced by article 207 of Decree-law No. 34 of 19 May 2020 ("Relaunch Decree"). More specifically, point 2 of this article allows contracting authorities to recognise an advance of up to 30% of the value of works still to be carried out, in accordance with the procedures and guarantees laid down by article 35.18 of Legislative Decree No.50 of April 2016. This applies even when the contractor has already used the advance envisaged under the contract.

#### Operational risk

The main situations involving this type of risk regard specific disputes with a number of customers in cases pending from previous years or brought in the current year. We refer, in particular, to the settlement of the disputes regarding the La Spezia, Poland - S5 and Czech Republic contracts, discussed in the paragraph on "Significant events", to which reference should be made.

#### Financial risk

The Company has identified the types of financial risk to which it is exposed and defined the relevant management policies and objectives. In the normal course of its business activities, the Company is potentially exposed to the following types of financial risk:

- liquidity risk, meaning the risk of not being able to continue operations or meet financial obligations due to inadequacy of liquid assets;
- credit risk, meaning the risk of losses resulting from ordinary trade transactions and from the possible default of a financial counterparty;
- market risk, which primarily reflects exposure to changes in interest and exchange rates related to financial assets and liabilities.

The financial risk management strategy adopted by TOTO CG complies and is consistent with the objectives of the 2020-2026 Business Plan approved by the Board of Directors, which is an integral part of the Group Business Plan for 2020-2026 approved by the Board of Directors of the parent, TH.

### *Liquidity risk*

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 effective cash flow management.

A series of policies and processes for optimising the dynamics of financial resources have been accelerated, with the purpose of managing and mitigating liquidity risk.

In particular, special attention is paid to:

- monitoring the level of liquidity available;
- optimising credit lines;
- monitoring future liquidity.

In that regard and in accordance with the objectives set out in the 2020-2026 Business Plan, the Company aims to create a financial structure which, in line with its business targets, guarantees adequate liquidity while minimising the related opportunity cost, and ensures the achievement of positive profit margins on contracts in the portfolio with concrete effects in terms of cash flows. Accordingly, the Directors are of the opinion that the Company has access to a sufficient range of sources of funding and financial options to cover foreseeable financial requirements and ensure coverage of short-term and medium/long-term commitments.

### *Credit risk*

Most of TOTO CG's customers are public bodies, solvent by nature, and private customers such as motorway operators with high credit ratings. Exposure to credit risk is therefore limited, although there is a greater risk of payment terms being extended beyond those set out in the contract.

The Company periodically monitors the credit rating of its counterparties through analyses and market research. Should a collection risk exist, the related receivables are written down. These analyses consider an estimate of recoverable cash flows, the related collection date and any guarantees received from customers.

### *Market risk in terms of changes in currency rates*

TOTO CG primarily operates in Italy and so its trade and financial transactions are for the most part in euros. In 2019, exposure to currency risk was limited to transactions in foreign currencies which refer to the contracts in Poland and the Czech Republic, as well as the translation of the financial statements of the branches in Poland, the Czech Republic and the UAE, drawn up in the respective foreign currencies.

Accordingly, TOTO CG does not have any exchange rate hedges in place given the insignificance of its foreign currency transactions. Should business in foreign markets increase in future, the Directors may consider the use of adequate hedging instruments.

*Market risk in terms of changes in interest rates*

As regards interest rate risk, fluctuations in market interest rates affect the cost of and returns on the various debt and investment instruments, and thus have an impact on net financial charges.

The Company manages this risk by closely monitoring trends and establishing the best mix of variable and fixed rates and, where appropriate, by using specific hedges.

## Environment and workforce

### Environment

During the financial year, no events occurred in relation to:

- damage caused to the environment for which the Company was found definitively guilty;
- definitive sanctions or penalties for crimes against or damage to the environment;
- emissions of greenhouse gases pursuant to Italian Law No. 316/2004 (mandatory for plants under the Emissions Trading Scheme (ETS) and optional for other companies).

TOTO CG vigorously pursued the goals of consolidation and continuous improvement of its Integrated Quality, Environment and Safety Management System which, since 2010, has been certificated by the TÜV Rheinland Group, the largest and most authoritative certification body in the world. Specifically, work on the project to meet the requirements of 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 Integrated Quality, Environment and Safety Management System Certificate and issued and confirmed the validity of the Company’s certificates.

The Company’s Integrated Quality, Environment and Safety Management System comprises all processes connected with and related to its 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

With respect to the mandatory information to be provided about the workforce, please note that, during the year, no events occurred in relation to:

- deaths at the workplace, involving employees on the payroll, in relation to which the Company was held liable at any level of appeal;
- serious accidents at the workplace resulting in serious or very serious injuries to employees on the payroll, in relation to which the Company was held liable at any level of appeal;
- charges in connection with any professional illness affecting employees or former employees and instances of harassment, in relation to which the Company was held liable at any level of appeal.

## Research and development

In accordance with article 2428.3. 1 of the Italian Civil Code, the Company did not carry out any research or development activities.

## Investments

During 2019, TOTO CG did not make significant investments in tangible or intangible fixed assets. The breakdown of the value of investments is provided below:

- Software: € 4,765.
- Plant and machinery: € 60,901.
- Industrial and commercial equipment: € 147,152
- Other tangible assets: € 66,767.

## Transactions with group companies

Details of trade and financial transactions with subsidiaries, associates, parents and subsidiaries of parents at 31 December 2019 are shown in the following tables.

Table 13 - Receivables and payables from/to TOTO Group companies.

Company	Trade receivables	Trade payables	Financial receivables	Financial payables	Financial receivables/payables for the tax consolidation scheme
<b><u>Parents</u></b>					
Toto Holding S.p.A.	592	3,921,420		48,170,617	49,746
<b><u>Subsidiaries</u></b>					
ALITEC S.p.A.	577,054		7,569,561	0	
I.M.C. S.r.l. in liquidation	15,454		1,125,722	4,590	
Ambra S.r.l.	1,036		0	403	
Toto Tech S.r.l.	26,782		1,737,693	6,850,214	
Pontepo S.c.a r.l.	4,817,328		0	3,982,772	
Cefalù S.c.ar.l.	10,459,634		245,731	8,923,136	
<b><u>Associates</u></b>					
Intermodale S.r.l.	214,164		4,932,268		
Novigal S.c.a r.l. in liquidation	0		78,557	2,484	
San Benedetto Val di Sambro S.c.a.r.l.	0	31,655	0		
<b><u>Subsidiaries of parents</u></b>					
Strada dei Parchi S.p.A.	12,223,404	24,125,403	3,805,635		
Azienda Aviagricola Abruzzese S.r.l.	109,228	2,871			
Renexia S.p.A.	20,964	2,013			
Infraengineering S.r.l.	187,101	1,997,509	0		
Parchi Global Services S.r.l.	2,105	2,260,111			
Intersun S.r.l.	12,240				
Toto Real Estate S.r.l.	1,913,070	0	4,980,414		
Renexia Services S.r.l.	54,294	10,027	38,271		
<b>Total</b>	<b>30,634,450</b>	<b>32,351,009</b>	<b>24,513,852</b>	<b>67,934,216</b>	<b>49,746</b>



Table 14 - Revenues and costs from/to TOTO Group companies.

Company	Revenues	Costs	Financial income	Financial charges
<b><u>Parents</u></b>				
Toto Holding S.p.A.	24,962	1,550,866		2,301,139
<b><u>Subsidiaries</u></b>				
ALITEC S.p.A.	2,600	115,000	234,700	
I.M.C. S.r.l. in liquidation			49,604	
Ambra S.r.l.	10,663	26,497	7,618	
Toto Tech S.r.l.	245,815	6,222,393	127,398	
Pontepo S.c.a r.l.	5,825,828	4,963,526		
Cefalù S.c.ar.l.	10,431,284	8,917,288		
<b><u>Associates</u></b>				
Intermodale S.r.l.			93,081	
Novigal S.c.a r.l. in liquidation				
San Benedetto Val di Sambro S.c.a.r.l.				
<b><u>Subsidiaries of parents</u></b>				
Strada dei Parchi S.p.A.	73,078,579	348,779	189,666	
Renexia S.p.A.	1,400			
Infraengineering S.r.l.	36,941	167,589		
Parchi Global Services S.r.l.	263,545	2,072,972		93
Intersun S.r.l.				
Toto Real Estate S.r.l.	13,258	807,234	201,423	
Renexia Services S.r.l.	4,582	8,781		
<b>Total</b>	<b>89,939,457</b>	<b>25,200,925</b>	<b>903,490</b>	<b>2,301,232</b>

Trade and financial transactions with subsidiaries, associates, parents and subsidiaries of parents do not include any atypical and/or unusual transactions and all take place on an arm's length basis.

## Own shares and shares/quotas of parents

The Company does not own quotas or shares of the parents nor has it either directly or indirectly owned any such quotas or shares over the course of the year.

## Extension of time limits

Please note that, following the outbreak of the Covid-19 pandemic and in accordance with the provisions of Decree-law No. 18 of 17 March 2020 (known as the "Cura Italia" decree), converted into Law No. 26 of 24 April 2020 (published in Official Gazette No. 110 of 29 April 2020), the Directors have taken advantage of the extended time limit for convening the Meeting to approve the financial statements at 31 December 2019. Article 106.1 of said Decree-law, on "Rules governing shareholders' meetings", envisages, among other things, the possibility of convening the meeting to approve the financial statements within 180 days of the end of the financial year, in derogation from the provisions of article 2364.2 or the provisions of the articles of association (article 17 of the articles of association in force).

## Business outlook

At present, any economic and financial forecasts must necessarily consider the implications of the COVID-19 pandemic and the measures adopted by the Government to contain the spread of the virus.

According to risk assessments provided by the Ministry of Health, the risk of severe disease associated with COVID-19 infection in Europe (EU/EEA and UK) is currently considered moderate for the general population and high for the elderly and people with underlying health conditions. The risk is very high if effective mitigating measures are not in place or if these are revoked too quickly or prematurely, with a likely new increase in cases. The risk of milder disease and the impact of this on social and economic activities is considered high.

The risk of resurgence of sustained community transmission in the EU/EEA and the UK is currently moderate if measures are phased out gradually and accompanied by appropriate monitoring systems and capacities, with the option to reintroduce measures if needed, and remains very high if measures are phased out without appropriate systems and capacities in place, with a likely rapid increase in population morbidity and mortality.

Based on information available to date and forecasts by institutional bodies and the main international experts, it is possible to imagine various scenarios for how the emergency will evolve and end, with different time frames and social and economic consequences.

According to a study by the management consulting firm McKinsey & Company, there are three possible alternative scenarios:

- *Quick recovery.*
- *Global slowdown.*
- *Global pandemic and recession.*

The quick recovery scenario already appears impossible, but from the results of the measures introduced by national governments it would seem that a global pandemic (the global pandemic and recession scenario) is not likely to occur. So, of the scenarios proposed, that of a "Global slowdown" seems the most plausible. This means that restrictions will continue throughout the second quarter of 2020 with recovery possible in the second half of the year, more or less slowly depending on the sector.

Applying this scenario to the construction sector, work site activities could return to full capacity in the second half of 2020.

Owing to the events that have taken place since the outbreak of the pandemic, the Company and the Group as a whole have had to revise their economic and financial forecasts to consider the negative impacts of COVID-19 and the effects of the measures introduced by the Government to safeguard the liquidity of Italian businesses.

In that respect, the Company and the Group have revised the 2020 budget and the Business Plan, which now covers the period up to 2026 (the Post-Covid-19 Plan).

The Business Plan for 2020 - 2026 has been prepared on the basis of possible future scenarios that are difficult to predict at present. There are still significant uncertainties about how the pandemic will evolve, including, for example, the possible need to reintroduce strict social distancing measures and suspend non-essential production activities again, and the impacts that the Government's measures to support liquidity will have on the Italian economy in the short and medium-to-longer term.

The assumptions used in drawing up the Business Plan for 2020 - 2026, while made after a careful, detailed analysis of the current situation, are based on forecasts considering future events that could differ very significantly from the actual scenarios as a consequence of events that, to date, are not reasonably foreseeable.

Chairman of the Board of Directors

Alfonso Toto

## Financial statements

BALANCE SHEET ASSETS	31/12/2019	31/12/2018
<b>A) Share capital proceeds to be received</b>		
(of which already called up)		
<b>B) Fixed assets</b>		
I. Intangible fixed assets		
2) development costs	0	5
3) industrial patents and intellectual property rights	5,771	57,368
4) Concessions, licences, trademarks and similar rights	38,047	41,506
6) Assets under development and payments on account	6,278	6,278
7) Other	3,484	5,596
<b>Total intangible fixed assets</b>	<b>53,580</b>	<b>110,753</b>
II. Tangible fixed assets		
1) land and buildings	7,038,470	7,039,231
2) plant and machinery	127,036	105,775
3) industrial and commercial equipment	121,061	23,467
4) other assets	433,816	561,890
5) Assets under construction and payments on account	0	304,360
<b>Total tangible fixed assets</b>	<b>7,720,383</b>	<b>8,034,723</b>
III. Financial fixed assets		
1) Equity investments		
a) in subsidiaries	62,675,161	65,951,293
b) in associates	5,396,112	4,897,112
d) in subsidiaries of parents	8,224,566	8,224,566
d-bis) in other companies	5,006	5,006
	<b>76,300,845</b>	<b>79,077,977</b>
2) Financial receivables		
a) from subsidiaries		
- due within one year	10,678,707	7,117,205
	<b>10,678,707</b>	<b>7,117,205</b>
b) from associates		
- due within one year	4,934,752	5,131,697
	<b>4,934,752</b>	<b>5,131,697</b>
d) from subsidiaries of parents		
- due within one year	4,323,566	9,038,653
- due after one year	4,500,755	0
	<b>8,824,321</b>	<b>9,038,653</b>
d-bis) from other companies		
- due within one year	550	1,068,226
	<b>550</b>	<b>1,068,226</b>
<b>Total financial fixed assets</b>	<b>100,739,175</b>	<b>101,433,758</b>
<b>TOTAL FIXED ASSETS</b>	<b>108,513,138</b>	<b>109,579,234</b>

C) Current assets	31/12/2019	31/12/2018
I. Inventory		
1) raw materials, consumables and supplies	12,603,532	10,453,206
3) contract work in progress	119,134,105	100,139,762
5) payments on account	3,255,894	2,652,618
<b>Total inventory</b>	<b>134,993,531</b>	<b>113,245,586</b>
II. Receivables		
1) trade receivables		
- due within one year	5,256,764	13,125,167
	<b>5,256,764</b>	<b>13,125,167</b>
2) from subsidiaries		
- due within one year	15,897,288	30,643,011
	<b>15,897,288</b>	<b>30,643,011</b>
3) from associates		
- due within one year	214,164	499,212
	<b>214,164</b>	<b>499,212</b>
4) from parents		
- due within one year	50,339	7,050,444
	<b>50,339</b>	<b>7,050,444</b>
5) from subsidiaries of parents		
- due within one year	14,522,406	17,065,090
	<b>14,522,406</b>	<b>17,065,090</b>
5-bis) tax receivables		
- due within one year	4,396,961	5,464,836
- due after one year	3,369,103	0
	<b>7,766,064</b>	<b>5,464,836</b>
5-ter) deferred tax assets		
- due within one year	13,808,343	11,210,200
	<b>13,808,343</b>	<b>11,210,200</b>
5-quater) others		
- due within one year	10,694,706	5,996,021
- due after one year	3,299,858	0
	<b>13,994,564</b>	<b>5,996,021</b>
<b>Total receivables</b>	<b>71,509,932</b>	<b>91,053,981</b>
III. Financial assets not held as fixed assets		
1) Investments in subsidiaries	0	5,100
6) Other securities	0	249,733
	<b>0</b>	<b>254,833</b>
IV. Liquid funds		
1) bank and postal accounts	3,534,941	11,634,475
3) cash-in-hand and cash equivalents	9,986	12,461
<b>Total liquid funds</b>	<b>3,544,927</b>	<b>11,646,936</b>
V. Tangible fixed assets held for sale	44,297,824	47,079,153
	<b>44,297,824</b>	<b>47,079,153</b>
<b>TOTAL CURRENT ASSETS</b>	<b>254,346,214</b>	<b>263,280,489</b>
<b>D) Prepayments and accrued income</b>	<b>5,757,919</b>	<b>3,116,463</b>
<b>BALANCE SHEET ASSETS</b>	<b>368,617,271</b>	<b>375,976,186</b>

BALANCE SHEET LIABILITIES	31/12/2019	31/12/2018
<b>A) Net equity</b>		
I. Capital	50,000,000	50,000,000
II. Share premium reserve	20,699,616	20,699,616
IV. Legal reserve	1,335,774	1,335,774
VI. Other reserves		
<i>Extraordinary reserve</i>	5,365,051	5,365,051
<i>Capital contributions</i>	20,000,000	0
<i>Currency translation reserve</i>	(193,020)	299,882
<i>Rounding</i>	0	2
VII. Cash flow hedge reserve	0	(41,542)
VIII. Profit (loss) carried forward	(44,158,230)	9,368,139
IX. Net profit (loss) for the year	(9,541,898)	(53,523,511)
<b>TOTAL NET EQUITY</b>	<b>43,507,293</b>	<b>33,503,411</b>
<b>B) Provisions for risks and charges</b>		
1) Pension and similar provisions	240,000	120,000
2) Tax provisions, including deferred tax liabilities	292,066	388,673
3) Derivatives	0	54,660
4) Other provisions	6,955,408	6,627,473
<b>TOTAL PROVISIONS FOR RISKS AND CHARGES</b>	<b>7,487,474</b>	<b>7,190,806</b>
<b>C) Employees' leaving entitlement</b>		
Employees' leaving entitlement	382,975	483,449
<b>EMPLOYEES' LEAVING ENTITLEMENT</b>	<b>382,975</b>	<b>483,449</b>

D) Payables	31/12/2019	31/12/2018
3) Shareholder loans		
- due within one year	48,815,753	29,432,443
	<b>48,815,753</b>	<b>29,432,443</b>
4) Bank loans and borrowings		
- due within one year	22,978,512	34,376,583
- due after one year	20,493,450	21,446,798
	<b>43,471,962</b>	<b>55,823,381</b>
5) Loans and borrowings from other financial backers		
- due within one year	17,391,481	15,000,000
	<b>17,391,481</b>	<b>15,000,000</b>
6) Payments on account		
- due within one year	22,452,327	55,834,367
	<b>22,452,327</b>	<b>55,834,367</b>
7) Trade payables		
- due within one year	66,514,935	63,155,286
	<b>66,514,935</b>	<b>63,155,286</b>
9) Payables to subsidiaries		
- due within one year	19,761,115	22,308,120
	<b>19,761,115</b>	<b>22,308,120</b>
10) Payables to associates		
- due within one year	34,139	94,510
	<b>34,139</b>	<b>94,510</b>
11) Payables to parents		
- due within one year	3,921,420	1,842,340
	<b>3,921,420</b>	<b>1,842,340</b>
11-bis) Payables to subsidiaries of parents		
- due within one year	28,397,934	15,211,467
	<b>28,397,934</b>	<b>15,211,467</b>
12) Tax payables		
- due within one year	36,823,442	34,995,374
- due after one year	17,608,157	30,192,228
	<b>54,431,599</b>	<b>65,187,602</b>
13) Social security charges payable		
- due within one year	6,394,952	5,555,207
- due after one year	2,110,805	1,237,858
	<b>8,505,757</b>	<b>6,793,065</b>
14) Other payables		
- due within one year	3,189,295	3,752,680
	<b>3,189,295</b>	<b>3,752,680</b>
<b>TOTAL PAYABLES</b>	<b>316,887,717</b>	<b>334,435,261</b>
<b>E) Accrued expenses and deferred income</b>	<b>351,812</b>	<b>363,259</b>
<b>BALANCE SHEET LIABILITIES</b>	<b>368,617,271</b>	<b>375,976,186</b>

<b>PROFIT AND LOSS ACCOUNT</b>			<b>31/12/2019</b>	<b>31/12/2018</b>
<b>A) Production revenues</b>				
1) Turnover from sales and services			129,315,760	101,903,615
3) Change in contract work in progress			19,678,984	1,975,040
5) Other revenues and income			5,159,348	13,136,128
<b>TOTAL PRODUCTION REVENUES</b>			<b>154,154,092</b>	<b>117,014,783</b>
<b>B) Production costs</b>				
6) raw materials, consumables, supplies and goods			41,499,766	18,977,218
7) services			50,451,227	71,181,243
8) use of third-party assets			23,139,035	32,035,312
9) personnel expenses:				
a) wages and salaries			24,636,077	24,217,428
b) social security contributions			9,211,223	8,101,564
c) employees' leaving entitlement			1,557,984	1,561,572
e) other costs			251,239	133,501
			<b>35,656,523</b>	<b>34,014,065</b>
10) amortisation, depreciation and write-downs:				
a) amortisation of intangible fixed assets			61,964	1,471,054
b) depreciation of tangible fixed assets			236,601	229,914
c) other write-downs of fixed assets			3,085,689	3,170,597
d) write-downs of current receivables			46,850	0
			<b>3,431,104</b>	<b>4,871,565</b>
11) change in raw materials, consumables, supplies and goods			(2,149,857)	5,310,619
13) other provisions			311,145	4,837,246
14) other operating costs			2,182,241	4,606,389
<b>TOTAL PRODUCTION COSTS</b>			<b>154,521,184</b>	<b>175,833,657</b>
<b>Operating profit (loss) (A-B)</b>			<b>(367,092)</b>	<b>(58,818,874)</b>
<b>C) Financial income and charges</b>				
16) other financial income:				
a) from receivables classified as fixed assets				
- from subsidiaries			419,321	181,449
- from associates			93,081	94,508
- from parents			0	734,250
- from subsidiaries of parents			391,192	219,135
d) other income				
- from others			386,022	497,481
			<b>1,289,616</b>	<b>1,726,823</b>
17) interest and other financial charges:				
- from parents			(2,301,139)	(885,104)
- from others			(7,475,758)	(7,087,154)
			<b>(9,776,897)</b>	<b>(7,972,258)</b>
17-bis) net exchange rate gains (losses)			192,631	(902,124)
<b>TOTAL FINANCIAL INCOME AND CHARGES</b>			<b>(8,294,650)</b>	<b>(7,147,559)</b>



**D) Value adjustments to financial assets**

18) Write-backs:		
a) equity investments	42	0
	<b>42</b>	<b>0</b>
19) Write-downs:		
a) equity investments	(3,594,563)	0
b) financial fixed assets	0	(306,120)
c) securities classified as current assets	(254,073)	(562,042)
	<b>(3,848,636)</b>	<b>(868,162)</b>

**TOTAL ADJUSTMENTS TO FINANCIAL ASSETS** **(3,848,594)** **(868,162)**

**Pre-tax profit (loss) (A-B + - C + - D + - E)** **(12,510,336)** **(66,834,595)**

20) Income taxes, current and deferred		
b) Deferred taxes	(96,607)	388,673
c) Prepaid taxes	(2,657,963)	(9,740,320)
Income (charges) due to tax consolidation	(49,746)	(3,973,098)
e) Prior year taxes	(164,122)	13,661
	<b>(2,968,438)</b>	<b>(13,311,084)</b>

**Profit (loss) for the year** **(9,541,898)** **(53,523,511)**

Chairman of the Board of Directors

Alfonso Toto

## Cash flow statement (indirect method)

Description	2019	2018
<b>A. Cash flows from operations (indirect method)</b>		
<b>Profit (loss) for the year</b>	<b>(9,541,898)</b>	<b>(53,523,511)</b>
Income taxes	(2,968,438)	(13,311,084)
Net interest expense/(income)	8,294,650	7,029,679
<b>1. Profit (loss) for the year before income taxes, interest, dividends and gains/losses</b>	<b>(4,215,686)</b>	<b>(59,804,916)</b>
<i>Adjustments for non-monetary items with no balancing entry in NWC</i>		
Accruals to provisions	357,995	6,398,818
Amortisation/depreciation	298,565	1,700,967
Impairment losses	6,934,281	4,038,759
Other adjustments for non-monetary elements	0	(3,170,597)
<b>2. Cash flows before changes in NWC</b>	<b>3,375,155</b>	<b>(50,836,969)</b>
<i>Changes in NWC</i>		
Decrease/(increase) in inventory	(22,437,945)	3,098,439
Decrease/(increase) in trade receivables	7,821,553	(2,183,391)
Increase/(decrease) in trade payables	3,359,649	(14,147,101)
Decrease/(increase) in prepayments and accrued income	(2,641,456)	2,497,107
Increase/(decrease) in accrued expenses and deferred income	(11,447)	(169,106)
Other changes in NWC	(18,253,527)	38,137,141
<b>3. Cash flows after changes in NWC</b>	<b>(28,788,017)</b>	<b>(23,603,880)</b>
<i>Other adjustments</i>		
Net interest received/(paid)	(4,995,959)	(6,598,464)
(Income taxes paid)	0	(2,419,354)
(Use of provisions)	(155,134)	(2,387,614)
<b>Cash flows from operations (A)</b>	<b>(33,939,111)</b>	<b>(35,009,312)</b>
<b>B. Cash flows from investment activities</b>		
<i>Tangible fixed assets</i>		
(Investments)	(226,621)	(226,391)
<i>Intangible fixed assets</i>		
(Investments)	(4,791)	(8,048)
<i>Financial fixed assets</i>		
(Loans)	(2,905,737)	30,689,307
<i>Financial assets not held as fixed assets</i>		
(Investments)/Sales	5,100	556,942
<b>Cash flows from investment activities (B)</b>	<b>(3,132,049)</b>	<b>31,011,810</b>
<b>C. Cash flows from financing activities</b>		
<i>Third-party funds</i>		
Increase (decrease) in short-term bank loans and borrowings	(6,944,135)	(21,346,877)
Increase (decrease) in loans and borrowings from other financial backers	2,391,481	15,000,000
Increase (decrease) in long-term bank loans and borrowings	(5,407,284)	(11,049,140)
<i>Own funds</i>		
Share capital increase against consideration	20,000,000	
Increase (decrease) in shareholder loans	19,383,310	31,274,783
Other changes in NE	(454,220)	784,120
<b>Cash flows from financing activities (C)</b>	<b>28,969,152</b>	<b>14,662,886</b>
<b>Increase (decrease) in liquid funds</b>	<b>(8,102,008)</b>	<b>10,665,384</b>
<b>Opening liquid funds</b>	<b>11,646,935</b>	<b>981,551</b>
<b>Closing liquid funds</b>	<b>3,544,927</b>	<b>11,646,935</b>

Chairman of the Board of Directors

Alfonso Toto

## Notes to the financial statements

Dear Shareholders,

The financial statements at 31 December 2019 show a net loss of € 9,541,898.

These notes describe, analyse and, in some cases, supplement the figures in the financial statements and provide the information required by the reporting standards issued by the Italian Accounting Standards Board (OIC).

For information about the business activities undertaken and the main events in 2019, reference should be made to the paragraphs on “Operating conditions and business development” and “Significant events in 2019” in the management report.

### Significant events after the reporting date

On 12 January 2020, the World Health Organisation (WHO) confirmed that a novel coronavirus, subsequently named COVID-19, was the cause of a respiratory illness among several inhabitants of the city of Wuhan, in Hubei Province in China. The WHO had been notified of this on 31 December 2019.

The COVID-19 virus was first confirmed to have spread to Italy on <https://it.wikipedia.org/wiki/Epidemia> 30 January 2020, when two Chinese tourists in Rome tested positive for the SARS-CoV-2 virus <https://it.wikipedia.org/wiki/Roma>. A cluster of COVID-19 infections was later detected, starting with 16 confirmed cases in Codogno, a town in the province of Lodi, in Lombardy, on 20 February 2020 and 60 additional cases the next day and the first deaths soon afterwards.

The cases in Codogno will always be remembered as the start of the pandemic in Italy. To date, more than 230,000 positive cases have been recorded and there have been over 33,000 deaths. Italy is the sixth country in the world in terms of the total number of cases, behind the United States, Brazil, Russia, Spain and the United Kingdom, and has the fourth-highest number of deaths.

The first of the measures introduced by the Italian Government to contain the spread of the COVID-19 virus was a Decree-law dated 23 February 2020 prohibiting anyone from entering or leaving the municipalities where the first clusters had been found. Several more regulatory initiatives followed, introducing rules applicable to the whole country and resulting in the closure of all non-essential production activities and restrictions on travel.

As required by article 1.7(d) of the Decree of the President of the Council of Ministers dated 11 March 2020, TOTO Group introduced specific measures to prevent the risk of the virus spreading among workers at Group companies. These measures are set out in the "COVID-19 safety protocol" and include:

- Dissemination of information provided by institutions.
- Hygiene measures to reduce the risk of the virus spreading.
- Reducing the number of workers, allowing them to work from home where operationally and technologically possible, promoting the use of paid holidays and leave and suspending activities at work sites.
- Reorganisation of work areas to ensure social distancing.
- Sanitisation of work areas.

The contracting authorities announced the suspension of works due to a case of force majeure, also in view of the shortage of protective equipment (PPE). Moreover, it was the responsibility of customers to decide whether to resume works during the emergency and to quantify the additional costs and charges for carrying out the works. As a result, production activities at work sites have been at a standstill since the beginning of the emergency, which is not yet over.

The COVID-19 pandemic has thus had negative impacts on both economic performance and liquidity, mainly due to the need to bear fixed costs without being able to generate adequate cash flows because of the suspension of activities at work sites.

Revenues totalled € 14,974 thousand in the first four months of 2020, € 26,688 thousand less (-64%) than at 30 April 2019 (€ 41,662 thousand) and € 32,105 thousand (-68%) below expectations as per the 2020 budget. The profit and loss account for the first four months of 2020 posted a loss of € 14,824 thousand. The loss for the first four months forecast in the budget for 2020 was € 8,555 thousand. Therefore, at 30 April 2020, the net loss of € 6,269 thousand (-73%) is considerably worse than forecast in the budget.

Depending on how long the COVID-19 emergency and its negative impact on business lasts, the Company could experience further negative results in 2020, including a reduction in the availability of liquid funds and further losses. At this stage it is impossible to predict exactly how business will be affected in the rest of 2020 and in the future.

## Ability to continue as a going concern

### Pre-Covid-19 scenario

As at 31 December 2019, the assumption of the Company being able to carry on its business as a going concern was based on its ability to restore its economic and financial balance based on the assumptions used in the Business Plan for 2020-2023 (Pre-Covid-19 Plan) and in the 2020 budget, and the Group's ability to generate the liquidity necessary to back any cash needs.

Before the Italian Government introduced restrictions to contain the spread of the Coronavirus pandemic, the Company and the Group had drawn up a long-term plan that, together with those of the Group's other business units (BU), represented the 2021-2023 Business Plan.

The main assumptions used as the basis for the economic and financial forecasts in the 2020 budget and the 2020-2023 Business Plan are described below:

- Works in respect of the Cefalù contract started in the second half of financial year 2019. The revision of the project for the S. Ambrogio tunnel, which *de facto* prevented the opening of the work site, was completed and resulted in a variation to the project, the amount of which will increase by around € 27 million. Given the significance of the Cefalù contract for the order book, it will produce positive effects in terms of profit margins and liquidity.
- The completion of the MISU project (urgent safety measures) on the A24 and A25 motorways will enable the development of sustained production and positive profit margins in the short term.
- In the Group Business Plan, the process of updating the Business Plan of SDP, the A24 and A25 motorway operator, for which TOTO CG carries out in-house works, is progressing and should soon be complete. After appealing first to the Regional Administrative Court and then to the State Council, Strada dei Parchi has succeeded in having an acting commissioner appointed for the purpose of completing the procedure to update its BP. The new Business Plan envisages an investment programme worth approximately € 3,140 million, of which € 2,000 million, covered by government grants, will be the subject of specific approval plans. The remaining € 1,140 thousand, € 111.2 thousand of which referring to work already carried out (to prevent "stair-stepping"), will be included in the revised Business Plan.

### Post-Covid-19 scenario

As stated in the paragraph on "Significant events after the reporting date", the restrictive measures introduced by the Government to contain the spread of the disease caused by the COVID-19 outbreak have had a negative impact on the economic and financial results of TOTO CG. To date, the COVID-19 pandemic has produced the following effects:

- Suspension of production activities at work sites since the beginning of the emergency, which is not yet over.
- A € 26,688 thousand reduction in revenues (-64%) in the first four months of 2020 compared to the same period of 2019 and a € 32,105 thousand reduction (-68%) compared to the amount forecast in the 2020 budget for the first four months of 2020.
- A reduction in available funds owing to the need to pay fixed costs without being able to generate cash flows.

These circumstances have led to a net loss of € 14,824 thousand in the first four months of 2020 and a considerable reduction in available funds, which could affect the Company's ability to pay debts falling due and to finance the re-opening of work sites.

The consequences of the Covid-19 pandemic have forced the Company and the entire Group to consider adopting the measures made available by the Government to help Italian businesses overcome the recession caused by the pandemic.

The main Government measures being used by the Company and by Toto Group can be summarised as follows:

- Social welfare measures (the "CIGO" wage guarantee fund) for nine weeks starting from April.
- Regulatory tax measures introduced by the "Cura Italia" Decree-law and by the "Liquidity Decree", with which the Government suspended payments of withholding taxes, VAT and social security contributions, deferring the deadlines and suspending tax and social security payments.
- Measures to aid companies with difficulty accessing liquid funds, introduced by the Decree-law of 8 April 2020 ("Liquidity Decree"). More in detail, talks with a leading bank to quickly obtain a loan are already at an advanced stage. SACE will guarantee 90% of the six-year loan in accordance with the aforesaid Decree.

- Government measures to safeguard the liquidity of contractors introduced by article 207 of Decree-law No. 34 of 19 May 2020 ("Relaunch Decree"). More specifically, point 2 of this article allows contracting authorities to recognise an advance of up to 30% of the value of works still to be carried out, in accordance with the procedures and guarantees laid down by article 35.18 of Legislative Decree No. 20 of April 2016. This applies even when the contractor has already used the advance envisaged under the contract.

Owing to the events that have taken place since the outbreak of the pandemic, the Company and the Group as a whole have had to revise their economic and financial forecasts to consider the negative impacts of COVID-19 and the effects of the measures introduced by the Government to safeguard the liquidity of Italian businesses.

In that respect, the Company and the Group have revised the 2020 budget and the Business Plan, which now covers the period up to 2026.

The Business Plan for 2020 - 2026 has been prepared on the basis of possible future scenarios that are difficult to predict at present. There are still significant uncertainties about how the pandemic will evolve, including, for example, the possible need to reintroduce strict social distancing measures and suspend non-essential production activities again, and the impacts that the Government's measures to support liquidity will have on the Italian economy in the short and medium-to-longer term.

The assumptions used in drawing up the Business Plan for 2020 - 2026, while made after a careful, detailed analysis of the current situation, are based on forecasts considering future events that could differ very significantly from the actual scenarios as a consequence of events that, to date, are not reasonably foreseeable.

Despite these significant uncertainties, which could cast considerable doubt on the Company's ability to continue as a going concern, the going concern basis has been used in the preparation of the financial statements at 31 December 2019, based on currently available information, the examination and assessment of the impacts of the possible alternative scenarios and considering the actions taken by the Directors.

In preparing the financial statements at 31 December 2019, the Company has made use of the derogation option provided for in article 7 of Decree-law No. 23 of 8 April 2020 (see the paragraph on "Derogation options"). This means that the going concern basis applied at the reporting date, without considering the events that occurred after 31 December 2019, and thus without taking into account the possible effects of significant uncertainties concerning the evolution of the Covid-19 pandemic in the 12 months after that date.

## Group membership

The Company belongs to the Toto Group which is responsible for its management and coordination via Toto Holding S.p.A. The following table provides key figures from the latest financial statements approved by said company which is responsible for management and coordination and which prepares the consolidated financial statements.

Table 15 – Balance sheet and profit and loss account of TOTO HOLDING S.p.A. at 31 December 2018

TOTO HOLDING S.p.A.	2018	2017
<b>ASSETS</b>		
A) Share capital proceeds to be received	0	0
B) Fixed assets	373,998,350	363,665,260
C) Current assets	23,795,902	31,240,586
D) Prepayments and accrued income	162,735	766,057
<b>Total assets</b>	<b>397,956,987</b>	<b>395,671,903</b>
<b>LIABILITIES</b>		
A) Net equity	285,566,383	297,078,559
B) Provisions for risks and charges	7,012,849	678,404
c) Employees' leaving entitlement	391,806	363,576
D) Payables	104,674,065	97,549,347
E) Accrued expenses and deferred income	311,884	2,017
<b>Total Liabilities</b>	<b>397,956,987</b>	<b>395,671,903</b>
<b>PROFIT AND LOSS ACCOUNT</b>		
A) Production revenues	4,876,893	4,488,350
B) Production costs	(16,421,511)	(8,902,846)
C) Financial income and charges	10,282,732	11,159,058
D) Value adjustments to financial assets	(10,408,236)	(326,156)
Income taxes for the period	157,947	(663,219)
<b>Net profit (loss) for the year</b>	<b>(11,512,175)</b>	<b>5,755,187</b>



## Name and registered office of the company that prepares the consolidated financial statements

Pursuant to article 2427.22-*quinquies* and *sexies* of the Italian Civil Code, Toto Holding S.p.A., with registered office in Viale Abruzzo 410, Chieti, prepares the consolidated financial statements of the Group of which the Company is part. These consolidated financial statements are available at the registered office of Toto Holding S.p.A. in accordance with the terms and conditions governing the filing of financial statements.

Therefore, in accordance with article 27.3 of Legislative Decree No. 127/1991, as in the previous years, despite holding controlling interests, the Company does not prepare the consolidated financial statements. The section on equity investments shows the carrying amount of the investments held, calculated using the equity method.

## Basis of preparation

The financial statements at 31 December 2019 have been prepared in accordance with the provisions of the Italian Civil Code on financial statements as amended by Legislative Decree No. 139/15 implementing EU Directive No. 2013/34.

These financial statements comprise:

- the balance sheet;
- the profit and loss account;
- the cash flow statement;
- these notes.

The cash flow statement has been prepared using the indirect method.

These notes describe, analyse and, in some cases, supplement the figures in the financial statements and provide the information required by article 2427 of the Italian Civil Code. They reflect the changes to the law introduced by Legislative Decree No. 139/15 and are in line with the accounting standards issued by the Italian Accounting Standards Board (OIC).

The balance sheet, profit and loss account and the cash flow statement have been drawn up in euro units, while the figures in these notes are presented in thousands of euros unless otherwise stated. The euro is the company's functional and presentation currency.

To enable comparison of balance sheet and profit and loss account items, some items relating to the previous year have been adjusted. When items for the previous year have not been adjusted, specific disclosures are provided in the notes.

### Translation of the financial statements of permanent establishments abroad (branches)

The Company trades on a continuous basis with countries that do not adopt the euro as the accounting currency, through its permanent establishments in Poland, the Czech Republic and the UAE.

Transactions carried out by these branches are recorded in separate accounts and the use of a specific accounting system means that all transactions, regardless of their nature, are recognised directly in the foreign currency.

In order to incorporate the financial statements of the foreign branches into those of the parent, the accounts of these organisations are translated into the accounting currency used by TOTO CG, according to the rules for the translation of financial statements in foreign currencies set out in OIC 17 "Consolidated financial statements and the equity method".

Financial statements presented in a foreign currency are translated as follows:

- a) assets and liabilities are translated using the spot exchange rate at the reporting date;
- b) items in the profit and loss account and cash flow statement are translated using the average exchange rate for the year;
- c) net equity reserves (other than the currency translation reserve) are translated using the historical exchange rate at the time of their formation.

The net effect of translation of the financial statements of branches into the reporting currency is recognised in a specific "Currency translation reserve" under net equity.

The separate accounts and financial statements of the branches based in Warsaw, Prague and Dubai were prepared in the respective local currencies, namely the Polish Zloty (PLN), the Czech Koruna (CZK) and the UAE Dirham (AED). The exchange rates applied during the year for translating these financial statements with functional currencies other than the euro are those published by Banca d'Italia, which are shown in the table below:

**Table 16 – Exchange rates used to translate the financial statements of branches presented in foreign currencies**

Description	Spot exchange rate 31 Dec. 2019	Average exchange rate 2019	Spot exchange rate 31 Dec. 2018	Average exchange rate 2018
EUR / PLN	4.2568	4.2976	4.3014	4.2615
EUR / CZK	25.4080	25.6845	25.7240	25.6470
EUR / AED	4.1257	4.1113	4.2050	4.3371

## Measurement criteria

(Ref. article 2427.1.1, Italian Civil Code)

The measurement criteria applied to the preparation of these financial statements at 31 December 2019 are unchanged from those used in the previous year.

Items are measured under the general principle of prudence, assuming that the Company will continue as a going concern. Items are recognised and presented in accordance with the principle of substance over form.

Profits are only recognised when realised before the reporting date. Furthermore, income and expenses are booked on an accrual basis, irrespective of actual collection or payment dates, and risks and losses for the year are taken into account, even when they only become known after the reporting date.

Heterogeneous entries included in the single items are measured separately.

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 measurement criteria have not changed compared to those applied in the previous year. Each item of the balance sheet, profit and loss account and cash flow statement is accompanied by the corresponding prior year balance. When no comparison is possible, prior year items are adjusted. Any lack of comparability, adjustment or non-adjustment are disclosed and described in the relevant notes.

Pursuant to article 2423.3 of the Italian Civil Code, if the information required by specific legal provisions is not enough for the purposes of a true and fair view, all the information necessary for that purpose has been provided.

### Derogation options

In preparing the financial statements at 31 December 2019, the Company has made use of the derogation option provided for in article 7 of Decree-law No. 23 of 8 April 2020. More specifically, these financial statements have been prepared in accordance with all applicable accounting standards with the exception of paragraphs 23 and 24 of OIC 11 and paragraph 59 c) of OIC 29. This means that the going concern basis applied at the reporting date, not considering the events that occurred after 31 December 2019 and disregarding paragraph 59 c) of OIC 29. More in detail, by not taking into account subsequent events that affect the going concern assumption, it is possible to determine whether the Company is in the conditions described in paragraphs 21 and 22 of OIC 11.

The measurement criteria adopted in preparing the financial statements are as follows:

#### 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.

Intellectual property rights for basic software are stated under assets and amortised over three years. Costs incurred for purchasing application and/or integrated software are amortised over ten years in relation to their residual life. Trademarks and similar rights are amortised over twenty 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 according to the use, allocation and 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:

Table 17 – Depreciation rates

Description	Rates
Light constructions	12.50%
Specific plant and machinery	15.00%
Formwork and sheet piling	25.00%
Industrial and commercial equipment	40.00%
Furniture and fittings	12.00%
Ordinary office equipment	24.00%
Electronic office equipment	20.00%
Cars and motorcycles	25.00%
Lorries	20.00%

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.

Pursuant to article 2427.8 of the Italian Civil Code, no financial charges were capitalised.

## Leases

Finance leases are recognised using the liability method, taking the lease instalments paid during the period to the profit and loss account on an accrual basis. The additional information as required by law on the recognition of leases using the financial method is provided in the specific section of these notes.

## 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 long-term, strategic investments.

They are measured at cost, upon initial recognition. This cost may not be maintained and, consequently, the item is written down in accordance with article 2426.1.3 of the Italian Civil Code when, at the reporting date, the carrying amount of the equity investment is permanently below its cost. An impairment loss results from the comparison between the equity investment's initial carrying amount and its recoverable amount, calculated based on the future economic benefits the company expects to receive from the investment.

Equity investments recognised at purchase cost which have undergone an impairment loss are written down. If the cost of the investment exceeds the amount determined using the equity method (article 2426.1.4), the other equity investments are not written down since the higher carrying amount is justified by the gains and/or goodwill of investees.

As required by OIC 9, equity investments for which there were indications of a possible loss of value and which included significant implicit goodwill were tested for impairment in respect of the carrying amount at 31 December 2019.

Given the timing of the World Health Organisation's declaration, the Covid-19 pandemic has been treated as a non-adjusting event and, as such, does not represent an impairment. Thus, the financial projections and discount rates used in the impairment tests were based on the conditions and on the information that existed at 31 December 2019.

The impairment tests to estimate the equity value of investments in subsidiaries and associated companies were examined by the Board of Directors and performed by comparing the amount of the investment with the higher between the fair value and using the discounted cash flow method, i.e., determining the value in use by discounting the expected net cash flows from operations of the undertaking and/or its investees and subtracting the total amount of the respective net financial debt.

## Dividends

Dividends received are recognised when the Company obtains the right to collect them, following the resolution of an investee's shareholders to distribute profits or possibly, reserves.

## Securities

Securities are recognised when delivered and are measured at purchase (or subscription) cost, being the price paid and the ancillary costs. Their classification under fixed or current assets depends on the intended use of the security. Securities which will be held in the long term are recognised under fixed assets, otherwise they are included under current assets. The former are measured at amortised cost and the latter at the lower of the amortised cost and estimated realisable value based on market trends.

## Inventory

Raw and ancillary materials, consumables and supplies are measured at the cost of purchase/production or their realisable value based on market trends, whichever is lower.

The Last-In First-Out (LIFO) method is used to determine the cost of inventories. This method assumes that amounts purchased or produced most recently will be the first to be sold or used for production; therefore, the amount of remaining inventory items refers to items purchased or produced most recently.

## Contract work in progress

Contract work in progress is recognised on the basis of contract payments accrued with reasonable certainty (called the percentage of completion method). When there is a binding contract between the parties and the contract profit can be reliably measured, contract work in progress is recognised based on the stage of completion of work (or percentage of completion), whereby costs, revenues and margins are recognised according to the work that has been completed.

The percentage of completion is estimated using the physical measures method: the quantities produced are measured and valued at contractual prices including, for example, payments for price revisions and any additional consideration. If formally determined by the parties, variations constitute an increase or reduction in contract revenues.

During the contract, the contractor may submit claims for consideration in addition to that specified in the contract. Only the amounts of additional consideration for which payment and determination are certain or reasonably certain are included in contract revenues. This additional consideration is certain when the claim for an additional payment has been accepted by the customer by the reporting date; it is reasonably certain when, despite the absence of a formal acceptance, it is reasonably certain, as at the reporting date, that the claim will be accepted on the basis of the most recent information and previous experience.

Pre-operating costs included in contract work in progress are recognised in the profit and loss account on an accrual basis according to the stage of work completion determined using the procedures specified for applying the percentage of completion method.

If the total estimated costs of an individual contract are likely to exceed total estimated revenues, the contract must be measured at cost (thereby eliminating any profits recognised in previous financial years), and the probable loss for the completion of the contract is recognised as a decrease in contract work in progress. If this loss is greater than the contract work in progress, the contractor must recognise an appropriate provision for risks and charges equal to the excess.

### Receivables

Receivables are recognised at amortised cost, considering the time factor. 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. Transaction costs, any commissions receivable or payable 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 amortised cost and discounting methods are not applied when their effects are irrelevant pursuant to article 2423.4 of the Italian Civil Code. This is usually the case for current receivables (i.e., those due within one year) or when transaction costs, commissions and any other difference between the original and recoverable amounts at the due date are insignificant. In this case, receivables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. Initial transaction costs are recognised under prepayments in section D of balance sheet assets.

A 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.

### Liquid funds

These are recognised at their nominal amount, whereas bank and postal accounts are recognised at their estimated realisable value which, in this case, is the same as their nominal amount.

### Payables

Payables are recognised using the amortised cost method, considering the time factor. In particular, the opening carrying amount is the nominal amount of the payable, net of transaction costs and all bonuses, discounts and allowances derived directly from the transaction that generated the payable. Transaction costs, any commissions receivable or



payable 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 amortised cost and discounting methods are not applied when their effects are irrelevant pursuant to article 2423.4 of the Italian Civil Code. This is usually the case for current payables (i.e., those due within one year) or when transaction costs, commissions and any other difference between the original and recoverable amounts at the due date are insignificant. In this case, payables are initially recognised at their nominal amount, net of bonuses, discounts and allowances contractually provided for or, in any case, granted. Transaction costs are recognised under prepayments in section D of balance sheet assets.

#### Prepayments and accrued income, accrued expenses and deferred income

These are determined on an accrual 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

These are set aside to cover losses or payables of a certain or probable nature, whose amount or due date is not known at the reporting date. The amounts accrued represent the best estimate based on the data available at the time of preparing the financial statements.

These provisions are measured in accordance with the general principle of prudence and on an accrual basis. No generic risk provision has been set up, as there are no economic reasons for doing so.

Contingent liabilities are recognised in the financial statements and provided for when considered probable and the related amount can be reasonably estimated.

Risks for which a liability is only possible are disclosed in the notes if significant, without any amount being accrued to the provision for risks and charges.

#### Employees' leaving entitlement (TFR)

This represents the actual amounts due to employees in accordance with the law and current national labour agreements, taking into account all forms of remuneration of an ongoing nature.

It is the total amount due to employees at the reporting date, net of any payments on account, in accordance with the supplementary pension reform introduced by Legislative decree No. 252 of 5 December 2005 as subsequently amended.

### Revenue and cost recognition

Contract revenues are only recognised when it is certain that the accrued revenue has been definitively established as being due to the contractor as payment for the work performed. This certainty is usually based on the interim payment certificates (SAL) drafted with and approved by the customer.

Revenues of a financial nature and those deriving from the provision of services are recognised on an accrual basis.

Costs for the purchase of materials are recognised upon transfer of title, which generally takes place at the time of delivery or shipment.

Costs of a financial nature and those deriving from the purchasing of services are recognised on an accrual basis.

Revenues and income, costs and charges relating to transactions in foreign currency are calculated at the exchange rate ruling on the date the relevant transaction is completed.

### Translation of foreign currency amounts

Receivables and payables originally expressed in foreign currencies, recognised at the exchange rates in force on the date they arose, are adjusted to closing rates or, in the event of hedges, at the contractual forward rate.

In particular, current assets and liabilities and non-current financial receivables 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.

Any net gain on the translation of foreign currency amounts using closing rates forms part of the net profit or loss for the year and, when the financial statements and consequent allocation of the net profit or loss for the year to the legal reserve are approved, it is recognised in a non-distributable reserve.

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.

## Income taxes

Taxes are provided for on an accrual 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 and liabilities on the temporary differences which arose or were eliminated during the year;
- adjustments to the deferred tax balances to reflect the changes in rates.

Deferred tax assets are recognised when 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.

Deferred tax assets and liabilities are calculated at the tax rate that will be applicable in the year in which the temporary differences reverse, in accordance with the tax regulations ruling at the reporting date.

From 2009, the Company, as a consolidated entity, has opted to participate in the national tax consolidation scheme – which allows for IRES (corporate income tax) to be calculated using a taxable base corresponding to the total of positive and negative taxable amounts of the individual participating companies - together with TH, the latter acting as the tax parent. Financial transactions between the tax parent and its subsidiaries, in addition to their mutual responsibilities and obligations, are set out in the Consolidation Regulations for group companies which was signed in 2009 and is revised every year (latest revision dated 31 October 2018) to include new companies that have joined the consolidation scheme.

Current IRES is stated under "Receivables from subsidiaries" and calculated on the basis of the positive taxable income of the Company. Deferred IRES is stated under "Payables to subsidiaries" calculated on the basis of negative taxable income.

Current and deferred IRAP (regional tax on production) is calculated exclusively with reference to the Company and is stated under Tax payables or Tax receivables.

### Guarantees, commitments, third-party assets and risks

Guarantees, commitments and third-party assets are shown at their contractual value.

The risks associated with guarantees given, personal guarantees and collateral for third-party payables are shown, to the extent of the amount of the guarantee given, in "Other information - Off-balance sheet commitments, guarantees and contingent liabilities".

Commitments are stated at their nominal amount, based on the related contract documentation.

Risks for which a liability is probable are described in the notes and are adequately provided for in the provision for risks.

Risks for which a liability is only possible are disclosed in the notes, but no amount is allocated to the provision for risks in accordance with the applicable reporting standards. Remote risks have not been taken into account.

## Workforce

Details of the Company's workforce as at 31 December 2019, with the breakdown by category, are provided in the tables below:

Table 18 – Workforce as at 31 December 2019

Description	2019	2018	Change	% change
Senior managers	19	23	(4)	-17%
Executives	7	8	(1)	-13%
White collars	113	122	(9)	-7%
Blue collars	523	371	152	41%
<b>Total</b>	<b>662</b>	<b>524</b>	<b>138</b>	<b>4%</b>

Table 19 – Average workforce for the year

Breakdown	2019	2018	Change	% change
Senior managers	22.0	24.0	(2.0)	-8%
Executives	7.0	9.0	(2.0)	-22%
White collars	116.0	123.0	(7.0)	-6%
Blue collars	428.0	432.0	(4.0)	-1%
<b>Total</b>	<b>573.0</b>	<b>588.0</b>	<b>(15.0)</b>	<b>-37%</b>

The employment contract applied by TOTO CG 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 July 2019.

## Assets

### Fixed assets

Table 20– Fixed assets

Breakdown	2019	2018	Change
Fixed assets	108,513,138.0	106,802,102.0	1,711,036.0

### Intangible fixed assets

Table 21 – Intangible fixed assets

Breakdown	2019	2018	Change
Intangible fixed assets	53,580	110,753	(57,173)

Changes and movements in respect of intangible fixed assets are shown in the tables below.

Table 22 – Changes in intangible fixed assets

Description	2019	2018	Change
Development costs	0	5	(5)
Industrial patents	5,771	57,368	(51,597)
Concessions, licences, trademarks and similar rights	38,047	41,506	(3,459)
Assets under development	6,278	6,278	0
Other	3,484	5,596	(2,112)
<b>Total</b>	<b>53,580</b>	<b>110,753</b>	<b>(57,173)</b>

### Development costs

Table 23 – Changes in industrial patent rights

Description	2018	Increase	Amortisation	2019
SOA certification	5	0	(5)	0
<b>Total</b>	<b>5</b>	<b>0</b>	<b>(5)</b>	<b>0</b>

### Industrial patents

Table 24 – Changes in industrial patent rights

Description	2018	Increase	Amortisation	2019
Software	57,368	4,791	(56,388)	5,771
<b>Total</b>	<b>57,368</b>	<b>4,791</b>	<b>(56,388)</b>	<b>5,771</b>

This item includes the costs incurred to purchase software licences used to carry out business activities (Autocad, Oracle, MS Office, SAP, etc.).

### Concessions, licences and trademarks

Table 25 – Concessions, licences and trademarks

Description	2018	Increase	Amortisation	2019
Trademark	41,506	0	(3,459)	38,047
<b>Total</b>	<b>41,506</b>	<b>0</b>	<b>(3,459)</b>	<b>38,047</b>

This item includes costs capitalised in prior years in connection with the development of a "TOTO" branding strategy. Amortisation is calculated at a rate of 5% (20 years).

### Intangible assets under development

Table 26 – Concessions, licences and trademarks

Description	2018	Increase	Amortisation	2019
Assets under development	6,278	0	0	6,278
<b>Total</b>	<b>6,278</b>	<b>0</b>	<b>0</b>	<b>6,278</b>

This item includes certain costs incurred in 2018 to purchase software licences which were not yet operational in 2019.

### Other intangible fixed assets

Table 27 – Other intangible fixed assets

Description	2018	Increase	Amortisation	2019
Leasehold improvements	5,596	0	(2,112)	3,484
<b>Total</b>	<b>5,596</b>	<b>0</b>	<b>(2,112)</b>	<b>3,484</b>

This item refers to costs incurred in prior years and to improve and upgrade leased or rented assets.

## Tangible fixed assets

Table 28 – Tangible fixed assets

Breakdown	2019	2018	Change
Tangible fixed assets	7,720,383	8,034,723	(314,340)

Changes in respect of tangible fixed assets are shown in the table below.

Table 29 – Changes in tangible fixed assets

Description	2019	2018	Change
Land and buildings	7,038,470	7,039,231	(761)
Plant and machinery	127,036	105,775	21,261
Industrial and commercial equipment	121,061	23,467	97,594
Other assets	433,816	561,890	(128,074)
Assets under construction and payments on account	0	304,360	(304,360)
<b>Total</b>	<b>7,720,383</b>	<b>8,034,723</b>	<b>(314,340)</b>

Changes in respect of tangible fixed assets are shown in the tables below.

### *Land and buildings*

Table 30 - Land and buildings

Description	Amount
<b>Balance at 31/12/2018</b>	<b>7,039,231</b>
Increases	0
Decreases	0
Write-downs	0
Depreciation of the period	(761)
<b>Balance at 31/12/2019</b>	<b>7,038,470</b>

The balance of this item, for € 7,038 thousand, includes land for € 4,120 thousand and civil buildings for € 2,914 thousand. Most of the land and buildings recorded in the financial statements are situated in the municipality of Manoppello (PE).



### Plant and machinery

Table 31 – Plant and machinery

Description	Amount
<b>Balance at 31/12/2018</b>	<b>105,775</b>
Increase in the period	60,901
Decrease in the period	(739)
Currency effect	(49)
Depreciation of the period	(38,852)
<b>Balance at 31/12/2019</b>	<b>127,036</b>

The balance of this item comprises the value of plant and machinery owned by TOTO CG purchased in financial years 2018 and 2019. The increase mainly refers to investments in excavators and self-lifting platforms.

The low value of the item in question is due to the fact that the entire machine fleet belongs to the TOTO TECH subsidiary, from which TOTO CG rents the machinery it needs to carry out its construction activities.

### Industrial and commercial equipment

Table 32 – Industrial and commercial equipment

Description	Amount
<b>Balance at 31/12/2018</b>	<b>23,467</b>
Increase in the period	147,151
Depreciation of the period	(49,557)
<b>Balance at 31/12/2019</b>	<b>121,061</b>

Investments in the year, for € 147,151, refer to the purchase of miscellaneous instruments for work sites.

### Other assets

Table 33 – Other assets

Description	Amount
<b>Balance at 31/12/2018</b>	<b>561,890</b>
Increase in the period	66,767
Decrease in the period	(59,002)
Currency effect	11,592
Depreciation of the period	(147,431)
<b>Balance at 31/12/2019</b>	<b>433,816</b>

The balance of this item at 31 December 2019 (€ 434 thousand) comprises furniture and fittings for € 212 thousand, IT equipment for € 96 thousand, cars and lorries for a total of € 18 thousand, goods not used for business purposes for € 92 thousand and other assets purchased by the branch in Poland for € 16 thousand. The increase in the year (€ 48 thousand) mainly refers to computers (€ 39 thousand) and furniture (€ 9 thousand).

*Assets under construction*

Table 34 – Assets under construction

Description	Amount
<b>Balance at 31/12/2018</b>	<b>304,360</b>
Increase in the period	0
Reclassifications	0
Write-downs	(304,360)
<b>Balance at 31/12/2019</b>	<b>0</b>

The balance of this item was written off as the capitalisations in prior years referred to advance payments to purchase assets in respect of which the procedure was not finalised and, at present, recovery of the amounts paid seems unlikely.

## Financial fixed assets

Table 35 – Financial fixed assets

Description	2019	2018	Change
Financial fixed assets	100,739,175	101,433,758	(694,583)

Table 36 – Breakdown of financial fixed assets

Description	2019	2018	Change
Equity investments	76,300,845	79,077,977	(2,777,132)
Receivables	24,438,330	22,355,781	2,082,549
Other securities	0	0	0
<b>Total</b>	<b>100,739,175</b>	<b>101,433,758</b>	<b>(694,583)</b>

The breakdown of financial fixed assets is provided below.

### Equity investments

Table 37 – Changes in equity investments

Company	2019	2018	Change
Subsidiaries	62,675,161	65,951,293	(3,276,132)
Associates	5,396,112	4,897,112	499,000
Subsidiaries of parents	8,224,566	8,224,566	0
Other companies	5,006	5,006	0
<b>Total</b>	<b>76,300,845</b>	<b>79,077,977</b>	<b>(2,777,132)</b>

### Equity investments in subsidiaries

To give a clearer picture of this item, a breakdown of changes in investments in subsidiaries is provided below.

Table 38 – Changes in investments in subsidiaries

Company	2018	Increase	Transfer	Write-downs	2019
ALITEC	42,993,820	0	0	0	42,993,820
IMC	0	0	0	0	0
AMBRA	4,700,000	321,275	0	(2,908,588)	2,112,687
TOTO TECH	18,236,101	0	0	(683,061)	17,553,040
PONTEPO	7,773	0	0	0	7,773
CEFALU'	7,799	0	0	0	7,799
TOTO CONSTRUCTION	0	42	0	0	42
RADIMERO	5,800	0	(5,800)	0	0
<b>Total</b>	<b>65,951,293</b>	<b>321,317</b>	<b>(5,800)</b>	<b>(3,591,649)</b>	<b>62,675,161</b>

In 2019 TOTO CG sold its shares in RADIMETO for a price equal to the nominal subscription value (€ 5,800). As discussed in the paragraph on "Significant events in 2019" of the

management report, to which reference should be made for additional information, on 29 March 2019 TOTO CG and SELI signed an agreement concerning the withdrawal of TOTO CG from the RADIMERO contract and from the TJV as from 1 February 2019.

The shares held by TOTO CG in the capital of AMBRA and TOTO TECH were written down at 31 December 2019.

The investment in AMBRA was written down, by € 2,909 thousand, to align the carrying amount of the equity investment with the value of the net equity of AMBRA, which recorded considerable losses in its financial statements for the year ending on 2019 owing to the impairment of the properties held thereby.

TOTO TECH was set up in 2016 with the contribution of the “vehicle fleet” of TOTO CG. The carrying amount of the investment held by TOTO CG in TOTO TECH is the market value at the date on which the contribution of said “vehicle fleet” took place. In its financial statements for 2019, TOTO TECH recognised a write-down of the “vehicle fleet” for € 683 thousand and so TOTO CG wrote down its investment in TOTO TECH by the same amount.

Information about the net equity of the subsidiaries is provided in the table below. The comparison between the carrying amount of the equity investments and the amount determined using the equity method is also provided.

**Table 39 – Investments in subsidiaries**

Company	City/Foreign country	Share capital	% of invest.	Net equity	Profit/loss	Equity method	Amount
ALITEC	Chieti	45,000,000	95.54%	36,970,809	(134,491)	35,321,911	42,993,820
IMC	Chieti	12,000	51.00%	(339,079)	(44,448)	(172,930)	0
AMBRA	Chieti	6,900,000	98.55%	2,150,388	(3,019,595)	2,119,207	2,112,687
TOTO TECH	Chieti	10,000,000	100.00%	16,418,606	(533,793)	16,418,606	17,553,040
PONTEPO	Chieti	10,000	77.73%	10,000	0	7,773	7,773
CEFALU'	Chieti	10,000	77.99%	10,000	0	7,799	7,799
TOTO CONSTRUCTION	U.S.A.	42	100.00%	44	0	44	42
<b>Total</b>							<b>62,675,161</b>

As set out in article 2426.3 of the Italian Civil Code, the difference, if positive, between the carrying amount of the investments and the amount determined using the equity method is justified below.

## ALITEC

The company, in which TOTO CG holds a 95.54% stake, owns a long-abandoned industrial complex extending over a total area of 165,000 square metres, located in Chieti Scalo, to be used as a craft production area. ALITEC is currently working on a new real estate development project called "Mall Of Sport" (MOS). Since, for reasons beyond its control, it is unable to continue the process it began in 2017 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 envisages real estate development to construct a mall focused on sports (sports, related services, sale of sports-related technical products).

Net equity and the net result refer to the financial statements for the year ending on 31 December 2019, which reported a loss of € 134,491. This was mainly due to fixed operating costs incurred by the Company and to charges that refer to borrowings from the parent TOTO CG. Following the application of the measurement criterion, this equity investment was recognised at a higher amount than that obtained using the equity method at the reporting date. The difference between the carrying amount of the equity investment (€ 42,994 thousand) and the amount resulting from the application of the equity method (€ 35,322 thousand) does not configure an impairment loss given the value of the industrial complex owned by ALITEC. Indeed, the enhancement of the area, as indicated above, will allow full recoverability of the recognised amounts.

The recoverability of the carrying amount of the investment (including the financial receivable) was verified by estimating the value in use based on the long-term plan drawn up by the company, which includes projections in terms of investment, costs and revenues during the period of construction and from the subsequent sale of the project. Impairment was tested using a plan with the same time horizon as the project, discounting cash flows by a rate of 10%. The impairment test confirmed the recoverability of the carrying amount of the investment (including the financial receivable) recognised in the financial statements.

The shares in ALITEC have been pledged to CAI to guarantee the payment obligations of the parent TH vis-à-vis CAI.

## TOTO TECH

TOTO TECH was established on 16 November 2016 to lease machinery, tools and equipment in the building and civil engineering sector. On 22 December 2016, TOTO CG undertook a reorganisation that involved the transfer of its “machine fleet” business unit to TOTO TECH, comprised of machinery, plant and equipment which, based on the appraisal drawn up by an independent expert pursuant to article 2343-ter.2(b) of the Italian Civil Code, was estimated at € 18,226 thousand.

Net equity and the net result refer to the financial statements for the year ending on 31 December 2019, which reported a loss of € 533,793. The measurement criterion used resulted in this equity investment being recognised at a higher amount than that obtained using the equity method at the reporting date. The difference between the carrying amount of the equity investment (€ 17,553 thousand) and the amount resulting from the application of the equity method (€ 16,418 thousand) does not configure an impairment loss given the future cash flows and income expectations set out in the company’s Business Plan.

### *Equity investments in associated companies*

To give a clearer picture of this item, a breakdown of changes in investments in “associated companies” is provided below.

**Table 40 – Changes in investments in associated companies**

Company	2018	Increase	2019
SBVS	3,600	0	3,600
INTERMODALE	4,890,200	499,000	5,389,200
NOVIGAL	3,312	0	3,312
<b>Total</b>	<b>4,897,112</b>	<b>499,000</b>	<b>5,396,112</b>

On 12 December 2019, TOTO CG waived the financial receivables due from INTERMODALE amounting to € 499 thousand. The capital increase was made through payment into the capital contribution reserve to support the company’s equity and financial position. TOTO CG therefore recognised its waiver of the financial receivable as an increase in the carrying amount of the investment.

Information about the net equity of associated companies is provided in the table below. The comparison between the carrying amount of the equity investments and the amount determined using the equity method is also provided.

Table 41 – Investments in associates

Company	City/Foreign country	Share capital	% of invest.	Net equity	Profit/losses	Equity method	Carrying amount
SBVS	Rome	10,000	36.00 %	10,000	0	0	3,600
INTERMODALE	Chieti	8,000,000	49.90 %	5,324,085	(570,604)	2,736,672	5,389,200
NOVIGAL	Bari	10,000	33.12 %	10,000	0	0	3,312
<b>Total</b>							<b>5,396,112</b>

As set out in article 2426.3 of the Italian Civil Code, the difference, if positive, between the carrying amount of the investments and the amount determined using the equity method is justified below.

#### INTERMODALE

INTERMODALE 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 Temporary Joint Venture between 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. The structure is currently managed by the operator.

Net equity and the net result refer to the financial statements for the year ending on 31 December 2019, which reported a loss of € 570,604.

The measurement criterion used resulted in this equity investment being recognised at a higher amount than that obtained using the equity method at the reporting date. The difference between the carrying amount of the equity investment (€ 5,389 thousand) and the amount resulting from the application of the equity method (€ 2,737 thousand) is deemed recoverable based on the future income expectations set out in the Business Plan under review.

The difference between the carrying amount of the equity investment and the amount resulting from the application of the equity method is also deemed recoverable taking into account the amount of compensation that should be paid by the granting authority to the operator in the event of withdrawal from the concession arrangement. The Agreement regulates the procedure for exercising the right of withdrawal should no agreement be reached on how to rebalance the BP. It establishes the mechanisms for calculating the amount of compensation due so that, in

the event of withdrawal from the contract, this would cover the entire difference between the initial amount of the investment and the amount determined using the equity method.

With respect to the review of the Business Plan of INTERMODALE, given the inactivity of the Abruzzo Region, in 2017 the TJV served a writ of summons 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 TJV to immediately return to a break-even position. The case was filed under number RG 1309/2017.

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.

Once the briefs had been filed pursuant to article 183.6 of the Italian Code of Civil Procedure, the hearing to examine the preliminary requests was held on 28 October 2019. INTERMODALE’S lawyers insisted on the appointment of a technical expert and the judge reserved the right to decide. The judge subsequently agreed on the need for a technical expert and set the date of 18 May 2020 for the hearing to appoint said expert and for the swearing of the oath.

This hearing was subsequently postponed (due to the COVID-19 emergency situation) until 21 September 2020.

#### *Investments in subsidiaries of parents*

To give a clearer picture of this item, a breakdown of changes in investments in “related companies” is provided below.

**Table 42 - Changes in investments in subsidiaries of parents**

Company	2018	Increase	Transfer	Write-downs	2019
SDP	8,224,566	0	0	0	8,224,566
<b>Total</b>	<b>8,224,566</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,224,566</b>

The only component is the investment in SDP. The carrying amounts of such equity investment remained unchanged.



Table 43 - Measurement of the investment in subsidiaries of parents

Company	City/Foreign country	Share capital	% of invest.	Net equity	Profit/loss	Equity method	Amount
SDP	Rome	48,114,240	5.00%	(14,613,293)	9,029,405	3,179,509	8,224,566
<b>Total</b>							<b>8,224,566</b>

As set out in article 2426.3 of the Italian Civil Code, the difference between the carrying amount of the investment in SDP and the amount determined using the equity method is justified below.

#### STRADA DEI PARCHI

The company is held by Concessioni Autostradali S.p.A. (93%), TOTO S.p.A. Costruzioni Generali (5%), and Autostrade per l'Italia S.p.A. (2%) and manages, under concession, the two motorway sections A24 and A25 that connect Rome with Pescara and Teramo.

Net equity and the net result for the year relate to the financial statements at 31 December 2019. The measurement criterion used (cost), resulted in this equity investment being recognised at a higher amount than that obtained using the equity method at the reporting date.

The difference between the carrying amount of the equity investment (€ 8,225 thousand) and the amount resulting from the application of the equity method (€ 3,180 thousand) is justified based on the future income prospects and the recoverability analysis carried out in accordance with OIC 9.

The recoverability of the carrying amount of the investment was verified by estimating the fair value determined as the take-over amount of the company as described below, on account of the fact that the motorway operator's Business Plan is currently undergoing a major update/review that will have a significant impact on expected cash flows as per the Business Plan currently in force, which is characterised by a number of constraints and uncertainties.

#### Take-over amount

The second regulatory period (2014-2018) of the ruling agreement expired on 31 December 2019. In accordance with said agreement, which implements the provisions of CIPE resolution No. 39/2007, in order to ensure the progressive development of the tariff, the BP may provide for the inclusion of "figurative items" which, based on the principles of legitimate expectation and financial neutrality, generate regulatory receivables (Receivables related to figurative items), any time the tariff due to the operator is postponed following a time deferral in tariff increases under the Single Agreement. These receivables, which are "off-the balance sheet", are for all purposes a company asset. Indeed, under the principle of legitimate expectation set

out in the Single Agreement, when it is not possible to “recover” the figurative items prior to the expiry date of the concession, the operator is entitled to receive from the incoming party an amount equal to that of the residual regulatory receivables which would be added to the compensation based on the Regulatory Net Invested Capital mentioned above. As at 31 December 2019, SDP’s figurative receivables amount to approximately € 677.1 thousand. Therefore, overall, at 31 December 2019, the take-over amount, being the sum (i) of the amount of the work performed, (ii) the concession price, net of the related amortisation/depreciation and (iii) the figurative items, is estimated at approximately € 1.4 billion (gross of the residual concession price payable for € 0.7 billion). Consequently, in the case of early termination, this amount, in addition to any compensation for loss of earnings, must be paid by the incoming party or, failing that, by the granting authority pursuant to article 9-*bis* of the Single Agreement.

#### *Other companies*

The “Investments in other companies” caption refers to the investments in DIRPA, FORUM and GALLERIA DI TENDA. To give a clearer picture of this item, a breakdown of changes in investments in “other companies” is provided below.

**Table 44 – Breakdown of changes in investments in other companies**

Company	2018	Increases	Transfers	Share capital decrease	Write-downs	2019
DIRPA	5,000	0	0	0	0	5,000
FORUM	5	0	0	0	0	5
GALLERIA DI TENDA	1	0	0	0	0	1
<b>Total</b>	<b>5,006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,006</b>

The carrying amounts of such equity investments remained unchanged.

## Receivables

Changes in respect of financial receivables are shown in the table below.

Table 45 – Receivables

Description	2019	2018	Change
From subsidiaries	10,678,707	7,117,205	3,561,502
From associates	4,934,752	5,131,697	(196,945)
From related companies	8,824,321	9,038,653	(214,332)
From others	550	1,068,226	(1,067,676)
<b>Total</b>	<b>24,438,330</b>	<b>22,355,781</b>	<b>2,082,549</b>

Table 46 – Changes in receivables

Description	2018	Increases	Waiver of receivables	Reclassifications	Decreases	2019
From subsidiaries	7,117,205	609,550	(261,479)	19,655,067	(16,441,636)	10,678,707
From associates	5,131,697	168,080	(499,000)	285,048	(151,073)	4,934,752
From related companies	9,038,653	245,781	0	0	(460,113)	8,824,321
Others	1,068,225	439,791	0	(1,492,166)	(15,300)	550
<b>Total</b>	<b>22,355,78</b>	<b>1,463,20</b>	<b>(760,479</b>	<b>18,447,949</b>	<b>(17,068,122</b>	<b>24,438,33</b>
	<b>0</b>	<b>2</b>	<b>)</b>	<b>)</b>	<b>)</b>	<b>0</b>

Table 47 – Changes in receivables from subsidiaries

Description	2018	Increases	Reclassifications	Waiver of receivables	Decreases	2019
ALITEC	5,641,173	358,605	1,641,826	0	(72,042)	7,569,562
IMC	1,191,228	56,154	21,707	0	(143,367)	1,125,722
AMBRA	284,804	67,393	21,539	(261,479)	(112,257)	0
TOTO TECH	0	127,398	6,198,519	0	(4,588,224)	1,737,693
PONTEPO	0	0	1,573,044	0	(1,573,044)	0
CEFALU'	0	0	327,004	0	(81,274)	245,730
TOTO CONS.	0	0	2,914	0	(2,914)	0
RADIMERO	0	0	9,868,514	0	(9,868,514)	0
<b>Total</b>	<b>7,117,205</b>	<b>609,550</b>	<b>19,655,067</b>	<b>(261,479)</b>	<b>(16,441,636)</b>	<b>10,678,707</b>

The increases in amounts due from subsidiaries, for € 609 thousand, refer to:

- the increase in the interest-bearing loan granted to ALITEC to support the subsidiary's operations (€ 359 thousand), including the interest accrued during the period;
- the increase in the interest-bearing loan granted to IMC to support the subsidiary's operations (€ 56 thousand), including the interest accrued during the period;
- the increase in the interest-bearing loan granted to AMBRA to support the subsidiary's operations (€ 67 thousand), including the interest accrued during the period;

- the increase in the interest-bearing loan granted to TOTO TECH to support the subsidiary's operations and investments (€ 127 thousand), including the interest accrued during the period.

The reclassifications recorded in the caption in question, for € 19,655 thousand, refer to financial items that had been recorded under current assets in the previous financial statements for the period ending on 31 December 2018. In these financial statements at 31 December 2019, the above items have been reclassified under financial fixed assets, since they refer to loans and interest on these accrued in previous years.

On 19 December 2019, TOTO CG waived financial receivables for € 261 thousand payable by AMBRA, in order to support the company's equity and financial position. Following the waiver of such financial receivables, AMBRA set up a capital contribution reserve.

The decreases, for € 18,898 thousand, mainly refer to:

- the decrease in the loan granted to RADIMERO, for € 9,869 thousand. Following the termination of the contract by TOTO CG and its withdrawal from the TVJ as of 1 February 2019, as discussed in detail in the paragraph on "Significant events" in the management report, all credit and debit items of TOTO CG vis-à-vis RADIMERO as at 31 January 2019 were settled with SELI within the scope of the contract termination agreement dated 29 March 2019.
- The decrease in the loan granted to TOTO TECH, for € 4,318 thousand due to offsetting of debit and credit items during the year.
- The decrease in the loan granted to PONTEPO, for € 1,573 thousand due to offsetting of debit and credit items.
- The decrease in the loan granted to CEFALU', for € 81,274 thousand due to offsetting of debit and credit items during the year.

Table 48 – Changes in receivables from associates

Description	2018	Increases	Waiver of receivables	Reclassifications	Decreases	2019
SBVS	0	75,000	0	0	(75,000)	0
INTERMODALE	5,053,140	93,081	(499,000)	285,048	0	4,932,269
NOVIGAL	78,557	0	0	0	(76,073)	2,484
<b>Total</b>	<b>5,131,697</b>	<b>168,081</b>	<b>(499,000)</b>	<b>285,048</b>	<b>(151,073)</b>	<b>4,934,753</b>

The increases in amounts due from associates, for € 168 thousand, refer to:

- the increase in the loan granted to SBVS to support the subsidiary's operations (€ 75 thousand), including the interest accrued during the period;
- the increase in the interest-bearing loan granted to INTERMODALE, for € 93 thousand, entirely related to the interest accrued in 2019.

On 12 December 2019, TOTO CG waived part of the amount due from INTERMODALE, for € 499 thousand, in order to support the associated company's equity and financial position. The waiver consisted in a contribution to the capital reserve.

The reclassifications recorded in the caption in question, for € 285 thousand, refer to interest accrued in prior years on the interest-bearing loan granted to INTERMODALE which had been recorded under current assets in the financial statements for the period ending on 31 December 2018 instead of financial fixed assets.

The decreases in amounts due from associates, for € 151 thousand, refer to:

- offsetting of debit and credit items vis-à-vis SBVS for € 75 thousand;
- the write-down of the amount due from the associated company NOVIGAL for € 76 thousand.

**Table 49 – Changes in receivables from related companies**

Description	2018	Increases	Reclassifications	Decreases	2019
SDP	3,615,866	189,770	0	0	3,805,636
TOTO RE	0	1,766	0	(1,766)	0
RENEXIA SERVICES	0	38,271	0	0	38,271
INFRA	5,422,787	15,974	0	(458,347)	4,980,414
<b>Total</b>	<b>9,038,653</b>	<b>245,781</b>	<b>0</b>	<b>(460,113)</b>	<b>8,824,321</b>

The increases in amounts due from subsidiaries of parents, equal to € 245 thousand, refer to:

- interest accrued in the year, for € 190 thousand, on the interest-bearing loan under the Subordinated Shareholder Loan Agreement with SDP, signed on 30 June 2011.
- Interest accrued on the instalment falling due on 31 December 2019, for € 16 thousand, relating to the interest-bearing loan agreement entered into with TOTO RE on 31 December 2016.
- Financial receivables, for € 38 thousand, deriving from the transfer of staff from RENEXIA SERVICES to TOTO CG during 2019.

The decreases, totalling € 460 thousand, mainly refer to the repayment of instalments of the loan agreement entered into with TOTO RE on 31 December 2016.

Table 50 – Changes in receivables from others

Description	2018	Increases	Reclassifications	Decreases	Write-downs	2019
INIZIATIVE IMMOBILIARI	1,067,675	44,087	395,703	(15,300)	(1,492,166)	0
ICI (council tax)	550	0	0	0	0	550
<b>Total</b>	<b>1,068,225</b>	<b>44,087</b>	<b>395,953</b>	<b>(15,300)</b>	<b>(1,492,166)</b>	<b>550</b>

The caption includes amounts due from the related company INIZIATIVE IMMOBILIARI. The financial transactions included in the caption in question were carried out at ordinary market conditions. The increases for the year, equal to € 44 thousand, refer to interest for 2019.

Reclassifications, equal to € 396 thousand, refer to interest accrued in previous years which had been recorded under current assets in the financial statements for the period ended at 31 December 2018.

The decreases, for € 15 thousand, refer to the offsetting of debit and credit items during the year.

Please note that, at 31 December 2019, the amount of financial receivables due from INIZIATIVE IMMOBILIARI was written off.

The breakdown of receivables at 31 December 2019 by geographical area is shown below:

Table 51 – Breakdown of receivables

Description	Subsidiaries	Associates	Subsidiaries of parents	Other companies	Total
Italy	10,678,707	4,934,753	8,824,321	550	24,438,331
<b>Total</b>	<b>10,678,707</b>	<b>4,934,753</b>	<b>8,824,321</b>	<b>550</b>	<b>24,438,331</b>

## Current assets

### Inventory

Table 52 – Inventory

Description	2019	2018	Change
Inventory	134,993,531	113,245,586	21,747,945

The breakdown of changes in the period is shown below.

Table 53 – Changes in the period in inventory

Description	2019	2018	Change
Raw and auxiliary materials, consumables, and goods	12,603,532	10,453,206	2,150,326
Contract work in progress	119,134,105	100,139,762	18,994,343
Payments on account	3,255,894	2,652,618	603,276
<b>Total</b>	<b>134,993,531</b>	<b>113,245,586</b>	<b>21,747,945</b>

The “Raw materials, consumables, supplies and goods” item (€ 12,604 thousand) includes stocks of materials for use in production held at work sites and storage facilities of TOTO CG at the reporting date. The € 2,150 thousand increase in this item in the year mainly reflects the MISU contract for urgent safety measures.

The balance of “Contract work in progress”, equal to € 119,134 thousand, includes the value of the contracts in the order book, calculated as the difference between actual production and the latest interim payment certificates approved by the respective customers for each contract at 31 December 2019 (€ 10,713 thousand), pre-operating costs (€ 14,941 thousand) and claims for increased costs totalling € 93,480 thousand. 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). The Directors are of the opinion that claims for additional costs, some of which are the subject of disputes, 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 independent experts.

The “Payments on account” item (€ 3,256 thousand) mainly refers to advances invoiced by suppliers for purchasing materials and payments on account to sub-contractors.

## Receivables

Table 54 – Receivables

Description	2019	2018	Change
Receivables	71,509,932	91,053,981	(19,544,049)

The breakdown of changes in the period is shown below.

Table 55 – Changes in the period in receivables

Description	2019	2018	Change
Trade receivables	5,256,764	13,125,167	(7,868,403)
From subsidiaries	15,897,288	30,643,011	(14,745,723)
From associates	214,164	499,212	(285,048)
From parent companies	50,339	7,050,444	(7,000,105)
From subsidiaries of parents	14,522,406	17,065,090	(2,542,684)
Tax receivables	7,766,064	5,464,836	2,301,228
Deferred tax assets	13,808,343	11,210,200	2,598,143
From others	13,994,564	5,996,021	7,998,543
<b>Total</b>	<b>71,509,932</b>	<b>91,053,981</b>	<b>(19,544,049)</b>

This item is broken down by due date as follows.

Table 56 – Breakdown of receivables by due date

Description	Due within one year	Due after one year	Due after five years	Total
Trade receivables	5,256,764	0	0	5,256,764
From subsidiaries	15,897,288	0	0	15,897,288
From associates	214,164	0	0	214,164
From parents	50,339	0	0	50,339
From subsidiaries of parents	14,522,406	0	0	14,522,406
Tax receivables	4,396,961	3,369,103	0	7,766,064
Deferred tax assets	13,808,343	0	0	13,808,343
From others	10,694,706	3,299,858	0	13,994,564
<b>Total</b>	<b>64,840,971</b>	<b>6,668,961</b>	<b>0</b>	<b>71,509,932</b>

The balance of "Trade receivables" stood at € 5,257 thousand. This item includes work billed to customers for € 2,588 thousand and invoices to be issued for € 3,188 thousand, mainly in respect of work certified by those customers, as per the interim payment certificates issued and signed thereby, but for which payment certificates have not yet been received. The item also includes receivables referring to the ten per cent of retention money, amounting to € 340 thousand and a provision for bad and doubtful accounts for € 859 thousand.

Changes in the provision for bad and doubtful accounts in 2019 are shown in the following table:



Table 57 – Changes in the provision for bad and doubtful accounts receivable from customers

Description	2018	Accruals	Reclassifications	2019
Provision for bad and doubtful accounts receivable from customers	918,601	46,850	(106,777)	858,674
<b>Total</b>	<b>918,601</b>	<b>46,850</b>	<b>(106,777)</b>	<b>858,674</b>

In 2019, new accruals were made for € 47 thousand, to cover risks in connection with the recoverability of trade receivables. The reclassification, for € 107 thousand, refers to the write-down of the amount due from INIZIATIVE IMMOBILIARE, classified under financial fixed assets, as “receivables from others”.

The breakdown of “Receivables from subsidiaries” is as follows:

Table 58 – Breakdown of receivables from subsidiaries

Description	2019	2018	Change
ALITEC	577,054	2,293,800	(1,716,746)
IMC	15,453	37,161	(21,708)
AMBRA	1,036	78,163	(77,127)
TOTO TECH	26,782	2,371,804	(2,345,022)
PONTEPO	4,817,328	7,218,879	(2,401,551)
CEFALU'	10,459,635	1,094	10,458,541
RADIMERO	0	18,642,110	(18,642,110)
<b>Total</b>	<b>15,897,288</b>	<b>30,643,011</b>	<b>(14,745,723)</b>

The breakdown of “Receivables from associates” is as follows:

Table 59 – Breakdown of receivables from associates

Description	2019	2018	Change
INTERMODALE	214,164	499,212	(285,048)
<b>Total</b>	<b>214,164</b>	<b>499,212</b>	<b>(285,048)</b>

The breakdown of “Receivables from parents” is as follows:

Table 60 – Breakdown of receivables from parents

Description	2019	2018	Change
TOTO HOLDING	50,339	7,050,444	(7,000,105)
<b>Total</b>	<b>50,339</b>	<b>7,050,444</b>	<b>(7,000,105)</b>

The breakdown of "Receivables from subsidiaries of parents" is as follows:

Table 61 - Breakdown of receivables from subsidiaries of parents

Description	2019	2018	Change
SDP	12,223,403	13,384,079	(1,160,676)
AVIAGRICOLA	109,229	109,229	0
RENEXIA	20,964	19,255	1,709
INFRA	187,101	287,349	(100,248)
PGS	2,105	0	2,105
INTERSUN	12,240	11,932	308
TOTO RE	1,913,070	3,204,398	(1,291,328)
RENEXIA SERVICE	54,294	48,848	5,446
<b>Total</b>	<b>14,522,406</b>	<b>17,065,090</b>	<b>(2,542,684)</b>

The "Tax receivables" item, equal to € 7,766 thousand, mainly consists of:

- VAT receivables from periodic settlements for € 7,053 thousand;
- IRES reimbursement claimed for the non-deduction of IRAP on personnel expenses for the years from 2007 to 2011 equal to € 108 thousand (click-day).

"Deferred tax assets", for € 13,808 thousand (€ 11,210 thousand at 31 December 2018), increased overall by € 2,598 thousand and mainly comprise the deferred tax assets on tax losses in 2018 (€ 8,599 thousand) and 2019 (€ 24 thousand) that could not be covered by the taxable income of the consolidating entity TH or of the other companies participating in the tax consolidation scheme.

Deferred tax assets were recognised and maintained in the financial statements since, based on estimated future profits, their future recoverability is reasonably certain considering the taxable income that TOTO CG and the Group as a whole expect to generate in the coming years as per the 2020-2026 Business Plan for the Group.

Changes in deferred tax assets are shown below:

Table 62 – Changes in deferred tax assets

Description	2018	Accruals	Releases	2019
Deferred tax assets	11,210,200	3,330,213	(732,070)	13,808,343

The following table shows an analysis of the temporary differences of the year that led to the recognition of deferred tax assets as well as the other information required by article 2427.14 of the Italian Civil Code:

Table 63 – Temporary differences

Description	2019	Rate	Taxes
<b>A) Deductible temporary differences</b>			
Accruals to Directors' end-of-office indemnity policy (TFM)	120,000	24.00%	28,800
Accruals to provisions for risks and charges	4,616,101	28.82%	1,330,360
Write-downs	5,951,926	28.82%	1,715,345
Interest on arrears	64,092	24.00%	15,382
Exchange rate losses not realised in 2019	902,439	24.00%	216,585
2019 tax losses not transferred to the tax consolidation scheme	98,921	24.00%	23,741
<b>Total accruals</b>			<b>3,330,213</b>
Fair value of derivatives	(54,658)	24.00%	(13,118)
Deductible depreciation from prior years	(307,841)	24.00%	(73,882)
Other deductible depreciation from prior years	(5,289)	28.82%	(1,524)
Default interest not deducted in prior years	(41,914)	24.00%	(10,059)
Exchange rate losses not realised in 2018	(2,444,942)	24.00%	(586,786)
Tax losses not transferred to the tax consolidation scheme in prior years	(194,588)	24.00%	(46,701)
<b>Total releases</b>			<b>(732,070)</b>
<b>Change in the year in deferred tax assets</b>			<b>2,598,143</b>
<b>Tax effect</b>			
Closing balance of deferred tax assets			13,808,343
Prior year closing balance of deferred tax assets			11,210,200
<b>Change in the year in deferred tax assets</b>			<b>2,598,143</b>

“Receivables from others” (€ 13,995 thousand) increased by € 7,999 thousand. This item mainly includes receivables from associates (€ 6,375 thousand) under transactions at normal market conditions and amounts due for surety deposits (€ 5,111 thousand). The increase for the year primarily refers to the reclassification of items that were included under “trade payables” in the financial statements for the previous year, for € 3,157 thousand, and to new surety deposits for € 4,188 thousand. The balance is recognised net of the provision for bad and doubtful accounts (€ 307 thousand).

Changes in the provision for bad and doubtful accounts in 2019 are shown in the following table:

Table 64 – Changes in the provision for bad and doubtful accounts receivable from others

Description	2018	Accruals	Reclassifications	2019
Provision for bad and doubtful accounts receivable from others	1,911,901	0	(1,604,829)	307,072
<b>Total</b>	<b>1,911,901</b>	<b>0</b>	<b>(1,604,829)</b>	<b>307,072</b>

No new accruals were made in 2019 to cover risks in connection with the recoverability of amounts due from others, but some receivables previously included under "receivables from others" were reclassified under other items of the balance sheet, to provide a better picture of the situation.

Reclassifications of the provision for bad and doubtful accounts in 2019 amounted to € 1,605 thousand, of which:

- € 1,385 thousand reclassified under financial fixed assets, as "Receivables from others", to cover the risk of non-collection of amounts payable by INIZIATIVE IMMOBILIARI.
- € 143 thousand reclassified under financial fixed assets, as "Receivables from subsidiaries", to cover the risk of non-collection of amounts payable by IMC.
- € 76 thousand reclassified under financial fixed assets, as "Receivables from associated companies", to cover the risk of non-collection of amounts payable by NOVIGAL.

The breakdown of receivables by geographical area is shown below:

Table 65 – Receivables broken down by geographical area

Description	Trade receivables	From subsidiaries	From associates	From parents	From related companies
Italy	3,971,211	15,897,288	214,164	50,339	14,522,406
EEC	1,285,553	0	0	0	0
Non-EEC	0	0	0	0	0
<b>Total</b>	<b>5,256,764</b>	<b>15,897,288</b>	<b>214,164</b>	<b>50,339</b>	<b>14,522,406</b>

Description	Tax receivables	Deferred tax assets	From others	Total
Italy	7,674,946	13,808,343	13,815,546	69,954,243
EEC	91,118	0	179,018	1,555,689
Non-EEC	0	0	0	0
<b>Total</b>	<b>7,766,064</b>	<b>13,808,343</b>	<b>13,994,564</b>	<b>71,509,932</b>

## Financial assets not held as fixed assets

Table 66 - Financial assets not held as fixed assets

Description	2019	2018	Change
Financial assets not held as fixed assets	0	254,833	(254,833)

Table 67 - Breakdown of financial assets not held as fixed assets

Description	2019	2018	Change
Equity investments in subsidiaries	0	5,100	(5,100)
Other securities	0	249,733	(249,733)
<b>Total</b>	<b>0</b>	<b>254,833</b>	<b>(254,833)</b>

The decrease reflects the sale of the interest in the TOTO WITH TADDEI consortium, for € 5 thousand, and the write-down of shares in Banca Popolare di Bari, for € 250 thousand. The carrying amount of the shares in the portfolio has been prudentially written down in view of the uncertain outcome of the receivership proceedings initiated in 2019 in respect of the bank.

## Liquid funds

Table 68 – Liquid funds

Description	2019	2018	Change
Liquid funds	3,544,927	11,646,936	(8,102,009)

Table 69 – Breakdown of liquid funds

Description	2019	2018	Change
Bank and postal accounts	3,534,941	11,634,475	(8,099,534)
Cash-in-hand and cash equivalents	9,986	12,461	(2,475)
<b>Total</b>	<b>3,544,927</b>	<b>11,646,936</b>	<b>(8,102,009)</b>

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

## Tangible fixed assets held for sale

Table 70 - Tangible fixed assets held for sale

Description	2019	2018	Change
Fixed assets held for sale	44,297,824	47,079,153	(2,781,329)

This item consists of tangible fixed assets held for sale, specifically land, buildings and industrial areas for a total of € 15,681 thousand and industrial machinery for € 28,617 thousand.

The amount of industrial machinery held for sale includes the value of the HERRENKNECHT S-574 TBM, for € 28,133 thousand, referred to by the Company as "Martina".

TOTO CG purchased the "Martina" TBM in 2010 to excavate the "Sparvo" tunnel, as part of the project to upgrade the Apennine stretch of the A1 Milan - Naples motorway between Sasso Marconi and Barberino del Mugello.

The "Martina" TBM is currently not being used and is held for sale. It is therefore measured at the lower of the net carrying amount and the estimated realisable amount based on market trends to determine its fair value net of sales costs (recoverable amount).

The decrease in "Tangible fixed assets held for sale", for € 2,781 thousand, refers entirely to the write-down in 2019 in relation to the assessment of the value of the "Martina" TBM.

## Prepayments and accrued income

Table 71 – Prepayments and accrued income

Description	2019	2018	Change
Prepayments and accrued income	5,757,919	3,116,462	2,641,457

Table 72 – Breakdown of prepayments and accrued income

Description	2019	2018	Change
Accrued income	0	109,114	(109,114)
Prepayments	5,757,919	3,007,348	2,750,571
<b>Total</b>	<b>5,757,919</b>	<b>3,116,462</b>	<b>2,641,457</b>

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 payment or receipt of the respective income and expenses, which relate to two or more years and can be allocated over time.

This item mainly includes insurance premiums, deferred interest on taxes and social security contributions payable in instalments, prepaid lease and rental instalments and infrastructure expenses.



## Liabilities

### Net equity

Table 73 – Net equity

Description	2019	2018	Change
Net equity	43,507,293	33,503,409	10,003,884

Changes during the period are analysed below

Table 74 – Changes in net equity

Description	2018	Increases	Decreases	2019
Capital	50,000,000	0	0	50,000,000
Share premium reserve	20,699,616	0	0	20,699,616
Legal reserve	1,335,774	0	0	1,335,774
Extraordinary reserve	5,365,051	0	0	5,365,051
Capital contributions	0	20,000,000	0	20,000,000
Translation reserve	199,709	0	(392,729)	(193,020)
Cash flow hedge reserve	(41,542)	41,542	0	0
Profit/loss carried forward	9,468,312	0	(53,626,542)	(44,158,230)
Profit (loss) for the year	(53,523,511)	53,523,511	(9,541,898)	(9,541,898)
<b>Total</b>	<b>33,503,409</b>	<b>73,565,053</b>	<b>(63,561,169)</b>	<b>43,507,293</b>

The statement of changes in net equity for 2017, 2018 and 2019 is provided below.

Table 75 – Changes in net equity

Description	Share capital	Revaluation reserve	Legal reserve	Other reserves	Cash flow hedge reserve	Profit (loss) carried forward	Net profit (loss) for the year	Total
<b>Balance at 31 December 2017</b>	<b>50,000,000</b>	<b>20,699,616</b>	<b>1,244,905</b>	<b>4,877,572</b>	<b>(138,473)</b>	<b>7,741,795</b>	<b>1,817,386</b>	<b>86,242,801</b>
Alloc. of prior year net profit			90,869			1,726,517	(1,817,386)	
Other changes				687,188	96,931			784,119
Net profit (loss) for the year							(53,523,511)	(53,523,511)
<b>Balance at 31 December 2018</b>	<b>50,000,000</b>	<b>20,699,616</b>	<b>1,335,774</b>	<b>5,564,760</b>	<b>(41,542)</b>	<b>9,468,312</b>	<b>(53,523,511)</b>	<b>33,503,409</b>
Alloc. of prior year net profit						(53,523,511)	53,523,511	
Capital increase				20,000,000				20,000,000
Other changes				(392,729)	41,542	(103,031)		(454,218)
Net profit (loss) for the current year							(9,541,898)	(9,541,898)
<b>Balance at 31 December 2019</b>	<b>50,000,000</b>	<b>20,699,616</b>	<b>1,335,774</b>	<b>25,172,031</b>	<b>0</b>	<b>(44,158,230)</b>	<b>(9,541,898)</b>	<b>43,507,293</b>

On 28 June 2019 and 23 December 2019 the parent TH made two separate capital contributions, each of € 10,000 thousand, by partially waiving repayment of its loan, in order to increase the equity and financial position of TOTO CG.

As reported in the paragraph on "Significant events after the reporting date", the profit and loss account at 30 April 2020 showed a loss of € 14,824 thousand. As a result of the losses accumulated, the Company's share capital has decreased by more than one third and the Company thus falls within the scope of article 2446 of the Italian Civil Code.

In the light of the ongoing public health emergency and to mitigate the impact on the Italian economy, article 6 of the "Liquidity Decree" allows companies which applied the going concern assumption prior to the COVID-19 pandemic and have recorded losses as a result of the emergency, not to apply the provisions of articles 2446.2 and 3, 2447, 2482-bis.4, 5 and 6 and 2482-ter of the Italian Civil Code regarding reductions of capital as a consequence of losses and the reduction of share capital by more than a limit established by law.

The breakdown of share capital is as follows:

Table 76 – Share capital

Shares	No.	Nominal amount in €
Ordinary shares	500,000	100
<b>Total</b>	<b>500,000</b>	<b>100</b>

The breakdown of net equity items by origin, possible utilisation, distribution and utilisation in the previous three years is provided below:

Table 77 – Breakdown of net equity

Type / Description	Amount	Possible use (*)	Available portion	Utilisation in the past 3 years to cover losses	Utilisation in the past 3 years for other reasons
Capital	50,000,000				
Share premium reserve	20,699,616	A,B,C	20,699,616		
Legal reserve	1,335,774	B	1,335,774		
Extraordinary reserve	5,365,051	A,B,C	5,365,051		
Capital contributions	20,000,000	A,B,C	20,000,000		
Translation reserve	(193,020)				
Profit/loss carried forward	(44,158,230)	A,B,C			
<b>Total</b>	<b>53,049,191</b>		<b>47,400,441</b>		
Non-distributable amount			42,035,390		
Residual distributable amount			5,365,051		

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

## Provisions for risks and charges

Table 78 - Provisions for risks and charges

Description	2019	2018	Change
Pension and similar provisions	240,000	120,000	120,000
Tax provision, including deferred tax liabilities	292,066	388,673	(96,607)
Derivatives classified as liabilities	0	54,660	(54,660)
Others	6,955,408	6,627,473	327,935
<b>Total</b>	<b>7,487,474</b>	<b>7,190,806</b>	<b>296,668</b>

### Pension and similar provisions

The balance of "Pension and similar provisions", amounting to € 240 thousand, refers to the end-of-office indemnity for the Board of Directors (TFM) resolved by the Shareholders' Meeting. The change in the year reflects accruals for the period.

### Provision for deferred tax liabilities

The provision for deferred tax liabilities, equal to € 292 thousand, refers entirely to the temporary differences calculated on unrealised exchange rate gains.

### Derivatives classified as liabilities

The derivative contracts held by TOTO CG had ended as at 31 December 2019, having reached their natural expiry. The balance of this item is therefore zero.

### Other provisions

Changes in "Other provisions" are shown below.

Table 79 – Changes in "Other provisions"

Description	2018	Accruals	Reclassifications	Utilisations	2019
Ten-year post-completion policies	2,042,464	706,790	0	0	2,749,254
Work site disposal costs	986,841	45,610	(690,000)	0	342,451
Provision to hedge losses of IMC	150,000	0	(150,000)	0	0
Disputes in the Czech Rep.	3,448,167	265,536	150,000	0	3,863,703
<b>Total</b>	<b>6,627,472</b>	<b>1,017,936</b>	<b>(690,000)</b>	<b>0</b>	<b>6,955,408</b>

At 31 December 2019, "Other provisions" amounted to € 6,955 thousand. Accruals in the year specifically refer to adjustments to provisions for charges in connection with ten-year post-completion policies (€ 707 thousand), adjustments to estimated work site disposal costs for the Cefalù, Ritiro Viaduct, Pontepo and Marana contracts and adjustments to the provision for risks for the ongoing dispute in the Czech Republic.

## Disputes in the Czech Rep.

As already stated in the management report, to which reference should be made for more detailed information, the Czech partner GEOSAN has brought two arbitration procedures against TOTO CG, specifically procedures RSP No. 125/19 and No. 170/19.

On 15 July 2019 the Board of Arbitrators notified the parties of its ruling (RSP 125/19), which was against TOTO CG, ordering the latter to pay CZK 142.6 million (€ 5.6 million) inclusive of legal fees, interest and other costs incurred in connection with the arbitration procedure. TOTO CG appealed against the ruling before the Court of Appeal in Prague, with a request to cancel and suspend the enforcement of the award. On 12 November 2019, the Court of Appeal in Prague issued an interim measure in *ex parte* proceedings, suspending the enforcement of the award. GEOSAN duly appealed before the Supreme Court of Prague against the measure suspending the enforcement of the award. On 24 April 2020, the Supreme Court of Prague allowed the appeal by GEOSAN against the suspension of the enforcement of the award and thus annulled the ruling of the Municipal Court of Prague. The Supreme Court referred the case back to the Court of Appeal in Prague for a decision based on the grounds outlined above. The Court of Appeal of L'Aquila must now rule on the merits of the case.

The arbitration award (RSP 170/19) was issued on 18 November 2019. The award rejected the request by GEOSAN for repayment of 50% of the amounts paid to suppliers of the JV by GEOSAN, including on behalf of TOTO CG, for CZK 68.2 million (€ 2.7 million), which was deemed premature. The ruling also established that GEOSAN may only take steps to share the losses incurred by the JV after the closure of the accounts of the latter.

Therefore, on 27 December 2019, GEOSAN gave TOTO CG notice of termination of the JV agreement for just cause, with effect as from 31 December 2019. In a letter dated 24 January 2020, TOTO CG informed GEOSAN that the JV agreement could not be regarded as having ended and urged the latter to meet its contractual obligations to disclose information by providing economic and financial data about the JV as at 31 December 2019 (financial statements of the TGS JV at 31 December 2019). Such information has yet to be received.

In the light of the above, since the quantification of the outcomes of the disputes with GEOSAN will be based on the liabilities that arise following the closure and liquidation of the JV, the Company has made the best possible estimate of such liabilities, using the available information. This estimate comprises a provision for risks equal to € 3,864 thousand, an increase of € 416 thousand in respect of the amount recognised in the financial statements for the previous year.

As explained more fully in the management report, to which reference should be made for a more detailed analysis of the events, on 18 December 2019 the JV decided to terminate the contract and take appropriate legal action against RSD.

At the time of writing, the competent Court in the Czech Republic had not issued its ruling, while reciprocal claims and requests for penalties between the parties (TGS JV and RSD) are pending. In particular:

- TGS JV has given RSD details about how it calculated the cost of works carried out up to the date of termination of the contract, at current market rates, together with a claim for CZK 279.8 million (€ 11.0 million).
- RSD has submitted a claim for CZK 137.0 million (€ 5,4 million) to cover the additional costs incurred following the termination of the contract.
- RSD claims it is entitled to contractual penalties for CZK 60.1 million (€ 2.5 million).

According to TOTO CG's lawyers, the Court of Prague should reach a decision in 2020. The main issue is still whether the unforeseen physical obstacles encountered during the performance of the works contract could, at least in part, have caused the delay and, if so, the extent to which that is so and the related costs.

The lawyers believe the proceedings on the merits of the case might last several years and, since they have not even started yet, it is difficult to predict the outcome at present. They are, however, confident that, provided TGS JV will be able to defend their case provided it is supported by expert reports, which are currently being drawn up. In the light of the above, the lawyers consider the risk of an adverse outcome as a possibility.

#### Dispute in Poland

As set forth in the management report, to which reference should be made for a more detailed analysis of the events, on 4 June 2019, TOTO GC gave GDKKIA notice of termination of the contract in accordance with article 640 of the Polish Civil Code, with *ex tunc* effects, on the grounds of lack of cooperation by the Customer in performance of contractual obligations.

After receiving the notice of termination of the contract, GDKKIA attempted to activate the guarantees, seeking payment of the following penalties:

- PLN 25,731 thousand (€ 6,045 thousand) by way of penalties due for termination of the contract.
- PLN 9,315 thousand (€ 2,188 thousand) for failure to reach Milestone 1.
- PLN 13,019 thousand (€ 3,058 thousand) for failure to reach Milestone 2.
- PLN 54,900 thousand (€ 12,897 thousand) to obtain reimbursement of amounts paid to suppliers by GDKKIA on behalf of TOTO CG (solidarity payments).

- PLN 4,086 thousand (€ 960 thousand) for repayment of the remainder of the sum paid in advance.

Within the scope of proceedings on the merits to ascertain, in advance, whether GDKKIA was entitled to impose the penalties and enforce the bonds, on 6 November 2019 TOTO CG, through its lawyers in Poland, applied to the Polish court to order GDKKIA not to enforce the guarantees or impose the penalties pending a decision on the merits of the case. The request to prevent the enforcement of the bonds is based on the fact that the contract was terminated due to the actions and fault of the Customer. The proceedings on the merits of the case were also modified for the same reason. In detail, in its application TOTO CG requested:

- Cancellation of the penalties of PLN 25,731 thousand (€ 6,045 thousand) for termination of the contract.
- Cancellation of the penalties of PLN 9,315 thousand (€ 2,188 thousand) and PLN 13,019 thousand (€ 3,058 thousand) for failure to reach Milestone 1 and Milestone 2, respectively.
- Recognition of termination of the contract with *ex tunc* effect and the award of damages in the amount of PLN 294,650 thousand (€ 69,219 thousand).
- As an alternative to the above point, recognition of termination of the contract *ex nunc* and the award of damages in the amount of PLN 126,077 thousand (€ 29,618 thousand).

Since the proceedings are still at a preliminary stage and in view of the difficulty of providing a precise evaluation, TOTO CG's legal advisers in Poland consider the risk of an adverse outcome as a possibility.

## Employees' leaving entitlement

Table 80 - Employees' leaving entitlement

Description	2019	2018	Change
Employees' leaving entitlement	382,975	483,449	(100,474)

Table 81 – Changes in employees' leaving entitlement

Description	2018	Increases	Decreases	2019
Employees' leaving entitlement	483,449	0	(100,474)	382,975
<b>Total</b>	<b>483,449</b>	<b>0</b>	<b>(100,474)</b>	<b>382,975</b>

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 comprises the individual amounts accrued up until 31 December 2006 in favour of employees at the reporting date, net of the advances paid. Therefore, the payable 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 mandatory revaluations accrued until 31 December 2019.

The provision does not include the entitlement accrued from 1 January 2007 allocated to supplementary pension schemes under Italian Legislative Decree No. 252 of 5 December 2005 (or transferred to the INPS (Italian Social Security Institute) treasury fund).

## Payables

Table 82 – Payables

Description	2019	2018	Change
Payables	316,887,717	334,435,261	(17,547,544)

Table 83 – Breakdown of payables

Description	2019	2018	Change
Shareholder loans	48,815,753	29,432,443	19,383,310
Bank loans and borrowings	43,471,962	55,823,381	(12,351,419)
Loans and borrowings from other financial backers	17,391,481	15,000,000	2,391,481
Payments on account	22,452,327	55,834,367	(33,382,040)
Trade payables	66,514,935	63,155,286	3,359,649
Payables to subsidiaries	19,761,115	22,308,120	(2,547,005)
Payables to associates	34,139	94,510	(60,371)
Payables to parents	3,921,420	1,842,340	2,079,080
Payables to related companies	28,397,934	15,211,467	13,186,467
Tax payables	54,431,599	65,187,602	(10,756,003)
Social security charges payable	8,505,757	6,793,065	1,712,692
Other payables	3,189,295	3,752,680	(563,385)
<b>Total</b>	<b>316,887,717</b>	<b>334,435,261</b>	<b>(17,547,544)</b>

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

Table 84 – Payables by due date

Description	Due within one year	Due after one year	Due after five years	Total
Shareholder loans	48,815,753	0		48,815,753
Bank loans and borrowings	22,978,512	20,493,450		43,471,962
Loans and borrowings from other financial backers	17,391,481	0		17,391,481
Payments on account	22,452,327	0		22,452,327
Trade payables	66,514,935	0		66,514,935
Payables to subsidiaries	19,761,115	0		19,761,115
Payables to associates	34,139	0		34,139
Payables to parents	3,921,420	0		3,921,420
Payables to related companies	28,397,934	0		28,397,934
Tax payables	36,823,442	17,608,157		54,431,599
Social security charges payable	6,394,952	2,110,805		8,505,757
Other payables	3,189,295	0		3,189,295
<b>Total</b>	<b>276,675,305</b>	<b>40,212,412</b>	<b>0</b>	<b>316,887,717</b>

Shareholder loans (€ 48,816 thousand) mainly refer to the interest-bearing loan regulated by the inter-company current account contract which does not set a term for repayment.



The balance of "Bank loans and borrowings", equal to € 43,472 thousand, of which € 20,493 thousand due after one year, comprises a loan payable and reflects the actual principal, interest and ancillary charges incurred and due.

As already mentioned, this item includes the residual balance, for € 5,454 thousand, of a loan granted by the Milan branch of WEST LB, originally for € 53,000 thousand, to purchase the "Martina" TBM which is currently not used and has been classified under fixed assets held for sale. This payable is secured by a collateral on the asset itself.

The "Loans and borrowings from other financial backers" item (€ 17,391 thousand) includes the first advance payment, for € 15,000 thousand, by KWAY SPV S.r.l. under a factoring transaction involving the sale of part of the technical provisions (claims) which are the subject of litigation. The € 2,391 thousand increase in the year reflects interest and ancillary charges due as at 31 December 2019. The sale will be settled, and the advance payment will be recovered upon conclusion of the aforesaid litigation procedures.

"Payments on account" (€ 22,452 thousand) mainly include contract advances billed to customers in respect of contracts underway. The item decreased significantly, by € 33,382 thousand, in 2019, mainly due to the reclassification of advance payments on contracts with SDP under payables to subsidiaries of parents.

"Trade payables" (€ 66,515 thousand) decreased by € 3,660 thousand compared with the previous year. Trade payables are recognised net of trade discounts and adjusted to reflect returns or rebates (invoicing adjustments) by the amount agreed upon with the other party.

The breakdown of "Payables to subsidiaries" (€ 19,761 thousand) is as follows:

Table 85 - Breakdown of payables to subsidiaries

Description	2019	2018	Change
ALITEC	0	0	0
IMC	4,590	4,590	0
AMBRA	403	1,564	(1,161)
TOTO TECH	6,850,214	4,445,941	2,404,273
PONTEPO	3,982,772	3,521,376	461,396
CEFALU'	8,923,136	5,849	8,917,287
RADIMERO	0	14,328,800	(14,328,800)
<b>Total</b>	<b>19,761,115</b>	<b>22,308,120</b>	<b>(2,547,005)</b>

The changes for the period resulted in an overall reduction of € 2,547 thousand in payables to subsidiaries. This was attributable to the net effect of the following changes:

- Decrease in payables to RADIMERO (€ 14,329 thousand). Following the termination of the contract by TOTO CG and its withdrawal from the TVJ for the RADIMERO contract as of 1 February 2019, as discussed in detail in the paragraph on "Significant events" in the management report, all credit and debit items of TOTO CG vis-à-vis RADIMERO as at 31 JANUARY 2019 have been settled with SELI within the scope of the contract termination agreement dated 29 March 2019.
- Increase of € 8,917 thousand in payables to CEFALU'. This change mainly refers to the allocation of invoices to be received referring to the re-allocation of consortium costs.
- Increase of € 2,404 thousand in payables to TOTO TECH. The amount payable includes commercial transactions for leases billed to TOTO CG in order to use the "machine fleet" owned by TOTO TECH.

The breakdown of "Payables to associates" (€ 34 thousand) is as follows:

Table 86 - Breakdown of payables to associates

Description	2019	2018	Change
SBVS	31,655	92,026	(60,371)
INTERMODALE	0	0	0
NOVIGAL	2,484	2,484	0
<b>Total</b>	<b>34,139</b>	<b>94,510</b>	<b>(60,371)</b>

The breakdown of "Payables to parents" (€ 3,921 thousand) is as follows:

Table 87 - Breakdown of payables to parents

Description	2019	2018	Change
TOTO HOLDING	3,921,420	1,842,340	2,079,080
<b>Total</b>	<b>3,921,420</b>	<b>1,842,340</b>	<b>2,079,080</b>

The breakdown of "Payables to related companies" (€ 28,397 thousand) is as follows:

Table 88 - Breakdown of payables to subsidiaries of parents

Description	2019	2018	Change
RENEXIA	2,013	2,013	0
SDP	24,125,403	2,985,065	21,140,338
AVIAGRICOLA	2,871	2,871	0
INFRA	1,997,509	1,868,362	129,147
PGS	2,260,111	9,408,774	(7,148,663)
TOTO RE	0	943,601	(943,601)
RENEXIA SERVICE	10,027	781	9,246
<b>Total</b>	<b>28,397,934</b>	<b>15,211,467</b>	<b>13,186,467</b>

The changes for the period resulted in an overall increase of € 13,186 thousand in payables to subsidiaries of parents. This was attributable to the net effect of the following changes:

- Decrease of € 7,148 thousand in payables to PGS, reflecting payments made during the year for services delivered to TOTO CG.
- Increase of € 21,140 thousand in payables to SDP. This change mainly reflects the reclassification of the amount due for the contract advances received by TOTO CG from SDP regarding the contract for execution of works under the MISU project. The payable was recognised under "Payments on account" at 31 December 2018.

"Tax payables" (€ 54,432 thousand) decreased by € 10,756 thousand compared with the previous year. This item includes:

- VAT payables amounting to € 36,877 thousand. Total VAT payable in instalments amounted to € 34,390 thousand, of which € 17,211 thousand due after one year.
- IRAP (regional tax on production) payables amounting to € 1,936 thousand. Total IRAP payable in instalments amounted to € 950 thousand, of which € 397 thousand due after one year.
- Withholdings for employees' and freelancers' income totalling € 14,709 thousand.
- IMU (local property tax) payables amounting to € 209 thousand.

"Social security charges payable" (€ 8,505 thousand) increased by € 1,713 thousand on the previous year-end balance. The item comprises 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:

- INPS contributions related to employees, consultants and freelance workers for € 6,388 thousand. Total INPS contributions payable in instalments amounted to € 4,288 thousand, of which € 2,111 thousand due after one year.
- INAIL contributions payable totalling € 848 thousand.

- Contributions payable to special construction workers' funds totalling € 724 thousand.
- Contributions payable to supplementary pension funds for € 546 thousand.

The balance of "Other payables" (€ 3,189 thousand) decreased by € 563 thousand. The balance mainly comprises payables to employees for remuneration and pay for holidays and leave accrued at 31 December 2019 and not taken (€ 2,963 thousand).

The breakdown of payables by geographical area is shown below:

Table 89 – Payables by geographical area

Description	Shareholder loans	Bank loans and borrowings	Other loans and borrowings	Payments on account	Trade payables	Payables to subsidiaries
Italy	48,815,753	43,471,962	17,391,481	7,832,256	62,374,730	19,761,115
EEC	0	0	0	14,620,071	3,911,457	0
Non-EEC	0	0	0	0	228,748	0
<b>Total</b>	<b>48,815,753</b>	<b>43,471,962</b>	<b>17,391,481</b>	<b>22,452,327</b>	<b>66,514,935</b>	<b>19,761,115</b>

Description	Payables to associates	Payables to parents	Payables to related companies	Tax payables	Social security charges payable	Other	Total
Italy	34,139	3,921,420	28,397,934	54,335,095	8,463,669	3,085,870	297,885,424
EEC	0	0	0	96,504	42,088	103,425	18,773,545
Non-EEC	0	0	0	0	0	0	228,748
<b>Total</b>	<b>34,139</b>	<b>3,921,420</b>	<b>28,397,934</b>	<b>54,431,599</b>	<b>8,505,757</b>	<b>3,189,295</b>	<b>316,887,717</b>

## Accrued expenses and deferred income

Table 90 – Accrued expenses and deferred income

Description	2019	2018	Change
Accrued expenses and deferred income	351,812	363,259	(11,447)

Table 91 – Breakdown of accrued expenses and deferred income

Description	2019	2018	Change
Accrued expenses	118,038	107,876	10,162
Deferred income	233,774	255,383	(21,609)
<b>Total</b>	<b>351,812</b>	<b>363,259</b>	<b>(11,447)</b>

These are adjusting entries for the year calculated on an accrual basis. The balance at 31 December 2019 mainly includes deferred income related to insurance policy premiums.

## Profit and Loss Account

### Production revenues

Table 92 – Production revenues

Description	2019	2018	Change
Production revenues	154,154,092	117,014,783	37,139,309

Table 93 – Breakdown of revenues

Description	2019	2018	Change
Turnover from sales and services	129,315,760	101,903,615	27,412,145
Change in contract work in progress	19,678,984	1,975,040	17,703,944
Other revenues and income	5,159,348	13,136,128	(7,976,780)
<b>Total</b>	<b>154,154,092</b>	<b>117,014,783</b>	<b>37,139,309</b>

The breakdown of revenues by business segment and geographical area is provided below.

### Revenues by business segment

Table 94 – Revenues by business segment

Description	2019	2018	Change
Contracts	119,309,464	95,723,918	23,585,546
Services	1,622,654	947,095	675,559
Other revenues	8,383,642	5,232,602	3,151,040
<b>Total</b>	<b>129,315,760</b>	<b>101,903,615</b>	<b>27,412,145</b>

The "Contracts" item includes revenues from the recognition of technical provisions (claims) for € 27,980 thousand. The "Other revenues" item includes revenues from the transfer of rights in connection with the RADIMERO contract, for € 7,287 thousand, as explained in the paragraph on "Significant events" in the management report, to which reference should be made.

### Revenues by geographical area

Table 95 – Revenues by geographical area

Description	2019	2018	Change
Italy	120,420,977	83,922,102	36,498,875
Poland	8,886,989	17,973,215	(9,086,226)
Czech Republic	7,794	8,298	(504)
<b>Total</b>	<b>129,315,760</b>	<b>101,903,615</b>	<b>27,412,145</b>

## Production costs

Table 96 – Production costs

Description	2019	2018	Change
Production costs	154,521,184	175,833,657	(21,312,473)

Table 97 – Breakdown of production costs

Description	2019	2018	Change
Raw materials, supplies and goods	41,499,766	18,977,218	22,522,548
Services	50,451,227	71,181,243	(20,730,016)
Use of third-party assets	23,139,035	32,035,312	(8,896,277)
Wages and salaries	24,636,077	24,217,428	418,649
Social security contributions	9,211,223	8,101,564	1,109,659
Employees' leaving entitlement	1,557,984	1,561,572	(3,588)
Other personnel costs	251,239	133,501	117,738
Amortisation of intangible fixed assets	61,964	1,471,054	(1,409,090)
Depreciation of tangible fixed assets	236,601	229,914	6,687
Other write-downs of fixed assets	3,085,689	3,170,597	(84,908)
Write-down of current receivables	46,850	0	46,850
Change in inventory of raw materials,	(2,149,857)	5,310,619	(7,460,476)
Provisions for risks	0	0	0
Other provisions	311,145	4,837,246	(4,526,101)
Other operating costs	2,182,241	4,606,389	(2,424,148)
<b>Total</b>	<b>154,521,184</b>	<b>175,833,657</b>	<b>(21,312,473)</b>

### Raw materials, consumables, supplies and goods

These costs, amounting to € 41,500 thousand, mainly relate to:

- Production purchases for € 1,085 thousand;
- Raw materials for € 33,186 thousand;
- Fuel and lubricants for € 3,169 thousand;
- Consumables for € 2,805 thousand;
- Maintenance materials for € 431 thousand;

### Services

Service costs, amounting to € 50,451 thousand, mainly refer to:

- Transport (€ 1,617 thousand);
- External processing (€ 16,321 thousand);
- Electricity, gas and water (€ 143 thousand);
- Technical advisory services (€ 5,033 thousand);
- Business advisory services (€ 94 thousand);
- Directors' fees (€ 941 thousand);

- Auditors' and Supervisory Body's fees (€ 133 thousand);
- Administrative services (€ 1,707 thousand);
- Legal fees and advice ( € 1,199 thousand);
- Insurance premiums (€ 2,200 thousand);
- External surveillance services (€ 501 thousand);
- Travel and accommodation ( € 1,063 thousand);
- Re-allocation of consortium costs (€ 17,020 thousand);

#### Use of third-party assets

These costs, amounting to € 23,139 thousand, mainly relate to:

- Rentals and leases ( € 2,423 thousand);
- Operating rentals and leases ( € 19,961 thousand);
- Lease instalments ( € 744 thousand);

#### Personnel expenses

This item, amounting to € 35,657 thousand, comprises all personnel expenses, including promotions, seniority raises, paid holidays accrued but not taken and accruals required by law and collective employment contracts.

#### Amortisation/depreciation of intangible and tangible fixed assets

The amortisation/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 rates provided for by tax legislation 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. Amortisation charges for the year amounted to € 62 thousand for intangible fixed assets (mainly trademarks and leasehold improvements). For tangible fixed assets, depreciation charges were equal to € 237 thousand.

#### Other write-downs of fixed assets

This item, amounting to € 3,086 thousand, comprises the write-down of the "Martina" TBM (€ 2,718 thousand) and of assets under construction and payments on account for € 304 thousand.

#### Write-downs of current receivables

This item, amounting to € 47 thousand, comprises the write-down of trade receivables in order to bring their nominal amount into line with the estimated realisation value.



### Other provisions

Accruals to other provisions in the year totalled € 311 thousand, of which € 46 thousand relating to the adjustment of the provision to cover costs for dismantling work sites, and € 266 thousand to the adjustment of the provision for charges in connection with ongoing legal disputes in the Czech Republic.

For a more detailed analysis, reference should be made to the paragraph on "Provisions for risks and charges".

### Other operating costs

This item, equal to € 2,182 thousand, mainly refers to costs of sanctions for late payment of taxes (€ 913 thousand), indirect taxes (€ 364 thousand), IMU (local property tax) (€ 132 thousand), penalties and compensation for damages (€ 137 thousand) and losses on receivables (€ 136 thousand).

## Financial income and charges

Table 98 – Financial income and charges

Description	2019	2018	Change
Financial income and charges	(8,294,650)	(7,147,559)	(1,147,091)

Table 99 – Breakdown of financial income and charges

Description	2019	2018	Change
From equity investments	0	0	0
From receivables classified as fixed assets	903,594	1,229,342	(325,748)
From securities classified as fixed assets	0	0	0
From securities classified as current assets	0	0	0
Other financial income	386,022	497,481	(111,459)
<b>Total income</b>	<b>1,289,616</b>	<b>1,726,823</b>	<b>(437,207)</b>
(Interest and other financial charges)	(9,776,897)	(7,972,258)	(1,804,639)
<b>Total charges</b>	<b>(9,776,897)</b>	<b>(7,972,258)</b>	<b>(1,804,639)</b>
Net exchange rate gains (losses)	192,631	(902,124)	1,094,755
<b>Total</b>	<b>(8,294,650)</b>	<b>(7,147,559)</b>	<b>(1,147,091)</b>

### Financial income

The breakdown of “Financial income” is as follows:

Table 100 – Breakdown of financial income

Description	Subsidiaries	Associates	Related companies	Other	Total
From equity investments	0	0	0	0	0
From receivables classified as fixed assets	419,321	93,081	391,192	0	903,594
From securities classified as fixed assets	0	0	0	0	0
From securities classified as current assets	0	0	0	0	0
Other financial income	0	0	0	386,022	386,022
<b>Total income</b>	<b>419,321</b>	<b>93,081</b>	<b>391,192</b>	<b>386,022</b>	<b>1,289,616</b>

“Financial income from receivables classified as fixed assets” includes interest receivable on interest-bearing loans granted to the subsidiaries ALITEC (€ 235 thousand), IMC (€ 50 thousand), AMBRA (€ 8 thousand) TOTO TECH (€ 127 thousand), to the associate INTERMODALE (€ 93 thousand) and to the related companies SDP (€ 190 thousand) and TOTO RE (€ 201 thousand).

“Other financial income” mainly refers to interest receivable accrued on loans granted to related parties at ordinary market conditions (€ 194 thousand) and to interest accrued on financial items payable by RADIMERO and COCIV prior to the termination of the contract and TJV agreement (€ 176 thousand).

## Financial charges

The breakdown of “Interest and other financial charges” is as follows:

Table 101 – Breakdown of financial charges

Description	Parents	Other	Total
Interest expense on loans	(1,714,455)	(3,876,756)	(5,591,211)
Commissions on sureties	(586,683)	(79,616)	(666,299)
Unpaid interest on arrears and deferred payments	0	(2,191,903)	(2,191,903)
Other	0	(1,327,484)	(1,327,484)
<b>Total charges</b>	<b>(2,301,138)</b>	<b>(7,475,759)</b>	<b>(9,776,897)</b>

Financial charges, equal to € 9,777 thousand, mainly consist of:

- interest expense accrued on loans granted by the parent TH regulated by the inter-company current account contract which envisages the accrual of interest at ordinary market conditions (€ 1,714 thousand);
- commissions on bank sureties issued by TH to TOTO CG and subsequently charged back to the latter, regulated at ordinary market conditions by the inter-company guarantee service contract (€ 587thousand);
- interest on loans and borrowings from other financial backers in connection with the factoring of technical provisions (€ 2,391 thousand);
- interest expense on bank loans (€ 2,297 thousand);
- interest expense and interest on arrears and deferred payments (€ 2,191 thousand).

## Income taxes

Table 102 – Income taxes

Description	2019	2018	Change
Income taxes for the year	(2,968,438)	(13,311,084)	10,342,646

Table 103 – Breakdown of income taxes

Taxes	2019	2018	Change
<b>Current taxes:</b>	<b>0</b>	<b>0</b>	<b>0</b>
IRES (corporate income tax)	0	0	0
IRAP (regional tax on production)	0	0	0
<b>Deferred tax liabilities (assets)</b>	<b>(2,754,570)</b>	<b>(9,351,647)</b>	<b>6,597,077</b>
IRES (corporate income tax)	(2,245,446)	(9,351,903)	7,106,457
IRAP (regional tax on production)	(509,124)	256	(509,380)
(Income) charges due to tax consolidation	(49,746)	(3,973,098)	3,923,352
Prior year taxes	(164,122)	13,661	(177,783)
<b>Total</b>	<b>(2,968,438)</b>	<b>(13,311,084)</b>	<b>10,342,646</b>

The Company posted a negative tax base for IRES purposes. Having opted to participate in the Group tax consolidation scheme, its negative tax base was transferred to the consolidating entity Toto Holding S.p.A., thus generating a gain resulting from the tax consolidation scheme. However, since the overall tax base of the Group was negative in 2019, it was not sufficient to offset the tax losses accrued by its consolidated companies, including TOTO CG. Therefore, having ascertained the possibility of recovering the excess losses in the tax bases of subsequent years under the tax consolidation scheme, and in accordance with Italian accounting standards, the tax parent has established that the consolidated companies, including TOTO CG, should recognise deferred tax assets on excess tax losses. As a result, against tax losses reported in the year, TOTO CG recorded income from the tax consolidation scheme (€ 49 thousand) for losses offset by Group taxable bases and deferred tax assets (€ 24 thousand) for excess tax losses not covered by the tax consolidation scheme in 2019.

The Company did not recognise IRAP for the current year, as permitted by articles 27 and 160 of Decree-law No. 34 of 19 May 2020 (known as the "Relaunch Decree").

The table below shows the reconciliation between the current and theoretical tax charge (IRES).

Table 104 - Reconciliation between the current and theoretical tax charge (IRES)

Description	2019	Taxes
<b>Profit (loss) before taxes (A)</b>	<b>(12,510,335)</b>	
Theoretical tax charge (%)	24.00%	(3,002,480)
<b>Temporary differences that will reverse in subsequent years:</b>		
Accruals to directors' end-of-office indemnity policy (TFM)	120,000	
Accruals to provisions for risks and charges	1,017,935	
Write-down of assets	2,781,329	
Interest on arrears		
Exchange rate losses not realised in 2019	902,439	
<b>Sub-total (B)</b>	<b>4,821,704</b>	
<b>Transfer of temporary differences from previous years</b>		
Deductible depreciation from prior years		
Other deductible depreciation from prior years		
Default interest not deducted in prior years		
Exchange rate losses not realised in 2018		
<b>Sub-total (C)</b>	<b>0</b>	
<b>Differences that will not reverse in subsequent years</b>		
Write-downs, capital losses and prior year expense	2,430,565	
Income from non-operating properties	28,194	
Non-deductible interest expense (unpaid interest on arrears)	64,092	
Non-deductible costs for means of transport (article 164 of the Italian Consolidated Income Tax Law)	864,940	
Non-deductible multi-year expenditure		
Non-deductible or unpaid taxes (article 99.1)	132,025	
Social and welfare expenses (Donations)	11,000	
Write-downs and non-deductible provisions for risks pursuant to articles 105/106	4,152,996	
Exchange rate differences pursuant to article 110.3 (valuation exchange losses)		
Other increases	1,369,665	
Exchange rate differences pursuant to article 110.3 (valuation exchange gains)	(1,216,942)	
Other decreases	(454,101)	
<b>Sub-total (D)</b>	<b>7,382,434</b>	
<b>Taxable income (A+B+C+D)</b>	<b>(306,198)</b>	
<b>Income taxes for the year</b>	<b>24.00%</b>	<b>(73,487)</b>
Tax losses for 2019 not covered by the tax consolidation scheme	(98,922)	
<b>Deferred tax assets</b>	<b>24.00%</b>	<b>(23,741)</b>
2019 tax losses not absorbed by the tax consolidation scheme	(207,275)	
<b>(Income) and expenses arising from consolidation</b>	<b>24.00%</b>	<b>(49,746)</b>

The table below shows the calculation of the IRAP (regional tax on production) tax base even though, as reported above, the Company did not record IRAP for the year in accordance with the provisions of articles 27 and 160 of Decree-law No. 34 of 19 May 2020 (“Relaunch Decree”).

The table below is strictly for information purposes only. It shows the IRAP tax base that would have applied in the absence of said decree-law.

Table 105 – Calculation of the IRAP (regional tax on production) tax base

Description	2019	Taxes
Operating profit	38,733,117	
Costs not relevant for IRAP purposes		
Revenues not relevant for IRAP purposes	(2,613,936)	
Other revenues relevant for IRAP purposes		
<b>Production revenues</b>	<b>36,119,181</b>	
Amount of interest in lease fees	160,638	
Costs, fees and profits pursuant to article 11.1.B of Leg. Decree No. 446	1,510,384	
IMU (local property tax)	132,025	
Other increases	3,491,277	
<b>Increases</b>	<b>5,294,325</b>	
Other decreases	(892,179)	
<b>Decreases</b>	<b>(892,179)</b>	
<b>Gross production revenues</b>	<b>40,521,327</b>	
Deductions as per article 11.1.1 of Leg. Decree No. 446	(30,655,471)	
<b>Net production revenues</b>	<b>9,865,856</b>	
<b>Theoretical tax charge (%)</b>		<b>1,866,936</b>
<b>IRAP tax base</b>	<b>9,865,855</b>	
Abruzzo tax	6,516,824	314,111
Lazio tax	1,469,584	70,834
Liguria tax	208,864	8,146
Lombardy tax	211,602	8,252
Piedmont tax	23,645	922
Sicily tax	1,435,337	55,978
<b>Current IRAP for the year</b>		<b>458,243</b>

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 balance of "Deferred tax assets", for € 2,658 thousand, mainly refers to the temporary differences calculated on provisions for risks and charges (€ 1,330 thousand) and on write-downs (€ 1,715 thousand).

The balance of "Deferred tax liabilities", for €97 thousand, essentially refers to the temporary differences calculated on non-taxable exchange rate gains.

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.

Table 106 – Breakdown of deferred tax assets and liabilities

Description	2019	Rate	Taxes
<b>A) Deferred tax assets</b>			
2019 tax losses not absorbed by the tax consolidation scheme	(98,922)	24.00%	(23,741)
Accruals to directors' end-of-office indemnity policy (TFM)	(120,000)	24.00%	(28,800)
Accruals to provisions for risks and charges	(4,616,101)	28.82%	(1,330,360)
Write-downs	(5,951,926)	28.82%	(1,715,345)
Interest on arrears	(64,092)	24.00%	(15,382)
Deductible depreciation from prior years	307,841	24.00%	73,882
Other deductible depreciation from prior years	5,289	28.82%	1,524
Default interest not deducted in prior years	41,914	24.00%	10,059
Unrealised exchange rate losses	1,542,503	24.00%	370,201
<b>Total change in deferred tax assets</b>			<b>(2,657,962)</b>
<b>B) Deferred tax liabilities</b>			
2018 unrealised exchange rate gains	(1,619,469)	24.00%	(388,673)
2019 unrealised exchange rate gains	1,216,942	24.00%	292,065
<b>Total change in deferred tax assets</b>			<b>(96,608)</b>
<b>Total deferred tax assets and liabilities (cost)</b>			<b>(2,754,570)</b>

## Other information

### 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:

Table 107 – Breakdown of commitments and guarantees given

Description	2019	2018	Change
Commitments taken on by the Company	607,359,647	726,161,564	(118,801,917)
Guarantees given	130,160,938	199,392,581	(69,231,643)
<b>Total</b>	<b>737,520,585</b>	<b>925,554,145</b>	<b>(188,033,560)</b>

“Commitments taken on by the Company”, for € 607 thousand, refer to the contractually-agreed commitments with customers in respect of the residual amount of the work to be performed as at 31 December 2019 (“Order book”).

“Guarantees given” refer to the insurance and bank guarantees given by TOTO CG to customers. Guarantees issued totalled € 130,161 thousand at 31 December. The breakdown is provided below:

- Insurance sureties totalling € 102,066 thousand and bank sureties totalling € 3,441 thousand (performance bonds) provided to customers as performance guarantees.
- Insurance sureties provided to customers as release of guarantee withholdings on work totalling € 2,975 thousand;
- Insurance sureties as a guarantee for various contractual commitments totalling € 3,678 thousand;

As at 31 December 2019, there are no unrecognised contingent liabilities.

### Information about government grants received

In accordance with article 1.125-*bis* of Law No. 124/2017, information about government grants received by TOTO CG is provided in this section:

Project (Reason): Training programme ID 203745 - Training 2018 - Step 1

Granting authority: FONDIMPRESA (tax code 92278470584)

Amount received: € 38,710 Date of receipt: 7 August 2019

Project (Reason): Life 14

Granting authority: STECA S.p.A. (tax code 00223360447)

Amount received: € 83,067.26 Date of receipt: 27 June 2019



### Revenue or cost components of a significant amount or unusual impact

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

### Independent auditors' fees

Pursuant to article 2427.16-*bis* of the Italian Civil Code, fees paid in 2019 to the independent auditors and the network companies amount to € 89 thousand, of which € 15 thousand relate to the audit of the interim financial statements performed on a voluntary basis.

### Directors' and statutory auditors' fees

Pursuant to article 2427.16 of the Italian Civil Code, directors' and statutory auditors' fees are shown below.

Table 108 – Directors' and statutory auditors' fees

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

The Company paid advances to Directors for € 203 thousand. No advances or loans were granted to the members of the Board of Statutory Auditors.

### Transactions with related parties

Pursuant to article 2427.1.22-*bis* of the Italian Civil Code, the trade and financial transactions carried out with related parties, none of which were of an atypical and/or unusual nature, took place on an arm's length basis.

### Off-balance sheet arrangements

Pursuant to article 2427.1.22-*ter* of the Italian Civil Code, no off-balance transactions were carried out.

### Derivatives issued

Pursuant to article 2427.1.18 and 19 of the Italian Civil Code, the Company did not issue any derivatives.

### Derivatives held

Pursuant to article 2427-bis.1.1 of the Italian Civil Code, the company did not hold any financial derivatives as at 31 December 2019.

## Leases

The Company is party to 28 lease agreements. Pursuant to article 2427.22.22 of the Italian Civil Code and in accordance with the instructions set out in OIC 1, the following table provides information on the impact that leases would have had on net equity and the profit and loss account had they been recognised using the financial method rather than the so-called liability method of charging the instalments paid to the profit and loss account.

Table 109 – Effect of lease transactions recognised using the financial method

Assets	2019	2018
<b>a) Contracts in progress</b>		
Leased assets at the end of the previous year, net of prior year depreciation	1,234,864	1,599,393
+ Leased assets acquired during the year	536,000	536,046
- Leased assets redeemed during the year	(238,279)	(311,046)
- Depreciation of the year	(603,821)	(589,529)
- Reversal of provision for redeemed assets	204,495	
Leased assets at the end of the year, net of depreciation	<b>1,133,259</b>	<b>1,234,864</b>
<b>c) Liabilities</b>		
Lease payments at the end of the previous year	1,854,200	2,014,100
+ Residual payments arising during the year	536,000	529,843
- Reductions due to repayment of principal and redemptions during the year	(690,902)	(939,336)
Finance lease payments at the end of the year	<b>1,699,298</b>	<b>1,604,607</b>
Other changes in equity	85,853	(169,300)
<b>d) Total gross effect at year end (a+b-c)</b>	<b>(480,186)</b>	<b>(539,043)</b>
e) Net tax effect	(138,390)	(155,352)
<b>f) Effect on net equity at year end (d-e)</b>	<b>(618,576)</b>	<b>(694,395)</b>
<i>The effect on the profit and loss account can be broken down as follows:</i>		
Reversal of lease payments	674,937	678,124
Reversal of lease down payment	65,159	70,794
Recognition of financial charges on finance leases	(35,053)	(46,838)
Recognition of accumulated depreciation	(603,821)	(589,529)
Other effects on the profit and loss account	(33,784)	
<b>Effect on profit before taxes</b>	<b>67,438</b>	<b>112,551</b>
Recognition of the tax effect	19,436	32,437
<b>Net effect of recognition of leases using the financial method on the profit for the year</b>	<b>48,002</b>	<b>80,114</b>

## Significant events after the reporting date not linked to COVID-19

### Ritiro Viaduct contract

As regards the claims submitted by TOTO CG to CAS for additional payments, the amicable settlement procedure envisaged by article 240 of Legislative Decree No. 163/06 was initiated in 2019 to calculate the claims recognised by TOTO CG up to interim payment certificate (SAL) 23, which totalled € 28,604 thousand at 26 November 2019. Subsequently, on 11 September 2019, the current Head of the Inter-regional Public Works Department for Sicily and Calabria was appointed as Chairman, completing the Committee, in accordance with article 240 of Italian Legislative Decree No. 163/06, to calculate the claims recognised by TOTO CG.

On 6 March 2020, the Committee proposed an amicable settlement amounting to € 6,890 thousand. TOTO CG endorsed the decision in a letter dated 17 March 2019. The entity awarding the contract subsequently also confirmed its willingness to proceed and agreed to the proposed amicable settlement in the amount determined by the Committee.

Procedures are underway to define and sign the amicable settlement agreement in accordance with Legislative Decree No. 163/06.

## Allocation of the net profit for the year

Dear Shareholders,

We now invite you to:

- discuss and approve the management report and the financial statements at 31 December 2019 which show a net loss of € 9,541,898;
- allocate the net loss for the year of € 9,541,898 to losses carried forward.

These financial statements, consisting of the balance sheet, profit and loss account, cash flow statement and the notes, give a true and fair view of the Company's financial position, financial performance and cash flows for the year and are consistent with the accounting records.

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 Decree No. 34 of the President of the Council of Ministers dated 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

TOTO S.p.A. Costruzioni Generali

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**INDEPENDENT AUDITOR'S REPORT**

**TOTO SPA COSTRUZIONI GENERALI**

**FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**



## ***Independent auditor's report***

*in accordance with article 14 of Legislative Decree No. 39 of 27 January 2010*

To the shareholder of Toto SpA Costruzioni Generali

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### ***Report on the Audit of the Financial Statements***

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#### ***Opinion***

We have audited the financial statements of Toto SpA Costruzioni Generali (the Company), which comprise the balance sheet as of 31 December 2019, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2019, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the criteria for their preparation, including the provisions of article 7 of Law Decree no. 23 of 8 April 2020.

#### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Company pursuant to the regulations and standards on ethics and independence applicable to audits of financial statements under Italian law. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Application of Article 7 of Law Decree no. 23 of 8 April 2020 and material uncertainties related to going-concern***

We draw attention to paragraph "Going-concern" of the notes to the financial statements which indicates that the Directors, due to the disruptive effects deriving from the COVID-19 epidemic, have drawn up the financial statements under the going-concern assumption exercising the power of derogation provided for in Article 7 of Law Decree no. 23 of 8 April 2020.

For the purpose of exercising the aforesaid power, and consistently with the instructions contained in the Interpretative Document no. 6 of the Italian Accounting Board (OIC), the Directors stated that, on the basis of the information available at 31 December 2019, they evaluated the existence of the going concern assumption at that date in application of paragraph 21 of the Italian Accounting Board Standard OIC 11. The Directors stated that, as

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#### ***PricewaterhouseCoopers SpA***

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part of this evaluation, they did not take into account the events occurred after 31 December 2019.

In the same paragraph, the Directors provided information updated to the date of the preparation of the financial statements about their evaluation on the existence of the going-concern assumption, also showing the risk factors mainly caused by the closure of the construction sites due to the government restrictions, the assumptions made, the material uncertainties identified linked to the unpredictability of future scenarios and to the possibility of using the measures provided for by the Government to sustain liquidity, as well as the business plans to cope with such risks and uncertainties.

Our opinion is not qualified with regard to this matter.

### ***Other matters – Application of the auditing standard ISA Italia 570***

As indicated in the paragraph above, in evaluating the applicability of the power provided for in the abovementioned Article 7, the Directors reported in the financial statements that they evaluated as existing the going-concern assumption as at 31 December 2019 without taking into account the events occurred subsequent to that date, consistently with the instructions contained in the Interpretative Document no. 6 of the Italian Accounting Board (OIC).

Consequently, such events were not taken into account in the application of the auditing standard ISA Italia 570 “Going concern” with reference to the evaluation of the going-concern assumption made by the Directors as at 31 December 2019 based on the information available at the same date.

### ***Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements***

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

The directors are responsible for assessing the Company’s ability to continue as a going concern and, in preparing the financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the financial statements, the directors use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the Company’s financial reporting process.

### ***Auditor’s Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee





that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of our audit conducted in accordance with International Standards on Auditing (ISA Italia), we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- We identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error; we designed and performed audit procedures responsive to those risks; we obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- We evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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### ***Report on Compliance with other Laws and Regulations***

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#### ***Opinion in accordance with Article 14, paragraph 2, letter e), of Legislative Decree No. 39/10***

The directors of Toto SpA Costruzioni Generali are responsible for preparing a report on operations of Toto SpA Costruzioni Generali as of 31 December 2019, including its consistency with the relevant financial statements and its compliance with the law.



We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Toto SpA Costruzioni Generali as of 31 December 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the financial statements of Toto SpA Costruzioni Generali as of 31 December 2019 and is prepared in compliance with the law.

With reference to the statement referred to in article 14, paragraph 2, letter e), of Legislative Decree No. 39/10, issued on the basis of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have nothing to report.

Pescara, 29 June 2020

PricewaterhouseCoopers SpA

*Signed by*

Stefano Amicone  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this 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 31/12/2019 pursuant to article 2429.2 of the Italian Civil Code**

Dear Shareholders,

During the year ending on 31 December 2019, we performed the supervisory duties provided for by articles 2403 *et seq.* of the Italian Civil Code. The financial statements were audited by PriceWaterhouseCoopers S.p.A.

During the year, we carried out our work in accordance with the law and the rules of conduct issued by the Italian Accounting Profession.

This report has been approved by all members of this board and was provided in time to be filed at the Company's registered office, having acknowledged the choice of the shareholder to waive the terms pursuant to article 2429.3 of the Italian Civil Code.

The Board of Directors provided the following documentation about the year ending on 31 December 2019:

- draft financial statements, including the notes thereto;
- cash flow statement;
- management report.

### **Supervisory activities pursuant to article 2403 *et seq.* of the Italian Civil Code**

With respect to our supervisory activities we can confirm that:

- there were no changes to the Company's core business during the year and that this is consistent with its business object;
- the organisational structure and IT systems are substantially unchanged;
- the workforce is substantially unchanged in relation 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 provided for by the law;
- the comments and proposals about the financial statements, specifically with respect to the possible use by the Directors of the waiver permitted by article 2423.5 of the Italian Civil Code;
- the net loss for the year.

## **Activities carried out**

Our activities covered the entire financial year, during which the meetings as envisaged under art. 2404 of the Italian Civil Code were held.

In fulfilling our duties, we monitored developments in the Company's business activities, focusing, in particular, on contingent and/or extraordinary issues to identify the economic and financial impact on the financial position and net equity, as well as any risks. In this respect, we discussed technical and specific issues with the various heads of department.

We examined and monitored the adequacy of the organisational, administrative and accounting structure (including information and telematics systems), as well as the actual functioning and reliability thereof, and the measures taken by the Directors in response to the emergency caused by the Covid-19 pandemic, and have nothing to report in this respect.

From our discussions with the auditors of the subsidiary companies, the supervisory body, the heads of the internal auditing department and the independent auditors, no relevant data or information emerged that needs to be disclosed in this report.

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

- the decisions made by the shareholders complied with the law and the by-laws and were not risky or such to undermine the integrity of the Company's assets;
- the information about the Company's overall performance, the business outlook and the most significant transactions, in terms of their size or characteristics, was obtained, including pursuant to article 2381.5 of the Italian Civil Code;
- the transactions carried out by the Board of Directors also complied with the law and the by-laws and were not in contrast with the shareholders' decisions or such to undermine the integrity of the Company's assets;
- there are no specific remarks to be made about the adequacy of the Company's organisational structure or its administrative and accounting system, or the extent to which the latter could be relied on to correctly represent the Company's affairs;
- 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**

In view of the derogation envisaged by article 106.1 of Legislative Decree No. 18 of 17 March 2020, the Ordinary Meeting to approve the financial statements was convened within the extended term of 180 days of the end of the financial year.

To the best of our knowledge, the Directors, in preparing the financial statements, did not depart from the provisions of the law pursuant to article 2423.5 of the Italian Civil Code, but did use the derogation option under article 7 of Legislative Decree No. 23 of 8 April 2020 (known as the Liquidity Decree).

Today we received the independent auditors' report, which states that the financial statements give a true and fair view of the Company's financial and equity position at 31 December 2019, and of the profit and loss situation and cash flows for the year then ended, in accordance with Italian legislation governing their preparation, including the provisions of article 7 of Legislative Decree No. 23 of 8 April 2020.

Said report draws attention to the following points, to which specific reference should be made:

- application of article 7 of Legislative Decree No. 23 of 8 April 2020 and the significant uncertainties in respect of the Company's ability to operate as a going concern in view of the impact of the Covid-19 pandemic on the situation of the Company and the group of which it is part.

The Directors have identified risk factors that are mainly linked to Government restrictions suspending business activities, staff recruitments, significant uncertainties associated with the unpredictability of future scenarios and the possibility of being able to use the measures introduced by the Government to support liquidity, as well as the Company's plans to address such risks and uncertainties;

- application of Italian auditing standard ISA 570 "Going concern", with reference to the going concern assessment by the Directors as at 31 December 2019 on the basis of information available at that date, without taking subsequent events into account, in accordance with the guidelines issued by the OIC in its Interpretative Document No. 6.

The independent auditors also confirmed that the management report is consistent with the financial statements and complies with the law.

In relation to the draft financial statements:

- we checked the structure of the draft financial statements and their overall compliance with the law in terms of their structure and format and we have nothing to report in this respect;
- the measurement criteria applied to asset and liability items are in line with the provisions of article 2426 of the Italian Civil Code;
- we checked compliance with the laws governing the preparation of the management report and we have nothing to report in this respect;

- 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 read the reports of the supervisory body and did not find any critical issues with respect to the organisational model worthy of mention in this report.

The Directors provided information about the net loss for the year, which was mainly attributable to non-recurring events and mostly regarded foreign contracts.

Nevertheless, the closure of all production activities following the introduction of Government restrictions resulted in a loss for the period ending on 30 April 2020 such as to constitute the circumstances referred to in article 2446 of the Italian Civil Code.

#### **Net loss for the year**

The Company's net loss for the year ending on 31 December 2019 amounts to € 9,541,898. Given the level of the Company's net equity, we have nothing to report with respect to the proposal of the Directors to carry the net loss forward, as stated in the explanatory notes.

#### **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 2019.

Chieti, 29 June 2020

Board of Statutory Auditors

GIOVANNI SMARGIASSI      Chairman\_\_\_\_\_

FRANCESCO CANCELLI      Standing auditor      \_\_\_\_\_

VITO GIUSEPPE RAMUNDO      Standing auditor      \_\_\_\_\_