

# Consolidated Financial Statements 2018

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

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

Jonathan Swift



 **TOTO**Holding

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## Glossary

**AGREEMENT** - The agreement signed between TH, APFL and CAI on 2/3 August 2017

**AISCAT** – Associazione Italiana Società Concessionarie Autostrade e Trafori, Italian Association of Toll Motorways and Tunnels Operators

**ANAS** – Azienda Nazionale Autonoma delle Strade, National Autonomous Roads Corporation

**ATI** – Associazione Temporanea d’Impresa, Joint Venture

**BASELOAD** - Type of contract used in the forward electricity market

**BEL** – Beleolico S.r.l.

**BU** – Business Unit

**CAI** – Compagnia Aerea Italiana S.p.A.

**NIC** – Net Invested Capital

**COGEIN** – Compagnia Generale Investimenti S.r.l.

**CSE** – Executive safety coordination

**CSP** – Project safety coordination

**EPC** - Engineering, Procurement and Construction

**FCG** – Fondo Centrale di Garanzia, Italian Guarantee Scheme

**GSE** – Gestore Servizi Energetici, the Italian power authority

**INFRA** – Infraengineering S.r.l.

**MLT** – Medium-/Long-term

**PAC** – Provisional Acceptance Certificate

**PECH** – Parco Eolico Casalduni House S.r.l.

**BP** – Business Plan

**PGS** – Parchi Global Services S.p.A.

**pp** – percentage point

**FIRST AGREEMENT**– The agreement signed between TH, APFL and CAI on 12 July 2018

**PUN** - National single price. It is the average cost of electricity for every hour and day on a national basis

**RENEXIA SERVICES** – Renexia Services S.r.l.

**RENEXIA WIND** - Renexia Wind Offshore S.p.A.

**SAL/SIL** – Work Progress Report/Internal Situation Report

**SDP** – Strada dei Parchi S.p.A.

**SECOND AGREEMENT** - The agreement signed between TH, APFL and CAI on 18 February 2019

**SPV** – Special Purpose Vehicle

**TBM** – Tunnel Boring Machine

**TH** – Toto Holding S.p.A.

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

**TOTO RE** – Toto Real Estate S.r.l.



## Company

### TOTO HOLDING S.p.A

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

Share capital € 100,000,000.00 fully paid-up

Company Registration no. 00134410695

REA no. CH-58701

## Corporate Bodies

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

Paolo Toto	Chairman
Carlo Toto	Director
Valentina Toto	Director
Lelio Scopa	Director
Lino Bergonzi	Managing Director

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

Giovanni Smargiassi	Chairman
Vito Ramundo	Standing auditor
Francesco Cancelli	Standing auditor
Lucio Raimondi	Alternate auditor
Giovanni D'Aquino	Alternate auditor

### INDEPENDENT AUDITORS

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

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<sup>1</sup> TOTO Holding's Board of directors was appointed on 29 June 2016. Its term of office expires with the approval of the financial statements at 31 December 2018.

<sup>2</sup> TOTO Holding's Board of statutory auditors was appointed on 20 July 2018. Its term of office expires with the approval of the financial statements at 31 December 2020.

<sup>3</sup> Engagement assigned to PWC S.p.A. for the 2016-2018 period by TOTO Holding's Shareholders in their meeting of 29 June 2016.

## **SUPERVISORY BODY<sup>4</sup>**

Salvatore Ricci	Chairman
Francesco Cancelli	Member
Roberto Milia	Member

## **Activities carried out**

TOTO Holding S.p.A. (TH) is the financial holding company which holds investments in the operating companies of the TOTO Group. It is responsible for policy coordination and guidance of its subsidiaries.

As described in further detail later on in this report, the Toto Group works in a variety of sectors:

- Construction
- Concessions
- Renewable energy
- Services
- Engineering
- Real estate

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<sup>4</sup> The Supervisory body was appointed on 29 May 2017. It has a three-year term of office.

# Directors' Report

## Foreword

TOTO Holding S.p.A.'s consolidated financial statements have been prepared in accordance with the Italian GAAP and comprise the financial statements of the parent, TOTO Holding S.p.A. and those of Strada dei Parchi S.p.A., Eurasia S.r.l., Parchi Global Service S.p.A., Infraengineering S.r.l., Toto Real Estate S.p.A., Azienda Aviagricola Abruzzese S.r.l., Renexia S.p.A., US Wind Inc., Med Wind S.a.r.l., Intersun S.r.l., Renexia Services S.r.l. and Renexia Wind Offshore S.p.A. (formerly Circello 2 S.r.l.), Spartivento S.r.l., Good Wind S.r.l., Calabria Energia S.r.l., Indaco S.r.l., Volere Volare S.r.l., AP FLEET Ltd and those of the Construction BU, i.e., Toto S.p.A. Costruzione Generali, Alitec S.p.A., Ambra S.r.l., IMC S.r.l. in liquidation, Pontepo Scarl and Radimero Scarl.

The scope of consolidation changed from 31 December 2017 as a result of:

- the consolidation of Concessioni Autostradali S.p.A., which was set up by Toto Holding S.p.A. in January 2018;
- the consolidation of Parco Eolico Casalduni House S.r.l, which was acquired by Renexia S.p.A. in November 2016. Pech had not been consolidated in the prior years as it was held for sale. However, the sale transaction was not completed and the group's management changed the corporate strategy of the Renewables BU by deciding to create and consolidate a group's MW portfolio. This change in strategy is aimed at entering the electricity market and PECH is the first project to achieve this new goal;
- the consolidation of Radimero Scarl in the sub-consolidation of TOTO S.p.A. Costruzioni Generali, a consortium company set up by Toto S.p.A. Costruzioni Generali (58%) and Seli Overseas S.p.A. (42%) in 2018 to perform the works related to the "Giovi Third Tunnel".

Graph 1 – Group structure (Main business sectors)



## Macroeconomic and System Context

### Significant events in 2018

#### The International Economy

The global economy has continued to grow, although the prospects for world trade are weaker. The risk factors weighing on global economic prospects include the possible repercussions of a negative outcome of the trade negotiations between the United States and China, the worsening of financial tensions in the emerging economies and the arrangements for the United Kingdom's withdrawal from the European Union. According to the most recent indicators, in the last few months of the year, the growth rate remained strong in the US and became positive in Japan, after the dramatic reduction in GDP recorded in the third quarter of the year caused by the natural disasters that hit this country. In the UK, the expansion remained in line with that for the first half of the year. In prospect, the purchasing managers' indexes (PMI) point to a deterioration of the cyclical conditions, especially in the Eurozone and the US. The uncertainties relate to the outcome of the Brexit negotiations remain high.

According to OECD's November forecasts, in 2018, the world economy grew by 3.7%, one tenth of one percentage point more than in the previous year. In 2019, the world GDP rose by 3.5%, two tenths of one percentage point less than September forecasts: the decrease is due to the slight deterioration of the outlook in the Eurozone, Japan and the main emerging economies, in addition to the expected slowdown in the US, also as a result of the progressive decrease of the expansion effects generated by the fiscal stimulus measures. According to the Bank of Italy's estimates, in 2018, international trade rose by 4.4%, down considerably on the previous year. In 2019, trade transactions are expected to further decrease to 3.5%, down by more than 2% on 2017.

The risks for the outlook of the world economy are high. The beginning of talks between the US and China did not clear the fog surrounding the possibility that new protection measures may affect the international trade in the next few months. Furthermore, any new sudden changes in the premium payments in the US or in the expectations about the Federal Reserve's monetary policy may reduce the flows of capital to emerging economies. Finally, the uncertainties about the future of the relationship between the UK and the EU following the British Parliament's vote not to pass the agreement negotiated in November by the Government remain high

*(source: – Bank of Italy – Economic Bulletin – January 2019).*

#### The Italian Economy

In Italy, after the interruption of the growth of the economic activities in the third quarter of the year, which had begun more than three years ago, caused by the fall in domestic demand, GDP dropped again in the last quarter of 2018. Conversely, exports continued to recover. In the summer months, GDP fell by 0.1% on the previous period, interrupting the expansion that had begun in the second quarter of 2014. This was due, in particular, to the decline in investments (-1.1%), especially equipment, and the slight reduction in household spending.

Temporary factors also affected demand, specifically the halt of production and trade activities in the automotive sector, caused by the introduction of new emission regulations. Foreign exchange had an overall positive impact on growth: Italy's exports increased, exceeding imports. Added value decreased in both the manufacturing and the service sectors, though it continued to rise in the construction sector. According to the information available to date, operations further declined in the autumn. The same trends are confirmed by the reduction in PMIs and the worsening of the indicators of businesses and consumer confidence which, however, remained high. Given the above figures, in 2018, GDP would have increased by 1.0% on an annual basis (0.9% based on the seasonally-adjusted quarterly figures and considering calendar effects) *(source: Bank of Italy – Economic Bulletin – January 2019)*.

## Construction Sector

2018 was a year of deep economic crisis for public works.

Over the past ten years, investments dropped by more than 50%, with a structural deficit of € 84 billion.

The disappointing performance in 2018 is due to the continuing difficulties in performing public works in Italy, offsetting the positive effects of investment supporting measures.

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

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

In this respect, we note the following:

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

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

## Motorway Concessions Sector

2018 ended with traffic results generally confirming the stable performance of mobility compared to the previous year. The total vehicle kilometres travelled during the year on the network equal 84 billion, slightly up by 0.4% on 2017, which had already performed well. This stability is also reflected by the monthly figures which recorded the same trend of December 2017, with slight discrepancies – although with an opposite sign between the two types

of vehicles (heavy and light), equal to 0.3%. Conversely, the road safety performance monthly indicators show that, against the same volume of transits described earlier, a comparison with the corresponding period indicates a significant decrease in all percentages compared with those related to events occurred (-8%), damage to passengers (-12% for injuries and -26.1% for fatalities). This confirms the sound efficiency achieved by operators in this field and their relentless commitment over time. Commitment and efficiency are also confirmed by the annual cumulative figures. Although mortality increased by approximately 10% only as result of the inclusion of the figures related to the tragic collapse of the Polcevera viaduct (an event which is not strictly attributable to the road system), the accident rate improved considerably. *(Source: Aiscat note no. 12- December 2018)*

## Renewable Energy Sector

In 2018, the PUN on the Day-ahead market rose to € 61.31/MWh (+13.6%), once again up on the all-time low achieved in 2016 and reaching the highest value of the past few years, in line with the prices of the main neighbouring power exchanges. This increase is accompanied by the further rise in generation costs, including, in particular, gas costs, which also hit all-time high since 2014, while volumes traded on the market continued to modestly increase, confirming the progressive growth which characterised the past few years. With respect to supplies, the rise in purchases is supported by the sale of renewable sources, driven by wind and hydro power, and by the recovery of imports. The liquidity of the Day-ahead market is substantially stable at the 2017 record level (72.0%), with trading volumes hitting the highest levels of the past ten years. With respect to zones, sales prices increased to € 59-61/MWh in the peninsular regions and in Sardinia, and are close to € 70/MWh in Sicily. Prices on the Intraday market are similar to those described for the PUN, with volumes in line with last year and below only the all-time record hit in 2016. In the Forward market, the 2019 Baseload is € 67.40/MWh, pointing to an increase in 2019 prices. Transactions on the Electricity Account Registration Platform (PCE), in line with 2017, are at their lower since 2012. *(Source: GME – Newsletter no. 122 January 2019)*

## Significant events of the year

### Toto Holding S.p.A.

Toto Holding S.p.A. ("TH") continued to carry out its technical, administrative and financial management of equity investments and coordination and control activities.

Furthermore, in the first few months of 2018, it continued to repay bank loans in accordance with the repayment plans agreed with banks. In 2018, the parent repaid all the loans it had raised in previous years.

In January 2018, it set up the subsidiary Concessioni Autostradali S.p.A. to which it contributed the equity investment in Strada dei Parchi S.p.A. pursuant to article 2343-ter in April 2018. The contribution took place at carrying amount and is aimed at creating the group's sub-holding which will manage motorway concessions.

Specifically, Concessioni Autostradali S.p.A. was set up on 25 January 2018 by subscribing an initial share capital of € 50 thousand. On 26 April 2018, Toto Holding S.p.A. signed a capital increase from € 50 thousand to €

150,000 thousand by contributing its entire equity investment in Strada dei Parchi S.p.A. The contribution, which took place with a deed by Chieti Public Notary Mr. Tragnone and was subject to Deloitte Financial Advisory S.r.l.'s estimate appraisal pursuant to article 2343-ter.2.b) of the Italian Civil Code, took place at carrying amount (€ 153,508 thousand). The share premium (€ 3,558 thousand) was allocated to the extraordinary reserve.

According to Deloitte Financial Advisory S.r.l.'s expert appraisal, the amount attributable to the shares covered by the contribution is *"at least equal to € 523 million, i.e., equal to the central value in the range identified using the unlevered discounted cash flow method, with a minimum value of € 474 million and a maximum value of € 575 million"*.

As part of the contribution, in April 2018, Toto Holding S.p.A. factored the shareholder loans which had been previously granted to the subsidiary Strada dei Parchi S.p.A. (amounting to € 64,416 thousand at the factoring date), without recourse to Concessioni Autostradali S.p.A. Furthermore, Concessioni Autostradali S.p.A. took over all the holding's obligations and rights with the subsidiary SDP as per the Subordinated Shareholder Loan Agreements ("SHL") of 18 December 2012 signed between the two companies (the holding and SDP).

In July, the company approved the group's 2018-2022 business plan.

The highlights of this plan refer to the construction of renewable energy plants and the continuation of SDP urgent works to ensure the safety of the A24 and A25 motorways in order bring them into line with the ruling earthquake-protection regulations. These works are just the first short-term urgent measure of a much wider investment plan worth approximately € 3 billion included in the business plan being discussed by the various government administrations involved and the European Commission. The urgent works amount to € 265 million, of which approximately € 58 million has already been completed and financed. The residual works amount to € 192 million. 2018 was characterised by a series of events which had a significant impact on the management of the subsidiary SDP and the group. This resulted in changes in the deadlines for the performance of the works covered by the 2018-2022 business plan, especially with respect to the investments to be made in order to ensure users' safety. However, the guidelines of the 2018-2022 business plan remain valid and effective. Indeed, the works were postponed because of the late disbursement of the funds necessary to implement the above measures. The funds made available by the so-called "Genoa decree" to SDP were not disbursed after the signing of the authorisation documentation. Finally, to date, executive projects worth € 192 million have been approved, although under the "Genoa decree", the funds were to be allocated by the end of 2018 (€50 million) and during 2019 (€ 192 million). At present, these funds are still to be disbursed.

Although the group's 2018-2022 business plan did not provide for the sale of the assets related to the business of the subsidiary US Wind Inc., management considered the offers received from major international players operating in the renewable energy market and sold the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey (United States) coast, which had been signed by the subsidiary US Wind Inc. and BOEM - Bureau of Ocean Energy Management, to EDF Renewables. For additional

information about this transaction, reference should be made to the paragraph “Significant Events – Energy BU – Renexia”.

With respect to the settlement agreement signed with CAI on 2 and 3 August 2017 (the “**Agreement**”), whereby the parties agreed a deferred payment plan of liabilities, we note the following:

1. On 25 January 2018, in order to guarantee the fulfilment of the payment plan, TH pledged the shares of the subsidiaries TOTO RE and PGS. For the same reason, TOTO CG pledged those of the subsidiary ALITEC;
2. On 12 July 2018, the parties agreed a remodulation of the original payment plan, solely to the extent of the instalments falling due in the period 30 June 2018 - 30 November 2018 (the “**First agreement**”);
3. On 31 December 2018, the company paid the instalments under the First agreement totalling approximately € 49,484 thousand, plus accrued deferred interest of € 1,060 thousand. Consequently, the residual liability with CAI amounts to € 18,763 thousand at 31 December 2018;

## Concessions BU

### Strada dei Parchi S.p.A.

Main events in 2018:

- a. Traffic trend;
- b. Tolls;
- c. Urgent safety works (MISU);
- d. BP.

### Traffic trend

In 2018, light traffic decreased by 2.8% on 2017, while heavy traffic improved by 1.0%. Overall, traffic fell by 2.3% on 2017.

**Graph 2- A24/A25 traffic by vehicle type 2017-2018 (millions of vehicles/KM)**

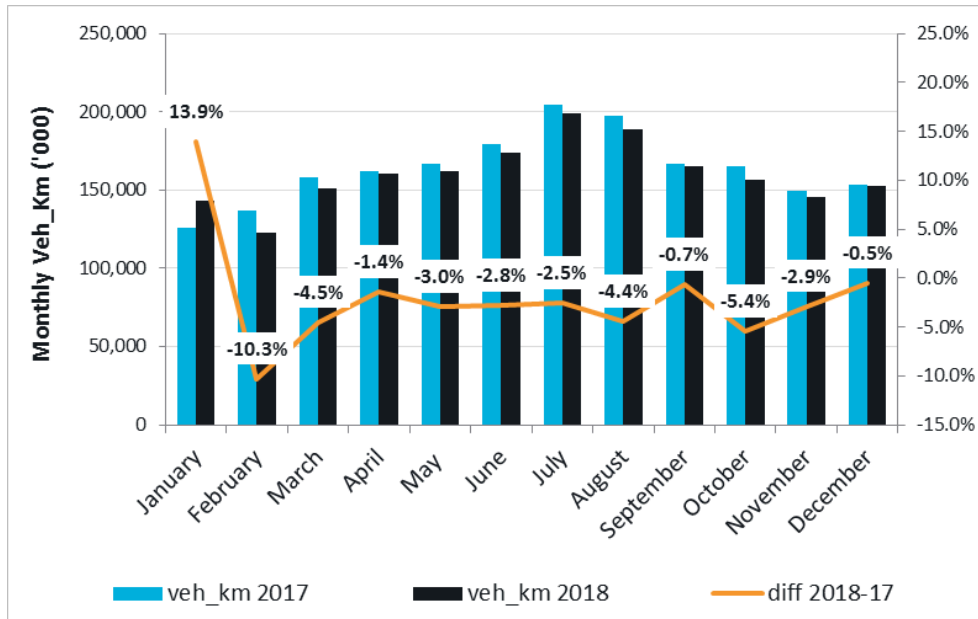
<i><b>Vehicles</b></i>	<i><b>2017</b></i>	<i><b>2018</b></i>	<i><b>Δ 2018-2017</b></i>
Light	1,685.28	1,637.61	-2.8%
Heavy	280.21	283.11	+1.0%
<b>Total</b>	<b>1,965.50</b>	<b>1,920.72</b>	<b>-2.3%</b>

Strada dei Parchi's decrease in traffic is above the sector average, which fell by appropriately 0.3% on the previous year.

The graph below shows the monthly performance of traffic for 2018 compared with that for 2017. In 2018, decreases were recorded in all months, except for January (+13.9%), due to the low volumes of 2017. February marked the lowest point (-10.3%), while in the subsequent months, the decrease ranged between 5.4% and -0.5%.

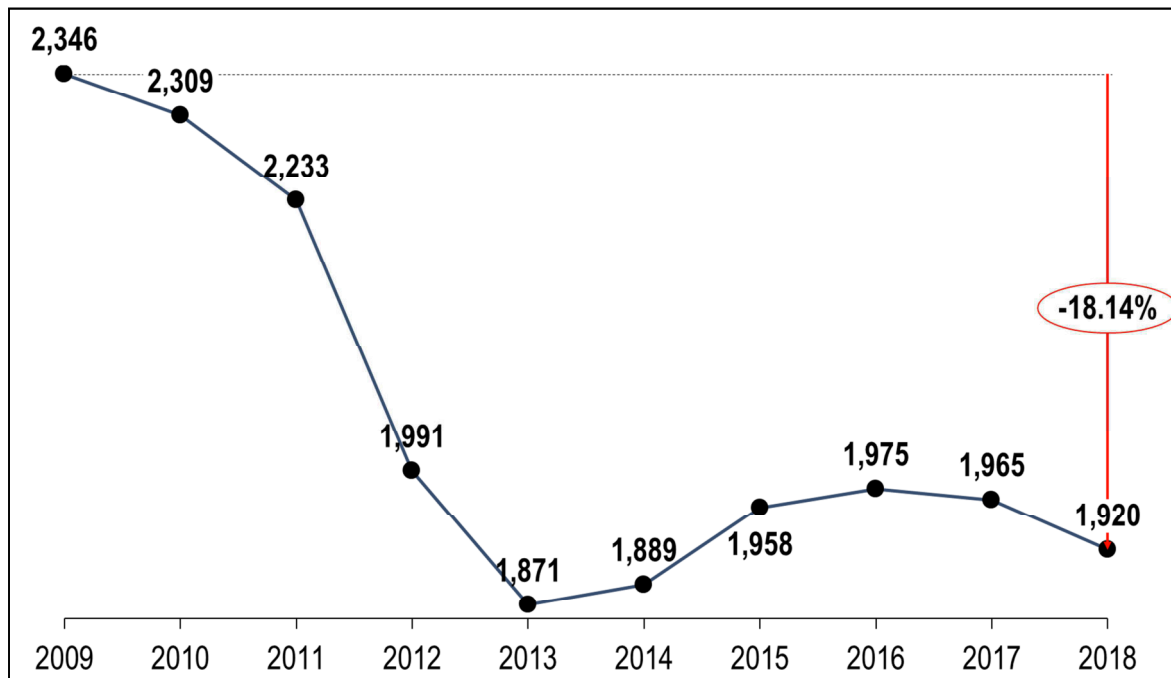


**Graph 3 - Total vehicles by month 2017-2018**



Traffic in 2018 decreased by 18.14% compared to 2009 (peak year during the concession period), as shown by the graph below. After reaching its lowest level in 2013, distances covered have slowly increased since 2014. However, this trend was interrupted in 2017.

**Graph 4- SDP traffic trends 2009/2018 (millions of vehicles/KM)**



Traffic historical trends reveal a substantial inelasticity of traffic with respect to tolls. Conversely, there is a strong relationship with GDP changes. The traffic trend of the last quarter of the year confirms the above inelasticity. Indeed, although SDP decided to suspend the tariff increases (+12,89%) implemented at the beginning of the year, traffic continued to decrease also in the months after the suspension implementation.

If the positive relationship between traffic and the economic performance is true, then the GDP forecasts included in the table below point to a scenario characterised by a slight recovery of traffic, also in future years. In fact, on a macroeconomic level, the forecasts are generally better than those for the previous years, both in the short-term as well as in the medium-term. Italian GDP is estimated to grow at rates between 0.50% and 0.90% in 2019-2020. From 2021 onward, GDP should grow within a range of 0.70% and 0.90%.

**Graph 5 - GDP Forecast 2019-2028**

Year	GDP % change with respect to the previous years			
	Consensus forecast, February 2019	Confindustria Research Centre October 2018	Prometeia, October 2018	IMF January 2019
<b>2019</b>	0.50%	0.90%	0.90%	0.60%
<b>2020</b>	0.70%	n.a.	n.a.	0.87%
<b>2021</b>	0.90%	n.a.	n.a.	0.77%
<b>2022</b>	0.90%	n.a.	n.a.	0.72%
<b>2023</b>	0.90%	n.a.	n.a.	0.67%
<b>2024-2028</b>	0.80%	n.a.	n.a.	n.a.

As shown in the table below, the forecast changes in GDP for the Lazio region are greater than the national average, while those for the Abruzzo region are lower.

**Graph 6 - GDP 2018-2027 forecast for Lazio and Abruzzo**

Year	Italy	Lazio	Abruzzo
2019	0.50%	0.64%	0.28%
2020	0.70%	0.84%	0.48%
2021	0.90%	1.04%	0.68%
2022	0.90%	1.04%	0.68%
2023	0.90%	1.04%	0.68%
2024-2028	0.80%	0.94%	0.58%

*Source: Forecast data consensus (January 2018)*

### Tolls

Starting from 1 January 2018, Strada dei Parchi S.p.A.'s tolls increased by 12.89% as approved by Interministerial decree no. 615 of 29 December 2017 of the Ministry of infrastructure and transport ("MIT") and the Ministry of the economy and finance ("MEF").

**Graph 7 - Tariff increases on the A24-A25 network 2009-2018**

Year	Δ%	Toll class (€/Km)				
		A	B	3	4	5
2009	0.00%	0.05244	0.05377	0.06187	0.10219	0.12371
2010	4.78%	0.05495	0.05634	0.06483	0.10707	0.12962
2011	8.14%	0.05942	0.06093	0.07011	0.11579	0.14017
2012	8.06%	0.06421	0.06584	0.07576	0.12512	0.15147
2013	7.56%	0.06906	0.07082	0.08149	0.13458	0.16292
2014	8.28%	0.07478	0.07668	0.08824	0.14572	0.17641
2015	1.50%	0.07590	0.07783	0.08956	0.14791	0.17906
2016	3.45%	0.07852	0.08052	0.09265	0.15301	0.18524
2017	1.62%	0.07979	0.08182	0.09415	0.15549	0.18824
<b>2018<sup>5</sup></b>	<b>12.89%</b>	<b>0.09007</b>	<b>0.09236</b>	<b>0.10628</b>	<b>0.17553</b>	<b>0.21250</b>
<b>2018<sup>6</sup></b>	<b>-12.89%</b>	<b>0.07979</b>	<b>0.08182</b>	<b>0.09415</b>	<b>0.15549</b>	<b>0.18824</b>
<b>2019<sup>7</sup></b>	<b>0.00%</b>	<b>0.07979</b>	<b>0.08182</b>	<b>0.09415</b>	<b>0.15549</b>	<b>0.18824</b>

In communication no. 20288 of 13 October 2017, SDP sent the Supervisory Body within the MIT a request for a 15.47% toll increase as of 1 January 2018. The request included (i) an increase calculated in accordance with the method set out in the ruling Single Agreement (article 15) and applicable CIPE resolution, (ii) the recovery of the 2015, 2016 and 2017 tariff increases, part of which – specifically those related to the Xriequilibrio component, equal to 2.56% per year and 7.68% for the 2015-17 three-year period – already formally authorised by the MIT (communication no. 17411 dated 2 October 2017).

On 12 March 2018, SDP accessed the deeds related to the preliminary investigation prepared by the Ministry's Supervisory Body and traced the differences between the operator's requests and the amounts approved.

**Graph 8 - Comparison between SDP's request for increase and the MIT decree**

Description	Requested by SDP	Interministerial decree	Delta
Target inflation	1.70%	1.70%	0.00%
X factor	2.56%	2.56%	0.00%
K <sub>INVESTMENT</sub> variable	1.70%	0.28%	1.42%
K <sub>VALIDATION</sub> variable	1.61%	0.45%	1.16%
Quality factor (Beta Delta Q)	0.22%	0.22%	0.00%
Recovery of prior year tolls (X factor)	7.68%	7.68%	0.00%
<b>Total increase</b>	<b>15.47%</b>	<b>12.89%</b>	<b>2.58%</b>

The differences still in place relate to the X factor, claimed to remunerate the investments made. Specifically, the following differences of a different origin remain: (i) Investments made but not yet approved by the grantor due to formal/authorisation issues; (ii) measures related to the new BP which the grantor does not include in the toll prior to the completion of the updating process; (iii) postponement of the time schedule of the stair-stepping works compared to the approved validation plan.

<sup>5</sup> Toll applied in period 1 January – 30 September 2018.

<sup>6</sup> Toll applied in period 1 October – 31 December 2018.

<sup>7</sup> Toll applied in period 1 January – 30 January 2019.

SDP, was considerably damaged by the above decision and the related Interministerial Decree which was adopted with no discussion with the operator and totally against the terms of the Single Agreement in force and the law applicable to the calculation of tariff increases. Consequently, on 1 February 2018, it appealed to the Lazio TAR (RGN 2675/18) to obtain the annulment of the measure. The appeal was notified on 27 February 2018. The discussion hearing has not yet been set.

Following the agreements with the MIT, Strada dei Parchi, which has always considered the needs of the users affected by the disruptions caused by the performance of the urgent works, with communication no. 16147 of 17 September 2018, declared its willingness to provisionally suspend the toll increase introduced by Interministerial decree no. 615 of 29 December 2017 in the last quarter of 2018. In communication no. 30566 of 20 September 2018, the Ministry welcomed the proposed suspension and with communication no. 22472 of 12 October 2018, the Grantor confirmed that the toll suspension had been authorised pursuant to article 28 of the Single Agreement, ultimately clarifying all the conditions necessary to apply the authorised measure.

Unfortunately, the suspension did not have the expected effects. Indeed, despite the extension of the "reduction/suspension" of the toll also to the last quarter of the year, traffic decreased by 2.67%. Following the toll suspension, the revenues lost during the implementation period of this measure amounted to € 4.9 million.

#### *Urgent safety works (MISU)*

Given the clear extension of the administrative procedure for the revision and update of the BP, Strada dei Parchi repeatedly highlighted the need to urgently implement some safety measures and, in October 2016, pending the definition of the BP, it submitted the MIT a series of urgent measures worth € 265 million (MISU) (Urgent safety works) which, inter alia, provided for the "stair-stepping" works necessary to avoid the shifting of the decks from the piers in the case of an earthquake. This is dangerous for motorway users as it results in a step at road pavement level, as was the case in multiple sections of the motorway during the earthquake that hit L'Aquila in 2009.

These works were substantially completed, despite considerable funding difficulties. This was possible only thanks to the measures taken by the operator in order to raise the necessary funds. Two legislative measures were necessary: article 52 quinquies.1 of Law decree no. 50/2017, converted into Law no. 96 of 21 June 2017 which, by postponing the obligation to pay the concession instalments due to ANAS S.p.A. for 2015 and 2016 (€ 111.7 million) to 2028, 2029 and 2030, enabled SDP to finance itself, using the amounts already accrued to pay said concession instalments, and article 16-bis of Law no. 123 of 3 August 2017) which granted the operator outright grants of € 250 million to perform urgent works, however, with a timeframe (annual instalments of € 50 million starting from 2021) which were not compatible with the urgent nature of the works. Only thanks to the Lazio TAR's ruling, to which Strada dei Parchi had appealed to obtain that necessary to complete the stair-stepping works, did the company obtain a € 58 million advance in January 2018 related to future grants (Law no. 205/17).

In the first half of 2018, Strada dei Parchi repeatedly urged the grantor to obtain the residual €192 million grants in advance, also supported by the Abruzzo region which, in its municipal resolution stated its willingness to postpone part of its investments financed by the Fund for Development and Cohesion provided that the funds were "remodulated" in favour of the operator so that it could complete the urgent works and ensure the safety of the A24/A25 motorway networks. The Lazio region acted similarly.

During the performance of the stair-stepping works, the original project was changed and a technical variation appraisal was made to decrease the scope of work and expenditure, as approved by the entity awarding the contract, which was sent to the MIT on 28 February 2018. With Technical deed no. 13593 dated 22 June 2018, the head of the MIT Territorial Inspection Office of Rome approved the above appraisal, confirming the net amount proposed for the works (€ 138.8 million), of which € 52.2 million related to safety charges.

During the first half of the year, the project activities launched in 2017 to implement the urgent safety measures continued. Pending the approval of the BU, in addition to the stair-stepping measures, additional strategic works were identified for which the project designs to comply with legislation can be commenced. This related, in particular, to the A24 viaducts, in the section between the Tornimparte and L'Aquila Ovest toll gates. Furthermore, the executive design, developed in accordance with Legislative decree no. 264/06, to bring tunnel systems into line with ruling legislation was completed and the related risk analyses were prepared in relation to said works and sent for approval to the CSLLPP (council of public works) permanent commission for tunnels.

Law no. 130 of 16 November 2018 implementing the "*Law conversion, with amendments, of Law decree no. 109 of 28 September 2018, implementing urgent provisions for Genoa, the safety of the transport and infrastructure national network, the 2016 and 2017 earthquakes, work and other emergencies*", brought forward the disbursement of the government grants under Law no. 205 of 27 December 2017, in order to cover the urgent works to be performed on the A24/A25 motorways. Specifically, under the last legislative provision, grants worth € 192 million, which were initially to be made available only as of 2021 and in annual instalments of € 50 million, will be made available to the operator in 2018 (€ 150 million) and in 2019 (€ 142 million) in order to perform the urgent works identified.

Strada dei Parchi promptly allocated the following urgent works covered by the above grants: Popoli viaduct seismic upgrading; Arsoli and Roviano landslides; piers seismic upgrading; viaduct seismic upgrading, including the Fornaca, Valle Orsara, Raio, Genzano and other viaducts.

Following the positive opinions of the MIT's Administrative and technical committee, the executive projects were prepared and, after the validation required by Legislative decree no. 50/2016, between November 2018 and January 2019, most projects were sent to the MIT, pending the related approval decrees.

On 23 January 2019, Strada dei Parchi and the grantor signed a Memorandum of understanding whereby the progress of works is the rule to obtain government grants.

## BP

SDP's BP should have been updated at the end of the five-year 2009 – 2013 regulatory plan. In addition to the updating criteria introduced by CIPE resolution no. 27/2013, article 1.183 of Law no. 228/2012 introduced the

obligation for the operator to bring the A24 and A25 motorways into line with ruling legislation, notably (i) seismic upgrading, (ii) the safety of viaducts, (iii) tunnel safety systems pursuant to Legislative decree no. 264 of 5 October 2006 (iv) environmental impact legislation, (v) extraordinary maintenance work (vi) and the performance of works necessary after the 2009 earthquake.

SDP sent the proposed update to the BP to the grantor already in October 2013. After a first stage, which lasted several years, characterised by technical/financial discussions, in November 2016, with communication no. 18635, the grantor formally informed the operator about the main assumptions to be considered to update the BP. Although it did not agree with some of the MIT's assumptions, on 23 November 2016, SDP sent communication no. 023495 in which, after preliminarily confirming the content of the proposed BP already submitted, it sent a possible BP updated in accordance with the grantor's assumption, while identifying the weaknesses of the proposed scenario from both a financial and technical standpoint.

On 13 April 2017, the MIT sent the proposed BP received from SDP for inclusion in CIPE's agenda, subject to the NARS (consulting unit for the implementation of guidelines for regulating public utility services) opinion. After a first examination, in its communication dated 25 May 2017, the DIPE (department for planning and coordination of economic policy) expressed its preliminary assessment of the documentation obtained, pending the opinion of the EC, which had requested a technical appraisal of the nature of the investments covered by the new BP.

On 22 November 2017, the MIT informed the DIPE that the investment plan submitted by the operator was in line with the conclusions of the Supreme Council responsible for overseeing public works dated 6 October 2017, which had been contacted by the MIT.

On 13 December 2017, the DIPE informed the MIT and the MEF that the proposed BP, including an investment programme worth € 2,971 million, was further examined by the NARS in the extraordinary meeting of 6 December 2017. After identifying some critical issues, the NARS agreed with the MIT to discuss other proposed BPs with the operator, in line with the regulatory and community requirements and public finance needs. As per the relevant communication, the assessments were subsequently received during the CIPE meeting of 22 December 2017.

Based on the proposals submitted to the CIPE, in its communication no. 175 of 5 January 2018, the MIT formally informed the company that the proposed BP submitted in November 2016 was inadmissible and that discussions would have been held with the competent administrations.

Consequently, as per the above communication, a work table was set up, made up of the competent administrations, in order to identify alternative solutions to the BP. In the first meeting held on 15 January 2018, the participants agreed to develop a series of economic/financial simulations in order to identify the most sustainable scenarios. During this meeting, the administrations involved acknowledged the need to redetermine the amount of the government grants up to € 2,000 million, confirming the € 3,140 million investment programme (increased of the stair-stepping works from € 2,971 million). SDP participated in several steps of the simulations, which were submitted on 24 January and 19 February 2018, respectively.

The competent administrations checked the operator's simulations and deemed them inadequate from the technical and legal point of view. Therefore, based on new assumptions, the administrations developed new "in-house" assumptions (which were not discussed with the operator) which were reported to the CIPE during the meeting held on 21 March 2018.

On 6 April 2018, the working table held another meeting to submit to the operator the solution that had been reported to the CIPE. SDP stated that it did not agree with the proposal developed by the administrations as it was based on some assumptions it did not endorse and amended the contractual terms and conditions. Having acknowledged SDP's clear arguments, the administrations invited the operator to submit an additional proposal, which was effectively submitted on 13 June 2018. The competent administrations analysed the document and the NARS invited the operator in a meeting in order to better understand the bases of the submitted proposal. The NARS, the MIT and the MEF participated in the meeting, which was held on 10 October 2018. During the meeting, the operator confirmed its position, while being available to reconsider some assumptions, however considering the overall balance of the structure underpinning the Single Agreement.

On 16 November 2018, the MIT, informed by the NARS about the outcome of the October meeting, called the operator which, on the same date, confirmed its availability to critically reconsider the BP assumptions in accordance with the ruling provisions and agreement.

## Services BU

The purpose of the Services BU is to operate in the global services provision sector to support the operating activities of the other TOTO Group companies. Its formation paved the way for important operating and financial synergies and marked the entry of the group into new sectors with good margins, attractive growth rates and high barriers to entry.

### Parchi Global Service S.p.A.

Given the cyclical nature of its business, PGS continued to perform its objectives of increasing management efficiency and improving performance. Business with the customer Strada dei Parchi mainly focused on the A24/A25 recurring ordinary maintenance service contract.

The main activities carried out for Strada dei Parchi include:

- i) "Tunnel walls maintenance service";
- ii) "Performance of 2018 ordinary maintenance";
- iii) "Fire-fighting service for the S. Rocco tunnel", provided as part of a joint venture in which PGS is the principal.

Business with the customer TOTO CG mainly related to the mobile worksite sign service provided as part of the contract "A24-A25 deck stair-stepping". The other activities include:

- (i) "Provisional sign service as part of the contract "Maintenance of the A24-A25 road superstructures"";
- (ii) "Traffic and fire-fighting service as part of the contract "A24-A25 deck stair-stepping", provided as part of a joint venture in which PGS is the principal."

## Engineering BU

### Infraengineering S.r.l.

INFRA pursued its business comprised of consultancy, design, work management, assessments of the technical-economic adequacy for public and private works with feasibility studies for customers mainly belonging to the Toto Group, such as SDP, the A24-A25 motorway operator, TOTO CG and other group companies operating in the renewable energy sector.

During the year, design and work management activities continued, generating revenues of approximately € 12 million.

INFRA focused on the activities covered by the contracts in place with SDP, which mainly relate to:

- the completion of the executive design of the works to ensure the safety of the A24/A25 motorway tunnels (contract valid until the end of 2016) in accordance with Legislative decree no. 264;
- the beginning of the design of the tunnel civil works in line with the above project related to the systems and the protection of the aquifer for the first six tunnels with the highest damage rate;
- monitoring activities, extraordinary controls and operating tests of the structures, intensified following the unjustified scare campaign launched by some residents' associations and supported by the MIT;
- final and executive design activities, work management and safety coordination during the design stage for the urgent works to upgrade and ensure the safety of the A24/A25 motorways (MISU contract dated May 2017). Specifically, work management and the safety coordination during the executive stage of the "stair-stepping" MISU works are substantially complete, while DL and CSE-related work involving the Popoli viaducts, the Bussi and S. Onofrio junction, 66 piers of eight viaducts and the consolidation of the Roviano and Arsoli (again MISU) commenced;
- final and executive design activities and work management for 15 viaducts of the Tornimparte-L'Aquila section of the A24 motorway. Significant efforts were made to obtain the necessary authorisations from the civil engineering competent departments, specifically, those related to earthquake prevention, and those related to the project manager's validation of executive designs. Furthermore, DL and CSE-related activities commenced for the works related to 0,1,3 and 4 group viaducts;
- DL and CSE-related activities commenced for the preliminary works involving the piers of the Temperino (A24) and Palazzo (A25) piers;
- design of the earthquake-protection works related to 23 viaducts of the A25 Celano-Bussi section;
- assistance with the design of the works covered by the new BP and the study of the BP;



- other minor activities (CSE, consultancies, checks and extraordinary maintenance projects). Specifically, the project for the local repair of the Pietrasecca viaduct, along the Rome-Torano section, reported by the supervisory body, was delivered.

INFRA also provided additional services to other group companies, specifically TOTO CG (design and consultancies for contracts in place with third parties and to participate in tenders). Furthermore, important activities were carried out with respect to the variation to the excavation of the S. Ambrogio tunnel, while worksite assistance in several fields continued.

The company also assisted the companies operating in the renewable energy sector: Renexia Services S.r.l. and Uswind Inc..

With respect to the former, it completed the DL and CSE-related activities at the Circello wind farm and the related power line. With respect to the latter company, it completed the preliminary studies for a tower solution with monobucket foundation for the off-shore wind farm in Maryland.

## Construction BU

### Toto S.p.A. Costruzioni Generali

#### **"Radimero" contract**

With respect to the contract assigned by COCIV, "Giovi Third Tunnel", Valico (RADIMERO) lot, signed on 30 January 2018, on 9 February 2018, the consortium company RADIMERO Scarl was set up by TOTO CG and Seli Overseas S.p.A. in order to perform the works.

The consortium fund is held as follows: 58% TOTO S.p.A., 42% Seli Overseas S.p.A..

At 31 December 2018, 1,263.97 ml of the even track tunnel was constructed, from 25+943,80 to pk 27+207,77, equal to a recognised amount of € 13.6 million (portion attributable to TOTO CG: € 7.9 million).

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

#### **MISU SDP contracts**

With respect to the contract between TOTO CG and the associate SDP governing the performance of "interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways", on 23 February 2018, TOTO CG, following the variation appraisal which implemented some project re-modulations, the company signed a specific submission deed whereby it committed to perform the works in accordance with the new contractual provisions. Under the above deed: the contract amount was redetermined to approximately € 138.8 million and its term was adjusted based on the reduced amount and the scope of work.

This is part of a wider set of urgent measures (MISU) totalling approximately € 250 million related, in particular, to the viaducts of the A24 motorway between Tornimparte and l'Aquila Ovest and the works to bring the tunnel systems in compliance with ruling legislation.

In 2018, SDP assigned TOTO CG urgent works covered by the grants mainly related to: Popoli viaduct seismic upgrading; Arsoli and Roviano landslides; piers seismic upgrading; viaduct seismic upgrading, including the Fornaca, Valle Orsara, Raio, Genzano.

### **"La Spezia" contract**

With respect to the La Spezia ANAS contract, worth approximately € 119.5 million, which was obtained by acquiring the business units of the three companies making up the JV, TOTO CG was forced to halt the works following ANAS' behaviour which confirmed its total lack of willingness to resolve the issues which, since the contract take-over date (end of 2014) prevented the regular performance of works. Consequently, with the deed served on 8 June 2018, TOTO CG summoned ANAS 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 considerable damages (€ 47.537 million).

The first hearing was fixed for 11 October 2018.

In return, with communication no. 428790 of 8 August 2018, ANAS claimed damages for the termination of the contract. Indeed, according to ANAS, TOTO CG arbitrarily stopped the works, after serving the writ of summons. This decision was merged in the above ruling.

In 2017, TOTO CG summoned ANAS before the Court of Rome (ruling R.G. 65886/2017 - Section 9, company affairs section) to obtain payment of claims (€ 99.306 million, of which € 93.160 million accrued) for compensation and greater fees included in the contract.

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

The two rulings were combined during the above hearing and the deadlines for filing the various briefs were set (first deadline: 18 March 2019).

With respect to the combined rulings, the following should be noted, especially with respect to ruling R.G. 65886/2017, about claims: the initial claim was € 99.306 million, of which € 93.160 million accrued. Indeed, claim 62 – related to the correct identification of safety charges - had been determined as part of the writ of summons as the amount accrued at that time based on the works already performed (€ 3.476 million), while stating the total amount which would have accrued upon completion of the works (€ 8.274 million). Clearly, the subsequent termination of the contract will result in an increase in safety charges upon completion of the works.

In addition, when filing the brief pursuant to article 183.6.1 of the Code of civil procedure (c.p.c.) (deadline: 17 March 2019), the amount of the claims will be increased by the additional amounts recognised after the date the writ of summons was notified, hence, covering the entire SAL 13 for works at 9 April 2018, totalling € 22.546 million.

Consequently, the total amount will be increased to € 115.707 million, as follows: € 93.160 million + € 22.546 million = € 115.707 million.

Conversely, the amount related to ruling R.G. 49268/2018, of € 47.537 million, is unchanged.

Finally, the case before the Court of Appeal of Rome commenced by TOTO CG in April 2017 to obtain € 7.183 million related to the claims recognised by RTI, the predecessor of the company until SAL 5 for works up to 6 March 2013, is underway: with this case, TOTO CG appealed against the Court of Rome ruling no. 5466/2018 published on 14 March 2018 and claimed an additional € 7.184 thousand, in addition to the amount awarded as per the above ruling.

### **Poland S61 contract**

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

The deadline for completion is 2 November 2021.

### **Cefalù contract**

With respect to the Cefalù ITALFERR contract, on 13 December 2018, TOTO CG and Società Italiana Costruzioni (therefore, excluding the other principals forming part of the JV to which the contract was awarded) set up Cefalù Scarl to perform the related works in order to optimise the organisation of the delivery activities.

The percentages of investment are as follows: 80% TOTO CG and 20% Italiana Costruzioni S.p.A..

Furthermore, pursuant to the agreement reached by the two partners in December, TOTO CG will fully control the contract management.

### **Czech Republic contract**

With respect to the contract in the Czech Republic assigned by the 50:50 joint venture between TOTO CG and its local partner Geosan Group da RSD (Ředitelství Silnic a Dálnic) to renovate a section of the D1 motorway between Brno and Prague, on 30 January 2018, the JV signed a contract worth approximately € 65 million and began operations after the delivery of works on 11 April 2018.

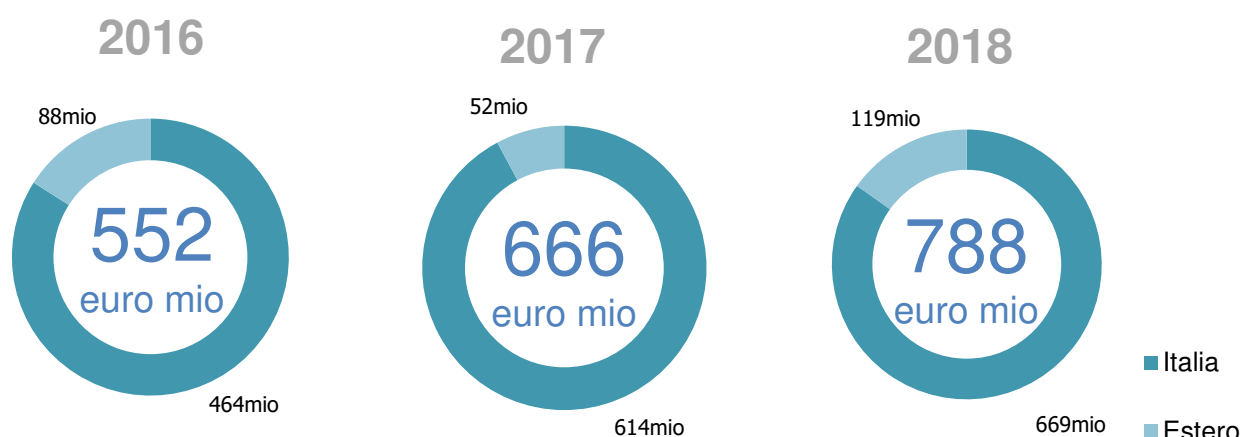
Since the beginning of works, the contractual relationship between the JV and the customer has been particularly difficult, with several disputes and a strong conflict between the two parties. Eventually, in December, after acknowledging that no agreement could be reached with the customer about the project changes, the JV decided to withdraw from the contract and took the necessary legal actions vis-à-vis the customer.

### *Order book*

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

The customer portfolio can be analysed as follows:

Graph 9 – Development of the order portfolio of Toto S.p.A. Costruzioni Generali



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

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

#### Alitec S.p.A.

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

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

The MOS is highly integrated with a top multidisciplinary sports facility, comprising hospitality, office, service, school and commercial facilities. The latter will sell all sports-related and hobby-related products.

Thanks to the integration of the above activities, the MOS will become a supra-regional top quality venue with a high impact, regularly visited by a considerable number of people which will positively feed all the activities offered.

The MOS mainly targets people practising sports and inactive people who may find in it new incentives to change their lifestyle.

It is a large "structural" project and a big opportunity for the area where it is located. There are hopes for a requalification of this area through urban redevelopment projects based on the current legislative provisions, specifically Law no. 147/2013 "Stadium law".

This will also enable the owners of these complexes to use the MOS as a real, though complex, opportunity to redevelop their property assets, as in this case.

The MOS is set to become a large and innovative driver for the local economy. Indeed, it may be a great catalyst for regional and further areas. Commercial activities, though not present directly, may benefit from the synergies with the MOS, should they fully adopt its philosophy. In this case, at least 400 direct jobs and a significant number of indirect jobs may be created for the service companies operating on behalf of MOS.

The MOS will mainly cover the following areas and activities:

- Excellence sports;
- Wellness, fitness, non-competitive sports;
- Adrenalin-boosting sports, sport simulators, e-sports;
- Accommodation;
- Medicine;
- Trade.

The administrative process will follow these steps:

- by July 2019: formal presentation of the project to the bodies, thereby starting the administrative process
- by December 2020: obtaining the business permits in order to start the worksite
- between January 2021 and December 2023: construction of the MOS
- by December 2024: MOS fully up and running

## Energy BU

### Renexia S.p.A.

The company focused its projects on the development of wind power technology, without excluding the possibility of evaluating the implementation of additional plants for the production of energy from alternative renewable sources in Italy or abroad.

### Projects in Italy

In 2018, Renexia S.p.A. continued developing its portfolio of projects to support the various SPVs.

The subsidiary Parco Eolico Casalduni House S.r.l. ("**PECH**") owns the Single Authorisation to construct a wind power plant in the municipality of Casalduni (BN). In the past, PECH received expressions of interests from third-party investors who intended to buy the company. For this reason, it was considered an asset held for sale. However, in 2018, the BU's management changed its strategy and decided to continue the construction and subsequent operation of the Casalduni wind farm, as approved by Renexia S.p.A.'s Board of directors.

PECH is currently working to obtain a variation to the Single Authorisation, bringing the project from 12 3 MW-windmills (for a total power of 36 MW), to 10 3.465 MW-windmills (for a total power of 34.65 MW), while increasing the production of MWh fed into the grid.

Furthermore, on 8 August 2017, it had agreed a contract with Terna S.p.A. to connect the Casalduni wind plant (150 kV power line) to the National transmission network. PECH also entered into an EPC with Renexia Services S.r.l. for the construction of the first and the second sections of the power line which connects Castelpagano to Morcone (first section) and Pontelandolfo to Morcone (second section). The works for the construction of the

first section of the power line were completed during the year, while those related to the second section (Pontelandolfo – Morcone) began. After the completion of works, Terna will acquire the 150 kV power line connecting the Circello and the Casalduni wind farms to Terna's National transmission network.

During the year, the subsidiary Renexia Services S.r.l. completed the construction of the Circello wind farm owned by Cogein S.r.l. and is currently building the 150 kV power line, as described earlier, the Morcone (BN) 150 kV substation and the sections connecting this substation to the power line.

The acquisition of Beleolico S.r.l., which owns the Single Authorisation to construct the first off-shore wind farm in Italy, is a major transaction which was completed in May and June 2018. This transaction was carried out through the indirect subsidiary Renexia Wind Offshore S.p.A., including by issuing a € 25 million bond loan listed on the Vienna stock exchange and entirely subscribed by sector-specialist international funds. As typical of this type of transactions, TH granted an independent guarantee callable on first demand on behalf of some Renexia Wind bondholders.

Beleolico S.r.l. owns: the (i) Single Authorisation from the Puglia region, (ii) the concession for the relevant body of water and, meanwhile, (iii) won a feed-in tariff (FIT) in the latest FER2016 auction.

On 28 May 2018, this company signed an EPC with Renexia Services S.r.l. for the construction of a wind farm in the Taranto port, which was amended and supplemented on 9 January 2019.

## **Projects abroad**

### *Tunisia*

On 18 December 2018, MedWind Sarl applied for the granting of a construction permit, inclusive of an incentive tariff blocked for 20 years, for the El Haouaria Ovest wind farm, consisting of 10 turbines for a total of 30 MW.

On 25 September 2018, the pre-selection dossier for the construction and operation of a 100 MW wind farm in Tunisia was filed.

### *United States*

In 2017, the Public Service Commission of Maryland awarded US Wind Inc. the OREC feed-in tariff related to the electricity which will be generated by the off-shore wind farm in Maryland, once completed. OREC is a feed-in tariff introduced in 2013 by the state of Maryland ("Maryland Offshore Wind Energy Act") to support the production of energy from renewable sources.

Specifically, the Public Service Commission of Maryland awarded US Wind a feed-in tariff of USD 166.7 for 913,845 MWh for 20 years and a 1% annual increase from the first year of activity of the plant, which is currently set for 2022.

With respect to the construction of the plant, after completing its staffing operations, the company worked together with specialised companies to conduct the geotechnical and geophysical surveys for obtaining the preliminary permits required for the construction of the wind farm.

Construction of the Met Tower was completed while the purchase of the technological material is nearing completion. The next goal is the delivery of the Construction and Operation Plan (COP), to be approved by the BOEM (Bureau of Ocean Energy Management).

Pending the granting of the permits necessary to construct the wind farm, many requests for proposals (RFPs) were issued to potential suppliers, in order to plan timing and costs, once the authorisation process is completed. On 6 December 2018, a major transaction was completed which envisages the sale of the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey (United States) coast, which had been signed by the subsidiary US Wind Inc. and BOEM, to EDF Group.

The agreed consideration amounts to approximately USD 455 million and includes:

- (i) USD 2 million paid on 31 October 2018 as exclusive right consideration;
- (ii) USD 4 million paid when the contract was signed, i.e., 3 December 2018;
- (iii) USD 209 million paid on 6 December when the closing took place, following BOEM's authorisation to transfer to the lease to the new owners;
- (iv) USD 240 million as deferred consideration, subject and indexed to the MW percentage (up to 2.475) which can effectively be installed on the New Jersey area.

US Wind Inc. used limited resources in the initial investment in New Jersey. Therefore, the significant economic (approximately USD 214 million, net of ancillary costs) and financial return for the company and group in the short-term (revenues already realised and collected) should be noted. This will ensure significant future income in terms of deferred consideration whose amount, at present, has not been calculated or realised from an economic point of view (in line with ruling legislation).

## APFL

On 22 January 2016, Aircraft Purchase Fleet Limited (APFL) lodged a claim for damages amounting to more than USD 260 million against Compagnia Aerea Italiana S.p.A. (CAI) calculated over twelve years starting from 2013 for each of the thirteen leases of aircraft whose purchase did not take place because of CAI's decision. The claim for damages had previously been filed by APFL within the context of arbitration proceedings initiated by CAI against Toto Holding S.p.A.. Following the decision declaring the lack of jurisdiction of the board of arbitrators, APFL lodged the claim at the English court. The claim referred to the non-fulfilment by CAI of its obligation under the master agreement signed by APFL and CAI in 2008 to take out leases on 13 A320 aircraft. The surveys to calculate the damage carried out by APFL's consultants (accredited with the High court of justice of London), resulted in a discounted amount, as per the rules of the English court, within a range of approximately between USD 70 million and USD 120 million.

The dispute ended in the last few months of January 2018, while the ruling was handed down on 30 November 2018 with an unfavourable outcome for APFL. For additional information, reference should be made to the paragraph "Significant events after the reporting date".

## Financial highlights

### Toto Group

Below are:

- 1) the consolidated reclassified profit and loss account for 2018;
- 2) the reclassified balance sheet as at 31 December 2018; and
- 3) the NPF for 2018.

In order to describe how the group's diversified activities enabled it to achieve important economic and financial goals, regardless of SDP's performance, given the peculiarities and the characteristics of the activities carried out by the Concession BU, the same tables and disclosure are provided below for information purposes only for each item from points 1) to 3). This shows the group's economic and financial impact, excluding the subsidiary SDP.

**Table 1 – Reclassified consolidated profit and loss account**

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues - Construction BU	99,367	144,885	(45,518)	-31%
Production revenues - Concessions BU	208,674	208,536	138	0%
Production revenues - Energy BU	188,563	32,754	155,809	476%
Production revenues - Engineering BU	9,852	9,823	29	0%
Production revenues - Services BU	120	353	(233)	-66%
Production revenues - Holding and minor BUs	1,333	1,449	(116)	-8%
<b>Total production revenues</b>	<b>507,909</b>	<b>397,885</b>	<b>110,024</b>	<b>28%</b>
Operating costs	267,883	260,572	7,311	3%
<b>EBITDA</b>	<b>240,026</b>	<b>137,313</b>	<b>102,713</b>	<b>75%</b>
<i>EBITDA Margin</i>	<i>47.3%</i>	<i>34.5%</i>	<i>13 pp</i>	
D&A	74,903	46,774	28,129	60%
<b>EBIT</b>	<b>165,123</b>	<b>90,539</b>	<b>74,584</b>	<b>82%</b>
<i>EBIT Margin</i>	<i>32.5%</i>	<i>22.8%</i>	<i>10 pp</i>	
Net financial charges	(69,406)	(68,997)	(409)	1%
Equity investments and adjustments to financial assets	(1,887)	(21)	(1,866)	8886%
<b>EBT</b>	<b>93,830</b>	<b>21,521</b>	<b>72,309</b>	<b>336%</b>
<i>Margin</i>	<i>18.5%</i>	<i>5.4%</i>	<i>13 pp</i>	
Income taxes	(40,855)	(13,403)	(27,452)	205%
<b>Net profit for the year including the portion attributable to minority interests</b>	<b>52,975</b>	<b>8,118</b>	<b>44,857</b>	<b>553%</b>
Minority interests in the net profit for the year	27,541	3,199	24,342	761%
<b>TOTO group net profit for the year</b>	<b>25,434</b>	<b>4,919</b>	<b>20,515</b>	<b>417%</b>
<i>Margin</i>	<i>5.0%</i>	<i>1.2%</i>	<i>4 pp</i>	

2018 ended with a net profit of € 25.4 million.

Production revenues amount to € 507.9 million, exceeding the € 500 million threshold. As shown in the above table, the Energy BU drove this growth, specifically the US subsidiary US Wind which, on 6 December 2018, sold

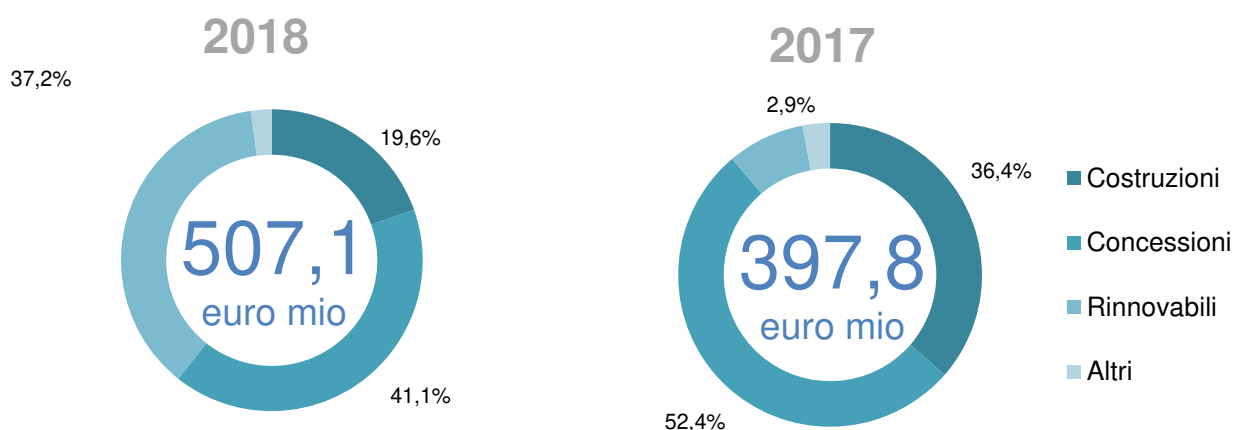


the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey (United States) coast, which had been signed with BOEM, to EDF Group. This transaction generated group revenues of approximately USD 214 million (net of ancillary costs), equal to € 181 million.

In addition, production revenues of the Concession BU remained stable (€ 208.6 million), enabling the group to offset the decrease in the turnover of the Construction BU (-31%), which essentially reflects the negative impact that hit the sector nationally and internationally.

The graphs below show the percentage impact of the individual BUs against consolidated production revenues.

**Graph 10 – Percentage distribution of production revenues by business unit**



The increase in revenues (+28%) does not match cost trends, which rose by 3% from € 260.5 million to € 267.8 million. In fact, the ancillary costs incurred by US Wind to first develop and subsequently complete the transaction were limited.

Consequently, the group's EBITDA for 2018 of € 240 million rose by € 102.7 million on the previous year (€ 137.3 million). The EBITDA<sub>Margin</sub> is 47.3%, up by 13% on 2017 (34.5%).

D&A rose by € 28.1 million, mainly as a result of:

- the accruals recognised by TH (€ 6.1 million) related to the Pex Cityliner tax dispute (for additional information, reference should be made to the paragraph "Risk factors and uncertainties"). Management considered the possibility of settling this dispute by opting for the so-called *Facilitated settlement of pending disputes* scheme (article 6 of Law decree no. 119/2018, converted, with amendments, by Law no. 136/2018). Tax payers can apply for this scheme (by 31 May 2019) by paying, including in instalments, an amount equal to 100% of the residual amount of the tax recognised in the tax rolls and deferred interest calculated at the legal rate. Consequently, in accordance with the relevant reporting standards, TH recognised an accrual equal the total amount necessary to settle the dispute in the tax provision;
- the increases in accruals recognised by the Construction BU (€ 9.1 million), essentially related to:
  - TOTO CG's future charges (€ 4.8 million), mainly related to the Czech Republic contract;
  - the write-down of the Martina TBM (€ 3.1 million), which is currently unused and held for sale;
  - the write-down of the intangible fixed assets recognised in Alitec S.p.A.'s financial statements (€ 2.6 million), considering the different plan to enhance the area owned, which eliminated *de facto*

the start-up costs incurred in prior years as they are no longer in line with the assumed uses envisaged in the new land redevelopment plan.

- the write-downs recognised in Renexia S.p.A.'s financial statements (€ 2.2 million), representing the preliminary development costs required in order to obtain the authorisations for constructing the wind farms in the municipalities of:
  - Lucera (FG), a project for which costs of € 0.7 million were incurred;
  - Troia (FG), a project for which costs of € 1,3 million were incurred;
  - Santa Croce del Sannio (BN) and Alberona (FG), a project for which costs of € 0.2 million were incurred.

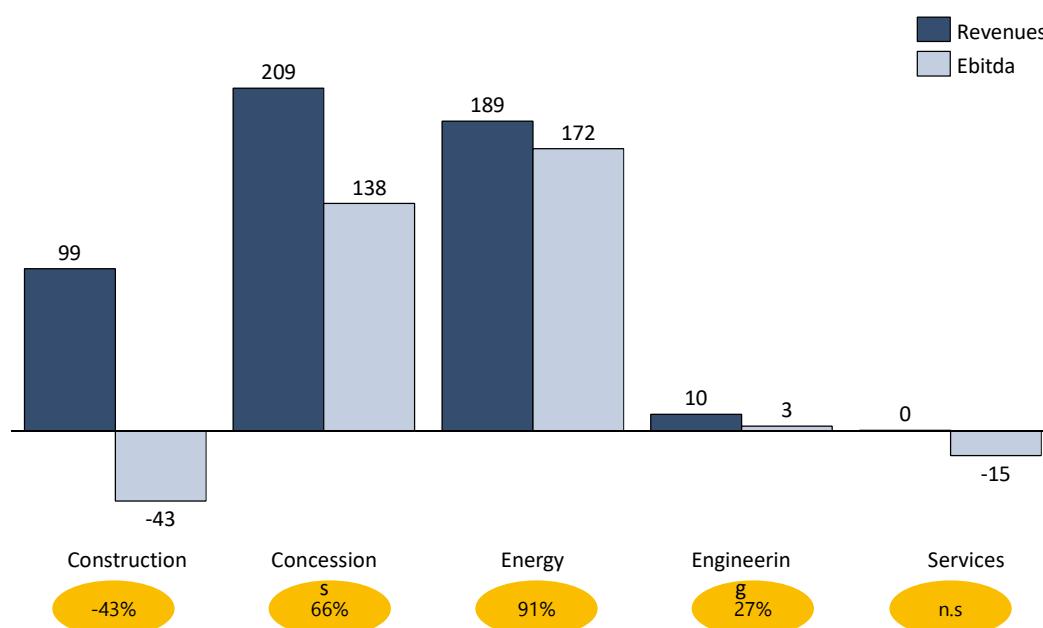
Renexia S.p.A. management decided to halt the above development projects for a number of reasons, related to the difficulties met during the authorisation process.

- the increases in amortisation/depreciation and accruals totalling € 10.8 million recognised in SDP's financial statements. Specifically, the 2018 increase reflects the write-down of receivables (€ 6.7 million) through a specific bad debt provision, netting the amount due from the grantor recognised under current assets.

**Graph 11 – Breakdown of EBITDA Margin by business unit**

## EBITDA Margin by Business Unit

Main companies by business unit



Valori contabili al netto delle scritture di elisione

In 2018, EBIT and EBIT<sub>Margin</sub> amount to € 165.1 million and 32.5%, respectively, growing significantly (+10% or € 74.5 million) on the prevision year. The increase in revenues more than offset the small rise in operating costs and the more significant rise in the group's amortisation/depreciation and accruals.

Net financial charges are in line with 2017, from € 68.9 million to € 69.4 million (+1%). This item mainly comprises SDP financial charges related to the interest accrued on the concession price and the project loan in place.

Equity investments had a negative impact of € 1.8 million essentially attributable to the write-down of TH's and TOTO CG's shares in Banca Popolare di Bari in order to bring their purchase/subscription cost into line with market value, reflecting impairment losses.

EBT is € 93.8 million, improving considerably on 2017 (€ 21.5 million).

Finally, income taxes amount to € 40.8 million and mainly relate to the group's tax charge in the US, following the sale of the contract for the lease of the federal waters off the New Jersey coast. Based on the above, the net profit for 2018 (including minority interests) amounts to € 52.9 million (€ 8.1 million in 2017). Net of minority interests, it amounts to € 25.4 million (€ 4.9 million in 2017).

#### Reclassified profit and loss account, reflecting SDP deconsolidation

**Table 1-bis- Reclassified profit and loss account, reflecting SDP deconsolidation**

Profit and loss account <i>In thousands of euro</i>	Dic. 2018	Dic. 2017	Change	% Change
<b>Total production revenues</b>	<b>326,853</b>	<b>216,143</b>	<b>110,710</b>	<b>51%</b>
Operating costs	197,660	190,763	6,897	4%
<b>EBITDA</b> <i>EBITDA Margin</i>	<b>129,193</b> <i>39.5%</i>	<b>25,380</b> <i>11.7%</i>	<b>103,813</b> <i>28 pp</i>	<b>409%</b>
D&A	26,181	8,793	17,388	198%
<b>EBIT</b> <i>EBIT Margin</i>	<b>103,012</b> <i>31.5%</i>	<b>16,587</b> <i>7.7%</i>	<b>86,425</b> <i>24 pp</i>	<b>521%</b>
Net financial income (charges)	(3,002)	813	(3,815)	-469%
Equity investments and adjustments to financial assets	(1,887)	(21)	(1,866)	8886%
<b>EBT</b> <i>Margin</i>	<b>98,123</b> <i>30.0%</i>	<b>17,379</b> <i>8.0%</i>	<b>80,744</b> <i>22 pp</i>	<b>465%</b>
Income taxes	(36,471)	(8,760)	(27,711)	316%
<b>Net loss for the period including the portion attributable to minority interests</b>	<b>61,652</b>	<b>8,619</b>	<b>53,033</b>	<b>615%</b>
Minority interests in the net profit for the year	27,665	3,160	24,505	775%
<b>TOTO group net profit for the year</b> <i>Margin</i>	<b>33,987</b> <i>10.4%</i>	<b>5,459</b> <i>2.5%</i>	<b>28,528</b> <i>8 pp</i>	<b>523%</b>

The above table shows the effects of SDP deconsolidation (for illustrative purposes), confirming the positive performance of 2018 (net profit of € 61.6 million). Also considering this simulation, all the main economic indicators (EBITDA, EBIT and EBT) are largely positive and up on 2017.

**Table 2 – Reclassified consolidated balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/ 2018	31/12/ 2017	Change	% Change
Intangible fixed assets	44,626	51,585	(6,959)	-13%
Tangible fixed assets	1,267,518	1,283,789	(16,271)	-1%
Financial fixed assets	36,645	12,636	24,009	190%
<b>Total fixed assets</b>	<b>1,348,789</b>	<b>1,348,010</b>	<b>779</b>	<b>0%</b>
<b>NWC</b>	<b>79,997</b>	<b>113,430</b>	<b>(33,433)</b>	<b>-29%</b>
<b>NIC</b>	<b>1,428,786</b>	<b>1,461,440</b>	<b>(32,654)</b>	<b>-2%</b>
Provisions	(110,327)	(108,408)	(1,919)	2%
Employees' leaving entitlement	(9,665)	(9,941)	276	-3%
<b>Invested capital</b>	<b>1,308,794</b>	<b>1,343,091</b>	<b>(34,297)</b>	<b>-3%</b>
<b>Net equity</b>	<b>204,113</b>	<b>143,396</b>	<b>60,717</b>	<b>42%</b>
Self-liquidating loans	37,537	51,986	(14,449)	-28%
Asset finance	15,549	26,468	(10,919)	-41%
Project finance	469,353	488,226	(18,873)	-4%
Corporate debts	20,155	25,321	(5,166)	-20%
Bond loan	24,488	0	24,488	n.a.
Factoring	15,000	0	15,000	n.a.
Liquid funds (Cash & cash equivalents)	(184,935)	(69,666)	(115,269)	165%
<b>Net financial indebtedness</b>	<b>397,147</b>	<b>522,335</b>	<b>(125,188)</b>	<b>-24%</b>
Payable to ANAS	707,534	677,360	30,174	4%
<b>"Adjusted" net financial indebtedness</b>	<b>1,104,681</b>	<b>1,199,695</b>	<b>(95,014)</b>	<b>-8%</b>
<b>Total coverage</b>	<b>1,308,794</b>	<b>1,343,091</b>	<b>(34,297)</b>	<b>-3%</b>

Net invested capital decreased by approximately € 32.6 million to € 1,428.7 million. Intangible fixed assets decreased by € 6.9 million mainly as a consequence of the amortisation/depreciation and accruals of the year and the write-downs recognised by the Construction BU which generated a total effect of € 4.1 million, in addition to the write-down of projects which were no longer deemed strategic by the renewable energy sector, with an effect of approximately € 2.2 million. Tangible fixed assets decreased by € 16.2 million, reflecting the item's ordinary balance which was not affected by specific transactions. However, it was impacted by the performance of SDP's "freely transferable assets". Conversely, financial fixed assets rose by € 24 million essentially due to the rise in the Renewable energy BU's financial receivable from Beleolico S.r.l.. The latter company was acquired during the year and was not consolidated as it is held for sale.

NWC decreased by € 33.4 million from € 113.4 million at 31 December 2017 to € 79.9 million at 31 December 2018. This is mainly due to the effect of US Wind's taxation following the sale of the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey (United States) coast, described earlier.

"Provisions" amount to € 110.3 million, up by €1.9 million on the previous year-end balance (€ 108.4 million). This is mainly due to the net effect of:

- the decreases recognised in SDP's financial statements (€ 9.1 million), essentially related to the "provision for derivatives";
- the increases recognised in the financial statements of the Construction BU (€ 4.1 million), essentially due to the accruals for future charges related to TOTO CG's contract in the Czech Republic;
- the increases recognised in TH's financial statements (€ 6.3 million), mainly related to the prudent accrual recognised to settle the "Pex Cityliner" dispute through the facilitated settlement of pending disputes scheme.

Net equity (including minority interests), of € 204.1 million, is significantly affected by the amounts recognised by SDP and Toto S.p.A. Costruzioni Generali, related to the hedging reserves (negative by € 61.2 million), to hedge interest rate risks. Pursuant to article 2426 of the Italian Civil Code, the net equity reserves that derive from the fair value measurement of the derivatives used to hedge the expected cash flows from another financial instrument or a forecast operation, are not considered in the calculation of net equity for the purposes set out in articles 2412, 2433, 2442, 2446 and 2447 and, if positive, are not available and cannot be used to cover losses. The € 60.7 million increase in net equity is due to the effect of the net profit for the year and the changes in the fair value of derivatives and the translation reserve.

Net financial indebtedness ("**NFI**") of € 397.1 million improved considerably on the previous year-end balance (€ 522.3 million). The group decreased its exposure by € 49.4 million, specifically, *Self-liquidating loans* (€ 14.4 million), *Asset Finance* (€ 10.9 million), *Project Finance* (€ 18,8 million) and *Corporate Debts* (€ 5.1 million). Conversely, the group issued a € 25 million bond loan through Renexia Wind Offshore S.p.A. and obtained an advance of € 15 million following a factoring transaction related to the sale of TOTO CG's technical claims. For additional information, reference should be made to the paragraph below.

Conversely, the Payable to ANAS rose by € 30.1 million. This is due to the rise in the financial liabilities to ANAS related to the interest accrued during the year. Indeed, pending the outcome of the ruling about the amount of accrued concessions due (ANAS S.p.A. or MIT), SPD suspended payment thereof and asked its lending banks to use the amounts already accrued on term deposits in accordance with the loan agreement in force and to be used for the future payment of the concession, to finance the urgent works, since the government grants under the Genoa decree (Law no. 130 of 16 November 2018) were not, and are not still, available.

# Reclassified balance sheet, reflecting SDP deconsolidation

**Table 2-bis– Reclassified balance sheet, reflecting SDP deconsolidation**

Balance sheet <i>In thousands of euro</i>	31/12/ 2018	31/12/ 2017	Change	% Change
Intangible fixed assets	4,839	8,618	(3,779)	-44%
Tangible fixed assets	122,955	116,287	6,668	6%
Financial fixed assets	268,825	239,929	28,896	12%
<b>Total fixed assets</b>	<b>396,619</b>	<b>364,834</b>	<b>31,785</b>	<b>9%</b>
<b>NWC</b>	<b>3,590</b>	<b>56,167</b>	<b>(52,577)</b>	<b>-94%</b>
<b>NIC</b>	<b>400,209</b>	<b>421,001</b>	<b>(20,792)</b>	<b>-5%</b>
Provisions	(18,381)	(7,366)	(11,015)	150%
Employees' leaving entitlement	(1,982)	(1,818)	(164)	9%
<b>Invested capital</b>	<b>379,846</b>	<b>411,817</b>	<b>(31,971)</b>	<b>-8%</b>
<b>Net equity</b>	<b>369,746</b>	<b>307,858</b>	<b>61,888</b>	<b>20%</b>
Self-liquidating loans	37,537	51,986	(14,449)	-28%
Asset finance	15,498	26,195	(10,697)	-41%
Project finance	4,818	5,066	(248)	-5%
Corporate debts	20,157	25,321	(5,164)	-20%
Bond loan	24,488	0	24,488	n.a.
Factoring	15,000	0	15,000	n.a.
Liquid funds	(107,398)	(4,609)	(102,789)	2230%
<b>Net financial indebtedness</b>	<b>10,100</b>	<b>103,959</b>	<b>(93,859)</b>	<b>-90%</b>
Payable to ANAS	0	0	0	N.A.
<b>"Adjusted" net financial indebtedness</b>	<b>10,100</b>	<b>103,959</b>	<b>(93,859)</b>	<b>-90%</b>
<b>Total coverage</b>	<b>379,846</b>	<b>411,817</b>	<b>(31,971)</b>	<b>-8%</b>

The table above shows that SDP deconsolidation generated significant benefits in terms of NFI and residual payables (e.g., trade, tax payables, etc.) under NWC. In order to better understand the above figures, below is a summary of the main balance sheet items compared with the 2018 consolidated actual figures and the simulated SPD deconsolidation.

**Table 3 – 2018 consolidated assets compared to 2018 SDP deconsolidated assets**

BALANCE SHEET (in thousands of €)	2018 consolidated	2018 SDP deconsolidation simulation
<b>ASSETS</b>		
A) Share capital proceeds to be received	23	23
B) Fixed assets	1,348,789	396,619
C) Current assets	621,809	446,636
D) Prepayments and accrued income	12,105	10,308
<b>TOTAL ASSETS</b>	<b>1,982,726</b>	<b>853,586</b>

As further described in the paragraphs on NFP and Payable to ANAS, fixed assets under "2018 consolidated" (€ 1,348.7 million) also include the price of the agreement signed in 2001 by SDP shareholders (formerly the JV made up of Autostrade per L'Italia and TH) whereby they undertook to pay to the former grantor (ANAS).

In this respect, SDP recognised a payable (in instalments) to ANAS which, at 31 December 2018, amounts to € 707.5 million. Clearly, SDP deconsolidation, under the simulation, decreases the group's liability from € 1,656.4 million to € 460.5 million. This reduction also reflects the deconsolidation of SDP bank loan which, at 31 December 2018, amounts to € 464.5 million ("Project Finance"). Both types of "deconsolidated" liabilities (payable to ANAS and bank loan) are non-recourse for different reasons. Indeed, they are automatically assumed by the grantor in the event of withdrawal, termination and/or early termination of the agreement (payable to ANAS) or are structured transactions under the so-called "*project finance*" (bank loan).

**Table 4 – 2018 consolidated liabilities compared to 2018 SDP deconsolidated liabilities**

BALANCE SHEET (in thousands of €)	2018 consolidated	2018 SDP deconsolidation simulation
<b>LIABILITIES</b>		
A) Net equity	204,113	369,746
B) Provisions for risks and charges	110,327	18,381
C) Employees' leaving entitlement	9,665	1,982
D) Payables	1,656,444	460,535
E) Accrued expenses and deferred income	2,177	2,942
<b>TOTAL LIABILITIES</b>	<b>1,982,726</b>	<b>853,586</b>

After SDP deconsolidation, "Net equity", "Provisions for risks and charges" and "Employees' leaving entitlement" improve considerably. Specifically, the first items reflect the positive effect of the elimination of the negative amount of SDP derivatives.

## Net financial indebtedness

Net financial indebtedness (NFI) at 31 December 2018 amounts to € 397.1 million, improving by € 125.1 million (+24%) on 31 December 2017.

### Changes in NFI by nature

**Table 5 – Breakdown of financial payables by nature**

NFI by Nature <i>in thousands of euro</i>	31/12/ 2018	31/12/ 2017	Change	% Change
Asset finance	15,550	26,468	(10,918)	-41%
Project finance	469,353	488,226	(18,873)	-4%
Self-liquidating loans	37,537	51,986	(14,449)	-28%
Corporate debts	20,155	25,321	(5,166)	-20%
Bond loan	24,488	0	24,488	N.A.
Factoring	15,000	0	15,000	N.A.
<b>Total</b>	<b>582,083</b>	<b>592,001</b>	<b>(9,918)</b>	<b>-2%</b>
Liquid funds	(184,685)	(68,854)	(115,831)	168%
Current assets	(250)	(812)	562	-69%
<b>Total</b>	<b>(184,935)</b>	<b>(69,666)</b>	<b>(115,269)</b>	<b>165%</b>
<b>Net financial indebtedness</b>	<b>397,148</b>	<b>522,335</b>	<b>(125,187)</b>	<b>-24%</b>

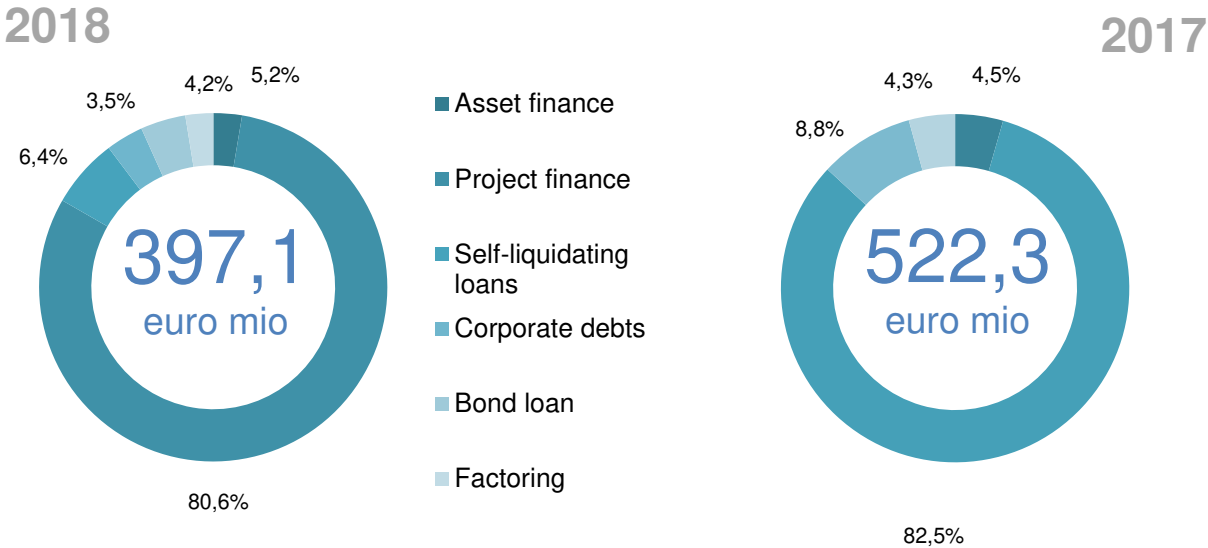
The analysis of changes in indebtedness by nature shows how the group's sources of funds are mixed and varied.

The analysis shows the following:

- the payables based on collateral on owned assets under Asset finance schemes went from € 26.4 million in 2017 to € 15.5 million in 2018 with a 41% decrease due to the repayments mainly made by TOTO CG;
- the structured payables under Project Finance (without-recourse) schemes went from € 488.2 million to € 469.3 million. The decrease is due to the repayments of the year by SDP and Intersun;
- self-liquidating loans amount to € 37.5 million and decreased by approximately € 14.4 million compared to the previous year. This is directly due to the natural trend of the receivables related to TOTO CG contracts (during the year, the company decreased its exposure by € 16.9 million) and Renexia Services (in 2018, it drawn an additional amount of € 2.8 million, net of the repayments made);
- corporate loans amount to € 20.1 million and decreased by 20% compared to 2017 mainly as a result of the repayments made by TOTO CG;
- during the year, Renexia Wind Offshore S.p.A. issued a € 25.0 million bond loan. For additional information about the *Bond loan*, reference should be made to the paragraph "Net financial indebtedness";
- Furthermore, in November 2018, TOTO CG entered into a *Factoring* transaction involving the sale of part of its technical claims related to some contracts; TOTO CG received a € 15 million advance in return.



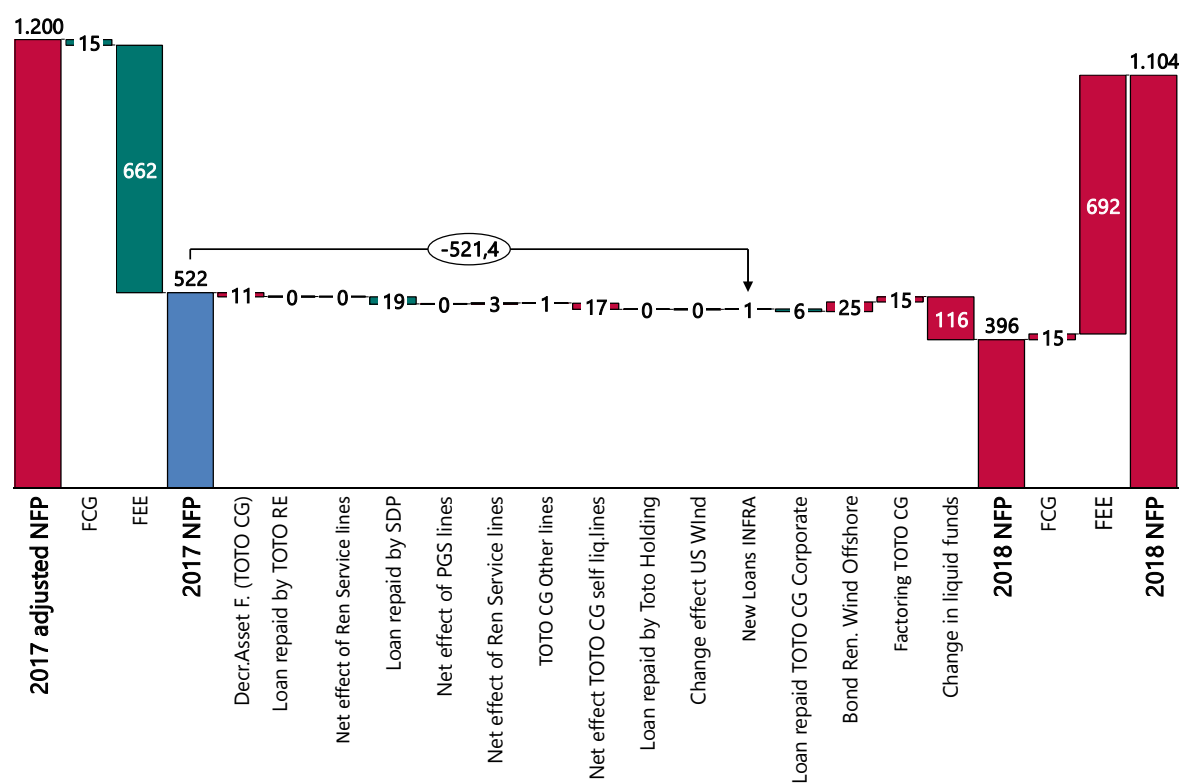
Graph 12 – Breakdown of financial liabilities by nature



The calculation of the NFI does not take into account the amount due by Strada dei Parchi S.p.A. for the concession fee (€ 692.3 million) and the loan of the former operator (SARA S.p.A.) owed to the former Italian Guarantee Scheme (€ 15.2 million) which was assumed by Strada dei Parchi S.p.A. The effect of these payables on the NFP has been neutralised since they are without recourse loans. Indeed, they are automatically assumed by the grantor in the event of withdrawal, termination and/or early termination of the agreement.

Graph 13 – Bridge analysis on the development of the 2017 – 2018 NFI

Bridge Analysis PFN Adj 2018 – PFN Adj 2017



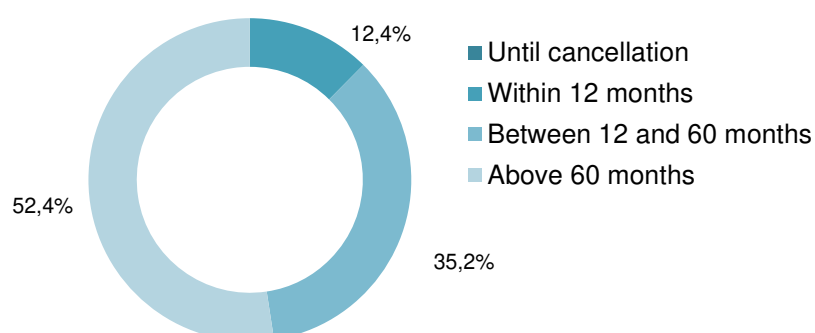
### Analysis of NFI by due date

The analysis of net financial indebtedness by due date shows that 52.4 % of financial liabilities is due after 5 years. The € 7.8 million of asset financing due within 12 months include the principal to be repaid within 12 months of loans and financing on assets such as those for the Martina TBM. The € 27.7 million self-liquidating loans falling due within 12 months are instruments used to receive advances of cash flows and automatically renewed on their expiry dates or for advances on new invoices/work progress reports/internal situation report advances and/or advances on new contracts awarded and/or claims recorded. The € 16.3 million Corporate Debts falling due within 12 months are substantially attributable to the bank current accounts of Toto CG companies. Indeed, in 2018, TH entirely repaid all its corporate debts.

**Table 6 – Breakdown of 2018 financial liabilities by nature and due date**

NFI by due date <i>in thousands of euro</i>	Until cancellation	Within 12 months	Between 12 and 60 months	Over 60 months	Total
Asset finance	0	7,834	6,550	1,166	15,550
Project finance	0	27,748	158,562	283,043	469,353
Self-liquidating loans	0	20,228	17,309	0	37,537
Corporate debts	25	16,381	3,749		20,155
Bond loan	0	0	3,657	20,831	24,488
Factoring	0	0	15,000	0	15,000
<b>Total</b>	<b>25</b>	<b>72,191</b>	<b>204,827</b>	<b>305,040</b>	<b>582,083</b>
Liquid funds					(184,685)
Current assets					(250)
<b>Total</b>					<b>(184,935 )</b>
<b>Net financial indebtedness</b>	<b>25</b>	<b>72,191</b>	<b>204,827</b>	<b>305,040</b>	<b>397,148</b>

**Graph 14 – Breakdown of 2018 financial liabilities by due date**



## Payable to ANAS

In 2001, the year in which the international tender for the construction, maintenance and operation of the A24 and A25 motorways was awarded, the joint venture between Autostrade per l'Italia (60%) and TOTO Holding S.p.A. (40%) undertook to pay the grantor a fee of around € 748.8 million for the agreement. Under the Single Agreement, this fee must be paid during the concession period in equal instalments totalling around € 55.8 million per year including deferred interest. Despite accruing interest expense, this payable should strictly be regarded as a trade payable since, under the Single Agreement which governs relations with the grantor, it is established that, in the event of withdrawal, cancellation and/or early termination of the Agreement, the grantor shall only take over from the operator after payment of a take-over amount to the operator, defined and calculated as described below. Since the Regulatory Net Invested Capital (equal to the sum (i) of the amount of the work performed, (ii) the concession price, net of the related amortisation/depreciation - as per the Single Agreement) is above the liability to the grantor, the take-over amount would fully cover the debt exposure, recognising a positive investment difference for the grantor and with the liability becoming a without-recourse payable. In addition, the concession regime under which Strada dei Parchi S.p.A. is required to pay for a concession fee is unique in the sector. In fact, other operators benefit from a purchase fee of zero against a commitment to carry out maintenance and investments, avoiding the recognition of this commitment under balance sheet liabilities, disclosing it solely in the financial statements disclosure. Furthermore, the banks forming part of the banking syndicate which finances the Project Finance Loan (without recourse) of € 570.5 million did not consider the amount due to the grantor in calculating the project's financial leverage.

**Table 7 – Breakdown of payables to the grantor and former FCG**

ANAS/FCG payables by due date <i>in thousands of euro</i>	Until cancellation	Within 12 months	Between 12 and 60 months	Over 60 months	Total
Payable to ANAS	0	119,138	129,371	459,025	707,534

## SDP take-over amount

The second regulatory period (2014-2018) of the ruling Agreement expired on 31 December 2018. 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 receiving 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. At 31 December 2018, SDP figurative receivables amount to approximately € 644 million, as per the appraisal of a leading

independent auditor. Therefore, overall, at 31 December 2018, 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 € 1.7 billion (gross of the residual concession price payable). Consequently, in the case of early termination, this amount, in addition to any compensation for loss of earnings, shall be paid by the incoming party or, failing that, by the grantor pursuant to article 9-*bis*.4 of the Single Agreement.

### Net financial indebtedness with SDP deconsolidation

Concluding the information provided above, the following table breaks down NFT (by "nature" and "due date"), simulating SDP "deconsolidation".

**Table 5bis – Breakdown of financial liabilities by nature with SDP "deconsolidation"**

NFI by Nature <i>in thousands of euro</i>	31/12/ 2018	31/12/ 2017	Change	% Change
Asset finance	15,498	26,195	(10,697)	-41%
Project finance	4,818	5,066	(248)	-5%
Self-liquidating loans	37,537	51,986	(14,449)	-28%
Corporate debts	20,157	25,321	(5,164)	-20%
Bond loan	24,488	0	24,488	N.A.
Factoring	15,000	0	15,000	N.A.
<b>Total</b>	<b>117,498</b>	<b>108,568</b>	<b>8,930</b>	<b>8%</b>
Liquid funds	(107,148)	(3,797)	(103,351)	2722%
Current assets	(250)	(812)	562	-69%
<b>Total</b>	<b>(107,398)</b>	<b>(4,609)</b>	<b>(102,789)</b>	<b>2230%</b>
<b>Net financial indebtedness</b>	<b>10,100</b>	<b>103,959</b>	<b>(93,859)</b>	<b>-90%</b>

**Table 6bis – Breakdown of 2018 financial liabilities by nature and due date with SDP "deconsolidation"**

NFI by due date <i>in thousands of euro</i>	Until cancellation	Within 12 months	Between 12 and 60 months	Over 60 months	Total
Asset finance	0	7,813	6,520	1,165	15,498
Project finance	0	258	1,144	3,416	4,818
Self-liquidating loans	0	20,228	17,309	0	37,537
Corporate debts	27	16,381	3,749		20,157
Bond loan	0	0	3,657	20,831	24,488
Factoring	0	0	15,000	0	15,000
<b>Total</b>	<b>27</b>	<b>44,680</b>	<b>47,379</b>	<b>25,412</b>	<b>117,498</b>
Liquid funds					(107,148)
Current assets					(250)
<b>Total</b>					<b>(107,398)</b>
<b>Net financial indebtedness</b>	<b>27</b>	<b>44,680</b>	<b>47,379</b>	<b>25,412</b>	<b>10,100</b>

The figures summarised in the tables above clearly indicate that, when simulating SDP deconsolidation, the group's NFI amounts to € 10.1 million, compared to the "2018 consolidated" figures (€ 397.1 million), or the "adjusted" NFI (€ 1,104.6 million). The latter includes the payables to ANAS (concession fee and Italian Guarantee Scheme). This calculation, provided for information purposes only, shows the group's ability to meet constantly evolving market needs and overcome events, including those which cannot always be predicted or analysed.

## 2018 bond issue

Renexia Wind Offshore S.p.A. issued a senior secured, non-convertible and unsubordinated bond loan pursuant to article 2410 of the Italian Civil Code, with a principal of € 25.0 million, privately placed with several foreign qualified investment funds. The bond comprises dematerialised securities listed on the multi-trading facility managed by the Vienna stock exchange. Bonds were issued at a price equal to 100% of their nominal amount. Repayment will start on 31 December 2022 for an annual amount equal to 8% of the nominal amount of the bond and the remaining balance will be paid in one tranche at maturity (i.e., within eight years of the date of first issue). The securities will pay coupons at an annual 8% rate in arrears, starting from 31 December 2018.

The bond was issued in three tranches which may be summarised as follows:

- 1) 18 May 2018 for a nominal amount to € 7.5 million;
- 2) 22 May 2018 for a nominal amount to € 12.5 million.
- 3) 3 July 2018 for the residual € 5.0 million.

At 31 December 2018, the residual payment amounts to € 24.4 million. It was recognised at amortised cost.

## Performance of the main group companies

### Construction Business Unit

#### TOTO S.p.A. Costruzioni Generali (Sub-consolidated)

**Table 8 – Reclassified profit and loss account of TOTO S.p.A. Costruzioni Generali (Sub-consolidated)**

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	104,901	149,974	(45,073)	-30%
Operating costs	149,894	134,819	15,075	11%
<b>EBITDA</b> <i>EBITDA Margin</i>	<b>(44,993)</b> -43%	<b>15,155</b> 10%	<b>(60,148)</b> -53 pp	<b>-397%</b>
D&A	16,053	6,872	9,181	134%
<b>EBIT</b> <i>EBIT Margin</i>	<b>(61,046)</b> -58%	<b>8,283</b> 6%	<b>(69,329)</b> -64 pp	<b>-837%</b>
Net financial charges	(7,491)	(5,453)	(2,038)	37%
<b>EBT</b> <i>Margin</i>	<b>(68,537)</b> -65%	<b>2,830</b> 2%	<b>(71,367)</b> -67 pp	<b>-2522%</b>
Income taxes	12,895	(2,618)	15,513	-593%
<b>Net profit (loss) for the year</b> <i>Margin</i>	<b>(55,642)</b> -53%	<b>212</b> 0%	<b>(55,854)</b> -53 pp	<b>-26346%</b>

Production revenues amount to € 104.9 million, compared to € 149.9 million in 2017, down by € 45 million (-30%). EBITDA is negative by € 44.9 million, compared to the positive balance of € 15.1 million in 2017. Consequently, EBIT is negative by € 61 million compared to a positive balance of € 8.2 million in 2017.

The negative margins for 2018 are essentially due to the considerable decrease in turnover and the limited profit margins of contracts during the year.

The decrease in production volumes is mainly due to the halt of the ANAS La Spezia contract (as described in the paragraph on the main events of the year) and the delay in the commencement of in-house contracts caused by the longer time required to meet the formal commitments with the MIT, and the halt of the RFI Cefalù contract. With respect to the latter contract, during the year, the project in-depth analyses requested by the customer and aimed at re-designing the S. Ambrogio tunnel using a traditional excavation method, instead of an automated one, were carried out.

Below-expectation margins characterised all the projects underway during the year. The "stair-stepping" in-house contract also performed below last year margins. Indeed, SDP contracts were completed in the first half of the year. This stage is therefore characterised by downward revenues and a high impact of fixed costs related to the clearance of the work site, whose actual costs exceeded forecasts and the provisions recognised on an accruals basis.

In 2018, with respect to in-house contracts, the Construction BU's management, as part of a specific group strategy which considered the forthcoming launch of stage 2 of the urgent safety measures involving the A24 and A25 motorways certain, decided not to change the scope of the operating structure (both white and blue collars) which performed the stair-stepping works, in order to retain the highly-special professional level and know-how necessary for these works. However, the considerable delays in the delivery of said works, caused by the MIT red tape (i.e, the grantor MIT must approve all SPD projects prior to start worksites) resulted in a significant increase in worksite fixed costs, with a considerable impact on TOTO CG's profit and loss account.

Therefore, the negative impact on the margins of TOTO GS and the entire Construction BU is in general attributable to the following non-recurring events of this year: (i) the delays in the commencement of contracts and (ii) the halt of the La Spezia contract. These events prevented the absorption of fixed overheads. Finally, the 2018 performance of the Construction BU should be analysed considering the critical period that characterised the construction sector in the past few years which, up until 2017, the BU managed to cope with avoiding any significant impact.

In addition, the net profit for the year reflects the negative effect of non-recurring costs of approximately € 31.9 million, related to:

- the La Spezia contract for approximately € 9.7 million, of which:
  - pre-operating costs of € 5.2 million which should have generated benefits over the entire life of the contract. However, following the contract termination, they were entirely expensed in the year;
  - costs of € 4.5 million incurred to ensure worksite safety and structural fixed costs (specifically personnel costs);
- the Polish contract of approximately € 9.0 million related to the additional costs incurred during the year. In this respect, the company recorded significant costs due to the extension of the worksite and the overall rise in the cost of production factors (raw materials and personnel) related to Poland's satisfactory economic performance. Due to the greater costs incurred in connection with the extension of the worksite and the rise in raw material costs, TOTO CG requested the customer claims worth approximately € 14 million.
- Czech Republic contract, subject to contract termination, for approximately € 5.1 million, including:
  - € 3.6 million related to the provision for future charges;
  - € 1.5 million related to the greater costs incurred due to the irregular performance of works.

At the preparation date of this report, the contracting JV was taking steps to commence a legal action against the customer in order to claim damages;

- SDP "stair-stepping" contract of approximately € 8.1 million, related to the diseconomies which arose from the variation report in February 2018.



**Table 9 – Reclassified balance sheet of TOTO S.p.A. Costruzioni Generali (Sub-consolidated)**

Balance Sheet <i>In thousands of euro</i>	31/12/2018	31/12/2017	Change	% Change
Intangible fixed assets	121	4,232	(4,112)	-97%
Tangible fixed assets	64,376	65,202	(826)	-1%
Financial fixed assets	21,780	22,239	(459)	-2%
<b>Total fixed assets</b>	<b>86,277</b>	<b>91,673</b>	<b>(5,396)</b>	<b>-6%</b>
<b>NWC</b>	<b>(4,690)</b>	<b>37,492</b>	<b>(42,182)</b>	<b>-113%</b>
<b>NIC</b>	<b>81,587</b>	<b>129,165</b>	<b>(47,578)</b>	<b>-37%</b>
Provisions	(7,326)	(3,215)	(4,111)	128%
Employees' leaving entitlement	(657)	(662)	5	-1%
<b>Invested capital</b>	<b>73,604</b>	<b>125,288</b>	<b>(51,684)</b>	<b>-41%</b>
<b>Net equity</b>	<b>15,770</b>	<b>70,641</b>	<b>(54,871)</b>	<b>-78%</b>
Self-liquidating loans	29,132	46,068	(16,936)	-37%
Intragroup payables	0	0	0	N.A.
Asset finance	14,283	24,979	(10,696)	-43%
Project finance	0	0	0	n.a.
Corporate debts	17,066	22,854	(5,788)	-25%
Bond loan	0	0	0	n.a.
Factoring	15,000	0	15,000	n.a.
Intragroup receivables	(5,636)	(37,442)	31,806	-85%
Liquid funds	(12,011)	(1,812)	(10,199)	563%
<b>Net financial indebtedness</b>	<b>57,834</b>	<b>54,647</b>	<b>3,187</b>	<b>6%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial indebtedness</b>	<b>57,834</b>	<b>54,647</b>	<b>3,187</b>	<b>6%</b>
<b>Total coverage</b>	<b>73,604</b>	<b>125,288</b>	<b>(51,684)</b>	<b>-41%</b>

The € 5.3 million decrease in fixed assets relates to intangible fixed assets, specifically the amortisation of the year and the write-down recognised by Alitec S.p.A., considering the different plan to enhance the area owned, which eliminated *de facto* the start-up costs incurred in prior years as they are no longer in line with the assumed uses envisaged in the new land redevelopment plan (€ 2.6 million).

The € 42.1 million decrease in net working capital, which went from € 37.4 million at 31 December 2017 to a negative € 4.6 million at 31 December 2018, is mainly due to the increase in liabilities. Of these, medium/long-term liabilities rose mainly as a consequence of the increase in tax payables and advances for works to be performed. The sum of these items resulted in an overall reduction in NIC of approximately € 47.5 million, from € 129.1 million at 31 December 2017 to € 81.5 million at 31 December 2018.

At 31 December 2018, net financial indebtedness amounts to € 57.8 million, up by € 3.1 million on the previous year-end balance. This is due to the significant decrease in indebtedness, including self-liquidating loans, asset finance and corporate debts, offset by the rise in net indebtedness, mainly to the parent TH. During the year, TOTO CG carried out a factoring transaction which enabled it to obtain a € 15 million advance. For additional information, reference should be made to the paragraph "Net financial indebtedness".

**Table 10 – Strada dei Parchi S.p.A. reclassified profit and loss account**

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	208,784	208,598	186	0%
Operating costs	98,142	96,986	1,156	1%
<b>EBITDA</b> <i>EBITDA Margin</i>	<b>110,642</b> <i>53%</i>	<b>111,612</b> <i>54%</i>	<b>(970)</b> <i>-1 pp</i>	<b>-1%</b>
D&A	46,073	35,247	10,826	31%
<b>EBIT</b> <i>EBIT Margin</i>	<b>64,569</b> <i>31%</i>	<b>76,365</b> <i>37%</i>	<b>(11,796)</b> <i>-6 pp</i>	<b>-15%</b>
Net financial charges	(66,396)	(69,785)	3,389	-5%
<b>EBT</b> <i>Margin</i>	<b>(1,827)</b> <i>-1%</i>	<b>6,580</b> <i>3%</i>	<b>(8,407)</b> <i>-4 pp</i>	<b>-128%</b>
Income taxes	(4,364)	(4,615)	251	-5%
<b>Net profit (loss) for the year</b> <i>Margin</i>	<b>(6,191)</b> <i>-3%</i>	<b>1,965</b> <i>1%</i>	<b>(8,156)</b> <i>-4 pp</i>	<b>-415%</b>

In 2018, production revenues are in line with 2017. The € 208.7 million balance comprises toll revenues which rose by 7.7% on 2017 mainly following the 12.89% toll increase, the fruit of which, however, benefited just the first nine months of the year. In fact, in the last quarter of the year, the 2017 tolls were applied to meet customer needs. Furthermore, production revenues reflect the revenues lost following the toll suspension (€ 4.9 million) which were recognised on an accruals basis and calculated as the difference between (i) the tolls calculated based on the tariffs set out in the interministerial decrees issued and appealed by SdP and (ii) the revenues the operator would have earned under the concession arrangement.

Operating costs are in line with the previous year.

Personnel expenses rose despite the workforce reduction as a result of the adjustments required by the collective national employment contract and the settlement of disputes with employees. EBITDA decreased by approximately 1%, from €111.6 million in 2017 to €110.6 million in 2018.

"D&A" amounts to € 46.0 million, of which €38.5 million relates to renovations and € 7.5 million to accruals: amortisation and depreciation rose by € 3.9 million, especially as a consequence of the application of the decreasing balance amortisation/depreciation rate, while accruals mainly relate to adjusting items which netted current assets items.

Financial charges decreased since part of the principal had already been repaid and as a result of low variable interest rates. Capitalised financial charges amount to € 6.7 million and relate to assets under construction.

2018 income taxes amount to € 4.3 million, in line with 2017.

The net loss for 2018 amounts to € 6.2 million, compared to the net profit for 2017 of € 2.0 million.

**Table 11 – Strada dei Parchi S.p.A. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2018	31/12/2017	Change	% Change
Intangible fixed assets	9,473	10,126	(654)	-6%
Tangible fixed assets	1,144,024	1,166,802	(22,778)	-2%
Financial fixed assets	61	68	(7)	-10%
<b>Total fixed assets</b>	<b>1,153,558</b>	<b>1,176,996</b>	<b>(23,438)</b>	<b>-2%</b>
<b>NWC</b>	<b>6,043</b>	<b>(8,755)</b>	<b>14,798</b>	<b>-169%</b>
<b>NIC</b>	<b>1,159,601</b>	<b>1,168,241</b>	<b>(8,640)</b>	<b>-1%</b>
Provisions	(91,835)	(100,950)	9,115	-9%
Employees' leaving entitlement	(7,683)	(8,123)	440	-5%
<b>Invested capital</b>	<b>1,060,083</b>	<b>1,059,168</b>	<b>915</b>	<b>0%</b>
<b>Net equity</b>	<b>(34,449)</b>	<b>(36,295)</b>	<b>1,846</b>	<b>-5%</b>
Self-liquidating loans	0	0	0	N.A.
Intragroup payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	464,534	483,160	(18,625)	-4%
Corporate debts	0	0	0	n.a.
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intragroup receivables	0	0	0	n.a.
Liquid funds	(77,536)	(65,057)	(12,479)	19%
<b>Net financial indebtedness</b>	<b>386,998</b>	<b>418,103</b>	<b>(31,104)</b>	<b>-7%</b>
Payable to the grantor	707,534	677,360	30,174	4%
<b>"Adjusted" net financial indebtedness</b>	<b>1,094,532</b>	<b>1,095,463</b>	<b>(931)</b>	<b>0%</b>
<b>Total coverage</b>	<b>1,060,083</b>	<b>1,059,168</b>	<b>915</b>	<b>0%</b>

Fixes assets decreased due to the effect of the amortisation and depreciation of the year.

NWC increased especially as a result of the reduction in trade payables to builders.

Net invested capital of € 1,159 million essentially relates to the above-mentioned changes.

"Provisions" decreased by € 9.1 million and essentially relate to the change in the provision for derivatives.

Net equity fell following the loss of year, net of the change in the hedging reserve.

Net financial indebtedness went from € 418.1 million at 31 December 2017 to € 386.9 million at 31 December 2018. The improvement is attributable to the repayment of principal during the year and the rise in cash at year end.

The payable to the grantor amounts to € 707.5 million and is up by € 30.1 million on the previous year-end balance. The increase is due to the effect of the rise in the financial payables to ANAS related to the past due concession instalments yet to be paid, inclusive of the interest accrued at year end.

## SDP take-over amount

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 receiving 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. At 31 December 2018, SDP figurative receivables amount to approximately € 644 million, as per the appraisal of a leading independent auditor. Therefore, overall, at 31 December 2018, 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 € 1.7 billion (gross of the residual concession price payable). Consequently, in the case of early termination, this amount, in addition to any compensation for loss of earnings, shall be paid by the incoming party or, failing that, by the grantor pursuant to article 9-bis.4 of the Single Agreement.

## Energy Business Unit

Below are the profit and loss account and the balance sheet of:

- Renexia S.p.A., the BU's holding;
- US Wind Inc., one of the BU's SPVs which is developing the US market;
- Renexia Services S.r.l., the BU's operating company which acts as the EPC contractor.

### Renexia S.p.A.

**Table 12 – Renexia S.p.A. reclassified profit and loss account**

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	726	818	(92)	-11%
Operating costs	8,795	3,122	5,673	182%
<b>EBITDA</b>	<b>(8,069)</b>	<b>(2,304)</b>	<b>(5,765)</b>	<b>250%</b>
<i>EBITDA Margin</i>	<i>-1111%</i>	<i>-282%</i>	<i>-830 pp</i>	
D&A	2,286	64	2,222	3472%
<b>EBIT</b>	<b>(10,355)</b>	<b>(2,368)</b>	<b>(7,987)</b>	<b>337%</b>
<i>EBIT Margin</i>	<i>-1426%</i>	<i>-289%</i>	<i>-1137 pp</i>	
Net financial income	107,680	485	107,195	22102%
<b>EBT</b>	<b>97,325</b>	<b>(1,883)</b>	<b>99,208</b>	<b>-5269%</b>
<i>Margin</i>	<i>13406%</i>	<i>-230%</i>	<i>13636 pp</i>	
Income taxes	(402)	506	(908)	-179%
<b>Net profit (loss) for the year</b>	<b>96,923</b>	<b>(1,377)</b>	<b>98,300</b>	<b>-7139%</b>
<i>Margin</i>	<i>13350%</i>	<i>-168%</i>	<i>13519 pp</i>	

Renexia S.p.A. net profit for 2018 amounts to € 96.9 million. It mainly relates to the dividend paid during the year by the US subsidiary US Wind Inc. which, in December 2018, approved the payment of a dividend of € 105.0 million (or USD 120 million) to the parent following the sale of the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey coast, as described in the paragraph "Significant events – Energy BU". With respect to the above transaction, operating costs reflect the negative effect of the withholding tax (approximately € 4.9 million or USD 6 million) paid by Renexia S.p.A. through the subsidiary US Wind (as the withholding agent) to US tax authorities, on the dividend received.

Finally, "D&A" comprises both amortisation/depreciation (a marginal item given the nature of the company's business) and write-downs. The latter, in particular, essentially comprise the total € 2.2 million balance and relate to the write-down of prior year development costs incurred in connection with wind plant development projects whose authorisation procedure was not completed.

**Table 13 – Renexia S.p.A. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2018	31/12/2017	Change	% Change
Intangible fixed assets	26	2,298	(2,273)	-99%
Tangible fixed assets	44	43	1	3%
Financial fixed assets	33,429	25,658	7,771	30%
<b>Total fixed assets</b>	<b>33,499</b>	<b>28,000</b>	<b>5,499</b>	<b>20%</b>
<b>NWC</b>	<b>1,488</b>	<b>(9,540)</b>	<b>11,028</b>	<b>-116%</b>
<b>NIC</b>	<b>34,987</b>	<b>18,460</b>	<b>16,527</b>	<b>90%</b>
Provisions	(3,413)	(3,377)	(36)	1%
Employees' leaving entitlement	(90)	(102)	12	-12%
<b>Invested capital</b>	<b>31,484</b>	<b>14,981</b>	<b>16,503</b>	<b>110%</b>
<b>Net equity</b>	<b>103,517</b>	<b>6,594</b>	<b>96,923</b>	<b>1470%</b>
Self-liquidating loans	0	0	0	N.A.
Intragroup payables	15,386	8,340	7,046	84%
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	15	515	(499)	-97%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intragroup receivables	(72,992)	(349)	(72,643)	20800%
Liquid funds	(14,442)	(118)	(14,324)	12149%
<b>Net financial position/indebtedness</b>	<b>(72,033)</b>	<b>8,387</b>	<b>(80,420)</b>	<b>-959%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position/indebtedness</b>	<b>(72,033)</b>	<b>8,387</b>	<b>(80,420)</b>	<b>-959%</b>
<b>Total coverage</b>	<b>31,484</b>	<b>14,981</b>	<b>16,503</b>	<b>110%</b>

Intangible fixed assets decreased by € 2.2 million following the write-down of the same amount of prior year development costs incurred in connection with wind plant development projects whose authorisation procedure was not completed. The decrease was offset by the increase (€ 7.7 million) in financial fixed assets related to the rise in equity investments (capital increases or waiver of receivables) during the year.

Provisions mainly comprise the prudential accrual recognised in relation to the compensation, if any, that Renexia S.p.A. may pay C.v.a. S.p.A. following the sale of the investment in Ponte Albanito S.r.l. (January 2015) in connection with the dispute commenced by Energy & Tecnical Services S.r.l. ("ETS"), as described in the paragraph "Risk factors and uncertainties – Renexia S.p.A.".

**Table 14 – Reclassified profit and loss account of US Wind Inc.**

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	181,772	511	181,261	35472%
Operating costs	3,793	2,705	1,088	40%
<b>EBITDA</b>	<b>177,979</b>	<b>(2,194)</b>	<b>180,173</b>	<b>-8212%</b>
<i>EBITDA Margin</i>	<i>98%</i>	<i>-429%</i>	<i>527 pp</i>	
D&A	7	8	(1)	-13%
<b>EBIT</b>	<b>177,972</b>	<b>(2,202)</b>	<b>180,174</b>	<b>-8182%</b>
<i>EBIT Margin</i>	<i>98%</i>	<i>-431%</i>	<i>529 pp</i>	
Net financial income (charges)	48	(176)	224	-127%
<b>EBT</b>	<b>178,020</b>	<b>(2,378)</b>	<b>180,398</b>	<b>-7586%</b>
<i>Margin</i>	<i>98%</i>	<i>-465%</i>	<i>563 pp</i>	
Income taxes	(44,946)	133	(45,079)	-33894%
<b>Net profit (loss) for the year</b>	<b>133,074</b>	<b>(2,245)</b>	<b>135,319</b>	<b>-6028%</b>
<i>Margin</i>	<i>73%</i>	<i>-439%</i>	<i>513 pp</i>	

2018 ended with a net profit of € 133 million and is essentially due to the sale - to EDF Group - of the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey (United States) coast, described in the paragraph "Significant events – Energy BU". The transaction generated approximately USD 214 million (net of ancillary costs) or approximately € 181.2 million, which essentially reflects production revenues.

Operating costs of € 3.7 million include services of approximately € 1.4 million and use of third party assets of € 1 million. Specifically, the latter essentially relate to the lease payments of the marine areas awarded to the company.

Income taxes of € 44.9 million relate to the amount due to the US tax authorities in respect to the transaction described earlier.

**Table 15 – Reclassified balance sheet of US Wind Inc.**

Balance sheet	31/12/2018	31/12/2017	Change	% Change
<i>In thousands of euro</i>				
Intangible fixed assets	13	0	13	n.a.
Tangible fixed assets	21,265	13,901	7,364	53%
Financial fixed assets	0	250	(250)	-100%
<b>Total fixed assets</b>	<b>21,277</b>	<b>14,151</b>	<b>7,126</b>	<b>50%</b>
<b>NWC</b>	<b>(37,479)</b>	<b>7,028</b>	<b>(44,507)</b>	<b>-633%</b>
<b>NIC</b>	<b>(16,202)</b>	<b>21,179</b>	<b>(37,381)</b>	<b>-177%</b>
Provisions	(524)	0	(524)	n.a.
Employees' leaving entitlement	0	0	0	n.a.
<b>Invested capital</b>	<b>(16,726)</b>	<b>21,179</b>	<b>(37,905)</b>	<b>-179%</b>
<b>Net equity</b>	<b>53,891</b>	<b>19,348</b>	<b>34,543</b>	<b>179%</b>
Self-liquidating loans	0	0	0	N.A.
Intragroup payables	0	0	0	n.a.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	2,183	2,085	99	5%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intragroup receivables	0	0	0	n.a.
Liquid funds	(72,800)	(254)	(72,547)	28593%
<b>Net financial indebtedness</b>	<b>(70,617)</b>	<b>1,831</b>	<b>(72,448)</b>	<b>-3957%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position/indebtedness</b>	<b>(70,617)</b>	<b>1,831</b>	<b>(72,448)</b>	<b>-3957%</b>
<b>Total coverage</b>	<b>(16,726)</b>	<b>21,179</b>	<b>(37,905)</b>	<b>-179%</b>

Tangible fixed assets amount to € 21.2 million, up by € 7.3 million. This item includes the costs incurred until the presentation date of the budget for the wind project in Maryland.

Corporate debts include the loan granted by the State of Maryland to finance the studies aimed at constructing the off-shore wind farm in the body of water belonging to Maryland. In addition to liquid funds of € 72.8 million, this item contributes to a net financial position of € 70.6 million.



Table 16 – Reclassified profit and loss account of Renexia Services S.r.l.

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	4,746	31,034	(26,288)	-85%
Operating costs	4,593	24,168	(19,575)	-81%
<b>EBITDA</b>	<b>153</b>	<b>6,866</b>	<b>(6,713)</b>	<b>-98%</b>
<i>EBITDA Margin</i>	<i>3%</i>	<i>22%</i>	<i>-19 pp</i>	
D&A	9	4	5	125%
<b>EBIT</b>	<b>144</b>	<b>6,862</b>	<b>(6,718)</b>	<b>-98%</b>
<i>EBIT Margin</i>	<i>3%</i>	<i>22%</i>	<i>-19 pp</i>	
Net financial charges	48	(212)	260	-123%
<b>EBT</b>	<b>192</b>	<b>6,650</b>	<b>(6,458)</b>	<b>-97%</b>
<i>Margin</i>	<i>4%</i>	<i>21%</i>	<i>-17 pp</i>	
Income taxes	(153)	(1,953)	1,800	-92%
<b>Net profit for the year</b>	<b>39</b>	<b>4,697</b>	<b>(4,658)</b>	<b>-99%</b>
<i>Margin</i>	<i>1%</i>	<i>15%</i>	<i>-14 pp</i>	

2018 ended with a net profit of € 39 thousand. Production revenues (€ 4.7 million), net of operating costs (€ 4.5 million), generated positive EBITDA of approximately € 0.1 million. Operating costs, including personnel expenses, of € 4.5 million, mainly comprise services (€ 2.3 million).

The decrease in revenues (down by € 26.2 million or -85%) and the proportional reduction in external costs (down by € 19.5 million or -81%) relate to the performance of the 2018 order book, which is characterised by the completion and delivery of the contract related to the wind farm owned by Cogein and the progress of the contracts agreed by Cogein and Parco Eolico Casalduni House S.r.l. to build 150 KV power line and the Morcone (BN) 150 KV substation.

Financial income amounts to € 48 thousand and reflects the greater impact of interest income on the loans granted by the parent compared to fees, interest expense and financial charges to use credit lines.

EBT amount to € 0.1 thousand. Income taxes have a € 0.1 million negative impact, generating a net profit for the year of € 39 thousand.

**Table 17 – Reclassified balance sheet of Renexia Services S.r.l.**

Balance sheet <i>In thousands of euro</i>	31/12/2018	31/12/2017	Change	% Change
Intangible fixed assets	3	4	(1)	-28%
Tangible fixed assets	43	15	28	191%
Financial fixed assets	0	0	0	n.a.
<b>Total fixed assets</b>	<b>46</b>	<b>19</b>	<b>27</b>	<b>142%</b>
<b>NWC</b>	<b>(12,657)</b>	<b>10,381</b>	<b>(23,038)</b>	<b>-222%</b>
<b>NIC</b>	<b>(12,611)</b>	<b>10,400</b>	<b>(23,011)</b>	<b>-221%</b>
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(60)	(50)	(10)	20%
<b>Invested capital</b>	<b>(12,671)</b>	<b>10,350</b>	<b>(23,021)</b>	<b>-222%</b>
<b>Net equity</b>	<b>978</b>	<b>5,439</b>	<b>(4,461)</b>	<b>-82%</b>
Self-liquidating loans	7,982	5,143	2,839	55%
Intragroup payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	0	0	0	n.a.
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intragroup receivables	(15,783)	0	(15,783)	n.a.
Liquid funds	(5,848)	(232)	(5,616)	2417%
<b>Net financial indebtedness</b>	<b>(13,649)</b>	<b>4,911</b>	<b>(18,560)</b>	<b>-378%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position/indebtedness</b>	<b>(13,649)</b>	<b>4,911</b>	<b>(18,560)</b>	<b>-378%</b>
<b>Total coverage</b>	<b>(12,671)</b>	<b>10,350</b>	<b>(23,021)</b>	<b>-222%</b>

NWC amounts to € 12.6 million, down by € 23.0 million following the settlement of trade items (payables and receivables) and the decrease in inventory related to the contract for the construction of the Circello wind farm (BN - customer: Cogein).

Net equity decreased by € 4.4 million, essentially due to the payment of the 2017 dividend of € 4.5 million.

NFP of € 13.6 thousand includes liquid funds of € 5.8 million and financial receivables mainly from the parent Renexia S.p.A. (€ 15.7 million). These items offset the year-end balance of the self-liquidating loans of € 7.9 million raised to build the 150 KV power line and the Morcone (BN) 150 KV substation.

Table 18 – Infraengineering S.r.l. reclassified profit and loss account

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	12,078	12,146	(68)	-1%
Operating costs	7,866	6,840	1,026	15%
<b>EBITDA</b>	<b>4,212</b>	<b>5,306</b>	<b>(1,094)</b>	<b>-21%</b>
<i>EBITDA Margin</i>	<i>35%</i>	<i>44%</i>	<i>-9 pp</i>	
D&A	60	51	9	18%
<b>EBIT</b>	<b>4,152</b>	<b>5,255</b>	<b>(1,103)</b>	<b>-21%</b>
<i>EBIT Margin</i>	<i>34%</i>	<i>43%</i>	<i>-9 pp</i>	
Net financial income	1	24	(23)	-96%
<b>EBT</b>	<b>4,153</b>	<b>5,279</b>	<b>(1,126)</b>	<b>-21%</b>
<i>Margin</i>	<i>34%</i>	<i>43%</i>	<i>-9 pp</i>	
Income taxes	(1,403)	(1,577)	174	-11%
<b>Net profit for the year</b>	<b>2,750</b>	<b>3,702</b>	<b>(952)</b>	<b>-26%</b>
<i>Margin</i>	<i>23%</i>	<i>30%</i>	<i>-8 pp</i>	

2018 ended with a net profit of € 2.7 million. Revenues of € 12,0 million resulted in EBITDA of approximately € 4,2 million. Operating costs, inclusive of personnel expenses (€ 4.2 million), amount to € 7.8 million. The residual € 3.5 million relates to the costs incurred vis-à-vis third parties, mainly services (€ 2.5 million) and the use of third party assets (€ 0.5 million) related to office leases.

Personnel expenses rose by approximately € 1.4 million on 2017 following the € 1.0 million rise in operating costs. The company's strategic choice was to hire new resources to promptly manage the requirements related to the increase in production and development activities, mainly in respect of the related company SDP.

Because of the nature of the business, which is extremely streamlined being an engineering company, amortisation and depreciation have a reduced impact. 2018 EBIT amounts to € 4.1 million.

Income taxes amount to € 1.4 million.

**Table 19 – Infraengineering S.r.l. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2018	31/12/2017	Change	% Change
Intangible fixed assets	42	64	(22)	-34%
Tangible fixed assets	67	48	19	41%
Financial fixed assets	0	0	0	n.a.
<b>Total fixed assets</b>	<b>110</b>	<b>112</b>	<b>(2)</b>	<b>-2%</b>
<b>NWC</b>	<b>14,481</b>	<b>18,887</b>	<b>(4,406)</b>	<b>-23%</b>
<b>NIC</b>	<b>14,591</b>	<b>18,999</b>	<b>(4,408)</b>	<b>-23%</b>
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(266)	(200)	(66)	33%
<b>Invested capital</b>	<b>14,325</b>	<b>18,799</b>	<b>(4,474)</b>	<b>-24%</b>
<b>Net equity</b>	<b>19,935</b>	<b>20,185</b>	<b>(250)</b>	<b>-1%</b>
Self-liquidating loans	0	0	0	N.A.
Intragroup payables	0	0	0	n.a.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	881	1	880	106467%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intragroup receivables	(6,399)	(1,360)	(5,040)	371%
Liquid funds (Cash & cash equivalents)	(92)	(27)	(65)	238%
<b>Net financial position</b>	<b>(5,610)</b>	<b>(1,386)</b>	<b>(4,224)</b>	<b>305%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position</b>	<b>(5,610)</b>	<b>(1,386)</b>	<b>(4,224)</b>	<b>305%</b>
<b>Total coverage</b>	<b>14,325</b>	<b>18,799</b>	<b>(4,474)</b>	<b>-24%</b>

NIC decreased by € 4.4 million on the 31 December 2017 balance essentially as a result of the performance of NWC which is affected by the increase in receivables, mainly of a trade nature (including intragroup) and in trade and tax payables.

Net equity is substantially unchanged since the net profit for the year (€ 2.7 million) is offset by the € 3.0 million dividend paid in 2018.

The net financial position amounts to € 5.6 million, up by € 4.2 million. The increase reflects the net effect of the rise in the financial receivable from the parent TH (€ 5 million) and the decrease generated by the loan raised during the year of € 1 million (partially repaid).

## Services Business Unit

### Parchi Global Service S.p.A.

**Table 20 – Parchi Global Services S.p.A. reclassified profit and loss account**

Profit and loss account <i>In thousands of euro</i>	2018	2017	Change	% Change
Production revenues	23,834	23,005	829	4%
Operating costs	15,657	14,838	819	6%
<b>EBITDA</b>	<b>8,177</b>	<b>8,167</b>	<b>10</b>	<b>0%</b>
<i>EBITDA Margin</i>	<i>34%</i>	<i>36%</i>	<i>-1 pp</i>	
D&A	206	264	(58)	-22%
<b>EBIT</b>	<b>7,971</b>	<b>7,903</b>	<b>68</b>	<b>1%</b>
<i>EBIT Margin</i>	<i>33%</i>	<i>34%</i>	<i>-1 pp</i>	
Net financial charges	237	461	(224)	-49%
<b>EBT</b>	<b>8,208</b>	<b>8,364</b>	<b>(156)</b>	<b>-2%</b>
<i>Margin</i>	<i>34%</i>	<i>36%</i>	<i>-2 pp</i>	
Income taxes	(2,512)	(2,493)	(19)	1%
<b>Net profit for the year</b>	<b>5,696</b>	<b>5,871</b>	<b>(175)</b>	<b>-3%</b>
<i>Margin</i>	<i>24%</i>	<i>26%</i>	<i>-2 pp</i>	

In 2018, production revenues (€ 23.8 million) is in line with 2017 (€ 23.0 million). Operating costs performed similarly which, therefore, did not change considerably from the previous year. This confirms that the company's business is now standardised with a strong structure which can better manage the cycle of activities.

EBITDA amounts to € 8.1 million, again in line with the previous year.

Amortisation/depreciation and net financial income had no significant impact on the net profit for the year of € 5.6 million, net of income taxes of € 2.5 million.

**Table 21 – Parchi Global Services S.p.A. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2018	31/12/2017	Change	% Change
Intangible fixed assets	44	36	8	23%
Tangible fixed assets	331	434	(103)	-24%
Financial fixed assets	0	0	0	n.a.
<b>Total fixed assets</b>	<b>375</b>	<b>470</b>	<b>(95)</b>	<b>-20%</b>
<b>NWC</b>	<b>(646)</b>	<b>(3,056)</b>	<b>2,410</b>	<b>-79%</b>
<b>NIC</b>	<b>(271)</b>	<b>(2,586)</b>	<b>2,315</b>	<b>-90%</b>
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(486)	(411)	(75)	18%
<b>Invested capital</b>	<b>(757)</b>	<b>(2,997)</b>	<b>2,240</b>	<b>-75%</b>
<b>Net equity</b>	<b>9,295</b>	<b>9,099</b>	<b>196</b>	<b>2%</b>
Self-liquidating loans	0	0	0	n.a.
Intragroup payables	0	0	0	n.a.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	423	275	148	54%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intragroup receivables	(9,507)	(11,178)	1,671	-15%
Liquid funds	(968)	(1,193)	225	-19%
<b>Net financial position</b>	<b>(10,052)</b>	<b>(12,096)</b>	<b>2,044</b>	<b>-17%</b>
Payable to the grantor	0	0	0	n.a.
<b>"Adjusted" net financial position</b>	<b>(10,052)</b>	<b>(12,096)</b>	<b>2,044</b>	<b>-17%</b>
<b>Total coverage</b>	<b>(757)</b>	<b>(2,997)</b>	<b>2,240</b>	<b>-75%</b>

Fixed assets are not significant given the company's business.

NIC decreased by € 2.4 million following the performance of NWC, specifically the increase (i) in trade receivables (including intragroup) and (ii) tax payables.

Net equity is in line with the prior year-end balance and amounts to € 9.2 million. The decrease is substantially nil due to the rises related to the net profit for the year (€ 5.6 million) and reduction due to the distribution of dividends in 2018 (€ 5.5 million).

The net financial position amounts to € 10.0 million and comprises liquid funds and the financial receivable from the parent TH. The latter item decreased by € 1.6 million.

## Risks and uncertainties

### SDP

#### *Ordinary Civil Proceedings*

With respect to the appeal (R.G. no. 993/2013) against ruling no. 399/2013, issued by the Teramo Civil Court on 8 May 2013, which ordered SDP to pay the Teramo province the COSAP tax for 2007 and 2008 claimed by the competent body with orders nos. 61361/12 and 61664/12, totalling € 149 thousand, in its ruling no. 1800/2018 filed on 27 September 2018, the Court of Appeal rejected the appeal and confirmed the first-instance decision.

With respect to the ruling pending before the Pescara Civil Court (R.G. no. 161/2016) on the declaration of invalidity and/or unlawfulness of the payment notification issued by the Pescara province about the COSAP tax for the 2010-2014 period due by SDP to the competent body, totalling € 287 thousand, in the hearing of 21 June 2018, the Court-appointed expert assessed: (i) the correct calculation of the COSAP tax, (ii) the total surfaces of overpasses projections on provincial roads and (iii) their height. The assessments began on 3 July 2018. The Court set the deadline for filing the draft Court-appointed expert's report on 4 October 2018, that for filing the comments on said report on 25 October 2018 and that for filing the definitive Court-appointed expert's report on 15 November, scheduling the next hearing for 4 December 2018. During such hearing, the Judge, after hearing the parties, scheduled another hearing for closing arguments for 9 April 2019.

With respect to the ruling pending before the Rome Civil Court, Section III, Judge Garri (R.G. no. 7138/2015) on SDP's documents instituting the proceedings to ascertain FIVEP's contractual breach due to the differences of the lightning devices provided to SDP compared the contractual provisions, in terms of components and materials used to assembled them, and the related application to order the replacement of all lighting devices and the claim for damages, in the hearing of 10 September 2018, the Judge reconvened the Court-appointed expert to obtain clarifications about the document and scheduled a hearing for 12 November 2018. During such meeting, the Judge agreed to hear the case and granted a term for filing the closing briefs and responses.

With respect to the ruling pending before the Rome Civil Court, Section III (R.G.N.) 38566/16 against Industrie CBI S.p.A., because of the issues affecting the electric fans in the San Rocco tunnel, as per the supply contract dated 10 June 2008, in the court convened in chamber on 8 January 2019, the Judge, with ruling no. 1020/2019 issued on 15 January 2019, ordered Industrie CBI to pay SDP € 157 thousand plus legal interest.

#### *Ordinary Administrative Proceedings*

With respect to the appeal against the ruling of Lazio TAR – Rome office, no. 6511/2016, concerning the annulment (commenced by Telecom Italia) of SDP's call for tenders through an "Open procedure to award the contract for the sub-concession of the underground pipes owned by SDP for carrying telecommunications cables through several separate lots", published in the Italian official journal no. 128 of 30 October 2015 and related annexes, and any other preliminary, connected or consecutive deed and/or measure, the request for the hearing to be fixed was made on 4 December 2018 and is currently pending.

With respect to the dispute over the annulment of note no. 6822 of 31 March 2017 in which SDP, subject to the MIT's opinion, rejected the request for the concession and authorisation to perform the works to cross the A24 motorway at km 100+546 filed by the Snam Rete Gas on 3 September 2015 and integrated on 21 December 2016 with respect to the connection of Sodifa S.r.l. to the gas pipeline, in its ruling dated 27 August 2018, the L'Aquila TAR allowed Snam Rete Gas's appeal against the denied authorisation to the perform works. The MIT's appeal was filed on 14 December 2018.

#### Renexia S.p.A.

The arbitration award related to the dispute brought about by ETS against former Ponte Albanito S.r.l. (now C.v.a. S.p.A., following the merger of Ponte Albanito into CVA) was issued on 17 December 2016. In its award, the board of arbitrators ordered Ponte Albanito to pay ETS (i) the residual consideration assessed during the proceedings and (ii) damages for not having complied with some contractual provisions originally agreed at the time of their collaboration.

The total amount to be paid by former Ponte Albanito is approximately € 3.3 million, inclusive of legal and default interest and legal fees. 100% of Ponte Albanito's quota capital was sold by Renexia S.p.A. to C.v.a. S.p.A. in January 2015. Based on the compensation obligation assumed in Ponte Albanito's sale contract, since this dispute began well before its sale and pertains to facts which occurred when Ponte Albanito was a subsidiary of Renexia, in the event of final conviction, the latter shall compensate C.v.a S.p.A. for any amounts to be paid to ETS. In this respect, although according to Renexia, ETS' requests are groundless, the company prudently recognised an accrual reflecting the amount set out in the arbitration award in the provision for risks and charges.

The arbitration award was appealed on 6 February 2017 and C.v.a. S.p.A. obtained a suspension of enforceability, subject to the provision of a guarantee of € 3.2 million (the "Guarantee"). C.v.a. S.p.A., in turn, was guaranteed by Renexia S.p.A. and, consequently, gave the Guarantee. Accordingly, the enforceability of the award is suspended pending the judgement on appeal.

The first appeal hearing (L'Aquila Court of appeal, RG 290/17), which was held on 13 June 2017, resulted in the adjournment to the hearing for closing arguments of 9 April 2019 and was further postponed to 14 January 2020.

## Other Information

#### Research and development

Pursuant to article 2428.2.1, it is noted that the group companies did not carry out any development activities in 2018.



## Risk management, financial instruments and guarantees

### *Liquidity risk*

The group pays special attention to managing the resources generated or absorbed by operating and/or investing activities and to the characteristics of payables in terms of due and renewal dates in order to ensure cash flow is managed effectively.

A series of policies and processes have been accelerated targeted towards optimising the dynamics of financial resources, 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 accordance with the objectives set out in the 2018-2022 business plan, the group intends to create a financial structure which, in line with business targets, guarantees adequate liquidity, while minimising the related opportunity cost. Accordingly, the group management is of the opinion that it has access to a sufficient range of sources of funding and financial options to cover its foreseeable financial requirements and ensure coverage of short-term commitments and repayments of medium/long-term payables.

### *Currency risk*

The financial transactions among group companies are carried out mainly in euros, with the exception of AP Fleet Ltd and US Wind Inc., whose transactions are expressed in US dollars. The euro is also the currency for external sources of financing to support and develop the company's business activities.

### *Derivatives*

In previous years, some group companies entered into interest rate hedges. These include Strada dei Parchi S.p.A. which, at the same time of signing the project finance loan agreement, entered into interest rate swaps with its pool of financiers to mitigate the financial risk linked to interest rate fluctuations and stabilise cash flows from operating activities. Further information is provided in the notes to the financial statements.

### *Credit risk*

The customers of the companies are primarily companies or groups which are by nature solvent. Credit risk, which means the group's exposure to potential losses deriving from non-fulfilment by its customers of their obligations, should therefore be considered insignificant.

Receivables from third parties (trade and financial) therefore relate to a limited number of parties; these receivables are subject to individual write-downs, if individually significant and if there is a possible recovery risk. The amount of the write-down must take into account recoverable cash flows and the relative collection dates, as well as the value of the guarantees received from the customers. Reference should be made to the relevant notes to the financial statements for information about the bad debt provision for trade and financial receivables.

## Business outlook

As mentioned earlier, the group adopted the new 2018-2022 business plan whose growth, development and business unit diversification goals will be achieved through the works envisaged in the new investment plan of the subsidiary SDP and the development of projects related to the renewable energy business, specifically wind power.

Indeed, management confirmed its ongoing commitment to and focus on the opportunities offered by the new business segments, specifically the renewable energy market, through the development and management of project portfolios, while assessing, also in the light of the recent successful performance in the USA, other solutions which may enhance the group's strategic assets.

### Construction Business Unit

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

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

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

In general, the MISU works will be followed by a significantly larger investment plan which is currently being discussed by SDP and the MIT. Indeed, in accordance with article 1.183 of Law no. 228/2012, the operator must perform a series of works of a significant amount (€ 3.1 billion), to bring the A24 and A25 motorways into line with earthquake-protection regulations and environmental legislation and to implement the new legislation on tunnel installations. These works will be introduced in SDP's new business plan which is currently being defined with the grantor (MIT).

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

### Concessions Business Unit

The fare suspension period will end on 30 June 2019. Therefore, the fare will increase as approved in 2018 and 2019. Consequently, by resuming the fare increase already approved by the MIT with interministerial decree no. 589 of 31 December 2018, the fare will return to the legitimately expected levels.

The process to update the business plan is expected to be completed in the short term, based on the many discussions held with the MIT and the other administrative bodies over the past few years in order to commence the works to comply with earthquake-protection regulations, as required by article 1.183 of Law no. 228/2012.

The review and definition of the new business plan will identify the funds necessary to perform the significant investments required by the above law and ensure the financial balance in the medium/long-term.

The company will be strongly committed to performing the urgent works already assigned and underway.

## Energy Business Unit

The BU intends to continue developing its portfolio of projects, optimising human, economic and financial resources to support the various SPVs.

### Italy

Renexia S.p.A. is also considering the new opportunities offered by the domestic market in terms of potential acquisitions of wind projects in southern Italy in order to pursue the strategy aimed at building wind farms. Against this background, the renewable energy BU assessed and approved a change to its strategic approach, which is now focused on purchasing and selling the turn-key projects available on the market. Indeed, PECH intends to create and maintain a MW portfolio to be managed over the years in order to become a player in the energy sale market, benefiting from all the business opportunities available on this market.

In this respect, the “FER 1 renewable energy sources decree” is expected to be approved in the first half of 2019. Indeed, the process to approve this decree is nearing completion and, soon, new incentives to support the plants which produce energy using renewable sources, will be rolled out. With respect to the projects in portfolio, the group's management will consider the opportunity to participate in new auctions for the allocation of incentive tariffs, also based on the price trend on the free market.

The construction of the Taranto wind farm (the first off-shore wind farm in Italy) will begin in the second half of 2019 and will be completed by year end.

### Tunisia

The outcome of the applications filed in 2018 is expected to be revealed in the the first half of 2019. The proposals for the acquisition of MedWind are also expected to be received in the next few months.

### United States

In 2019, US Wind will continue the activities to complete the authorisation process for the off-shore wind project in Maryland with a maximum potential capacity of approximately 1,300 MW.

The Maryland project is part of the large projects of great importance in the development of the renewable energy sector in the USA, which are extremely attractive to qualified international financial and industrial investors.

In striving to achieve the best balance between investments, profitability and management of sources-uses of funds, the group examines all the partnership proposals it receives and/or other opportunities offered by the market. Top management will therefore adopt the most appropriate strategies at each stage of the development,

construction and management of projects, which may lead to different solutions (equity partnerships, sale of investments in SPVs upon obtaining building permits, in-house construction of projects, etc.).

## Services Business Unit

Parchi Global Service operates in a somewhat cyclical context, providing routine and extraordinary maintenance services on the motorway section; this should substantially result in a repeat of its performance of 2018, always bearing in mind that certain events are intrinsically unforeseeable, such as work during the winter.

Chairman of the Board of Directors

Paolo TOTO

# Consolidated financial statements

## Balance sheet

BALANCE SHEET (in thousands of €)	31.12.2018	31.12.2017
<b>ASSETS</b>		
<b>A) Share capital proceeds to be received</b>	<b>23</b>	<b>15</b>
I) Share capital proceeds to be received	23	15
<b>B) Fixed assets</b>	<b>1,348,789</b>	<b>1,348,010</b>
<b>I) Intangible fixed assets</b>	<b>44,626</b>	<b>51,585</b>
1) Start-up and capital costs	29	2,293
3) Industrial patents and intellectual property rights	750	752
4) Concessions, licences, trademarks and similar rights	34,772	34,467
5) Goodwill	0	1,385
6) Assets under development and payments on account	6	2,646
7) Other	9,069	10,042
<b>II) Tangible fixed assets</b>	<b>1,267,518</b>	<b>1,283,789</b>
1) Land and buildings	84,006	85,052
2) Plant and machinery	10,823	11,816
3) Industrial and commercial equipment	1,537	1,898
4) Other assets	3,747	3,904
5) Freely transferable assets	977,909	1,014,521
6) Assets under construction and payments on account	189,496	166,598
<b>III) Financial fixed assets</b>	<b>36,645</b>	<b>12,636</b>
<b>1) Equity investments:</b>	<b>3,489</b>	<b>3,759</b>
b) Associates	3,436	3,722
d-bis) Other companies	53	37
<b>2) Financial receivables</b>	<b>31,909</b>	<b>6,667</b>
a) From subsidiaries	25,304	0
b) From associates	5,132	5,132
d-bis) From others	1,473	1,535
<b>3) Other securities</b>	<b>1,247</b>	<b>2,210</b>
<b>C) Current assets</b>	<b>621,809</b>	<b>510,107</b>
<b>I) Inventory</b>	<b>137,016</b>	<b>173,434</b>
1) Raw materials, consumables and supplies	14,538	18,553
3) Contract work in progress	110,937	146,322
4) Finished goods	6,378	6,664
5) Payments on account	5,163	1,895
<b>II) Receivables</b>	<b>227,102</b>	<b>213,695</b>
1) Trade receivables	34,908	29,464
2) From subsidiaries	0	1,328
3) From associates	1,188	538
5-bis) Tax receivables	33,158	25,386
5-ter) Deferred tax assets	73,212	66,065
5-quater) From others	84,636	90,914
<b>III) Current financial assets</b>	<b>25,927</b>	<b>3,874</b>
1) Investments in subsidiaries	25,677	3,062
6) Other securities	250	812
<b>IV) Liquid funds</b>	<b>184,685</b>	<b>68,854</b>
1) Bank and postal accounts	184,008	68,235
3) Cash-in-hand and cash equivalents	677	619
<b>V) Assets held for sale</b>	<b>47,079</b>	<b>50,250</b>
<b>D) Prepayments and accrued income</b>	<b>12,105</b>	<b>16,757</b>
<b>TOTAL ASSETS</b>	<b>1,982,726</b>	<b>1,874,889</b>

BALANCE SHEET (in thousands of €)	31.12.2018	31.12.2017
<b>LIABILITIES</b>		
I) Share capital	100,000	100,000
III) Revaluation reserve (pursuant to Law decree no. 185/08)	17,561	17,561
IV) Legal reserve	2,399	2,111
VI) Other reserves	247,867	245,173
1) Extraordinary reserve	242,486	242,486
2) Translation reserve	5,381	2,687
VII) Hedging reserve	(61,264)	(68,866)
VIII) Losses carried forward	(164,167)	(167,831)
IX) Net profit for the year, including the portion attributable to minority interests	52,975	8,118
Minority interests in the net profit for the year	27,541	3,199
<b>Net equity, excluding the portion attributable to minority interests</b>	<b>167,830</b>	<b>133,067</b>
Sub-total (Share capital and reserves attributable to minority interests)	36,283	10,329
<b>A) Net equity</b>	<b>204,113</b>	<b>143,396</b>
<b>B) Provisions for risks and charges</b>	<b>110,327</b>	<b>108,408</b>
2) Tax provision	6,820	274
3) Derivatives	80,610	90,613
4) Other provisions	22,897	17,521
<b>C) Employees' leaving entitlement</b>	<b>9,665</b>	<b>9,941</b>
<b>D) Payables</b>	<b>1,656,444</b>	<b>1,610,805</b>
<b>1) Bonds</b>	<b>24,488</b>	<b>0</b>
2) Due after one year	24,488	0
<b>3) Shareholder loans</b>	<b>2,421</b>	<b>1,145</b>
2) Due after one year	2,421	1,145
<b>4) Bank loans and borrowings</b>	<b>536,980</b>	<b>585,698</b>
1) Due within one year	71,098	81,195
2) Due after one year	465,882	504,503
<b>5) Loans and borrowings from other financial backers</b>	<b>728,149</b>	<b>683,663</b>
1) Due within one year	120,256	60,784
2) Due after one year	607,893	622,879
<b>6) Payments on account</b>	<b>21,592</b>	<b>56,617</b>
1) Due within one year	7,488	52,441
2) Due after one year	14,104	4,176
<b>7) Trade payables</b>	<b>129,121</b>	<b>125,762</b>
1) Due within one year	119,156	125,762
2) Due after one year	9,965	0
<b>9) Payables to subsidiaries</b>	<b>16,200</b>	<b>0</b>
<b>10) Payables to associates</b>	<b>1,198</b>	<b>657</b>
<b>11) Tax payables</b>	<b>130,062</b>	<b>76,909</b>
1) Due within one year	93,919	55,435
2) Due after one year	36,143	21,474
<b>13) Social security charges payable</b>	<b>11,419</b>	<b>10,641</b>
1) Due within one year	11,130	10,641
2) Due after one year	289	0
<b>14) Other payables</b>	<b>54,814</b>	<b>69,713</b>
1) Due within one year	54,814	51,127
2) Due after one year	0	18,586
<b>E) Accrued expenses and deferred income</b>	<b>2,177</b>	<b>2,339</b>
<b>TOTAL LIABILITIES</b>	<b>1,982,726</b>	<b>1,874,889</b>

## Profit and loss account

PROFIT AND LOSS ACCOUNT (in thousands of €)	2018	2017
<b>A) Production revenues</b>	<b>507,909</b>	<b>397,885</b>
1) Turnover from sales and services	287,339	239,953
2) Change in work in progress	(286)	(235)
3) Change in contract work in progress	(36,360)	39,342
4) Internal work capitalised	70,869	109,315
5) Other revenues and income	186,347	9,510
<b>B) Production cost</b>	<b>342,786</b>	<b>307,346</b>
<b>6) Raw materials, consumables, supplies and goods</b>	<b>29,231</b>	<b>67,321</b>
<b>7) Services</b>	<b>95,655</b>	<b>90,459</b>
<b>8) Use of third party assets</b>	<b>21,977</b>	<b>12,786</b>
<b>9) Personnel expenses</b>	<b>84,186</b>	<b>72,701</b>
a) Wages and salaries	59,504	51,527
b) Social security contributions	19,903	16,561
c) Employees' leaving entitlement	3,908	3,346
e) Other costs	871	1,267
<b>10) Amortisation, depreciation and write-downs</b>	<b>62,682</b>	<b>45,576</b>
a) Amortisation of intangible fixed assets	5,393	5,521
b) Depreciation of tangible fixed assets	42,072	37,588
c) Other write-downs	8,085	2,362
d) Write-downs of current receivables	7,132	105
<b>11) Change in raw materials, consumables, supplies and goods</b>	<b>3,983</b>	<b>(5,271)</b>
<b>12) Provisions for risks</b>	<b>11,237</b>	<b>365</b>
<b>13) Other provisions</b>	<b>984</b>	<b>833</b>
<b>14) Other operating costs</b>	<b>32,851</b>	<b>22,576</b>
<b>Operating profit (A-B)</b>	<b>165,123</b>	<b>90,539</b>
<b>C) Financial income and charges</b>	<b>(69,406)</b>	<b>(68,997)</b>
15) Income from equity investments	0	363
16) Other financial income	629	570
17) Interest and other financial charges	(72,278)	(71,148)
17-bis) Net exchange rate gains	2,243	1,218
<b>D) Adjustments to financial assets and liabilities</b>	<b>(1,887)</b>	<b>(21)</b>
18) Write-backs	0	293
19) Write-downs	(1,887)	(314)
<b>PROFIT BEFORE INCOME TAXES</b>	<b>93,830</b>	<b>21,521</b>
<b>20) Income taxes</b>	<b>40,855</b>	<b>13,403</b>
a) Current	50,100	7,816
b) Deferred and prior year taxes	(9,245)	5,587
<b>21) Net profit for the year, including the portion attributable to minority interests</b>	<b>52,975</b>	<b>8,118</b>
Minority interests in the net profit for the year	27,541	3,199
<b>22) Net profit for the year attributable to TOTO Group</b>	<b>25,434</b>	<b>4,919</b>

Chairman of the Board of Directors

Paolo TOTO

## Cash flow statement for the year ended 31 December 2018 (indirect method)

(in thousands of €)	2018	2017
<b>A. Cash flows from operating activities (indirect method)</b>		
<b>Net profit for the year</b>	<b>52,975</b>	<b>8,118</b>
Income taxes	40,855	13,403
Net interest expense	69,406	68,997
<b>1. Profit for the year before income taxes, interest, dividends and gains/losses on sales</b>	<b>163,236</b>	<b>90,518</b>
<i>Adjustments for non-monetary items with no balancing entry in NWC</i>		
Accruals to provisions	12,221	1,198
Accrual to employees' leaving entitlement	3,908	3,346
Amortisation/depreciation	47,465	43,109
Impairment losses	9,972	2,676
<b>2. Cash flows before changes in NWC</b>	<b>236,802</b>	<b>140,847</b>
<i>Other changes in NWC</i>		
Decrease/(increase) in inventory	36,418	(33,223)
Decrease/(increase) in trade receivables	(5,444)	6,497
Increase in trade payables	3,359	32,977
Decrease in prepayments and accrued income	4,652	1,448
Increase/(decrease) in accrued expenses and deferred income	(162)	567
Other changes in NWC	(20,799)	42,890
<b>3. Cash flows after changes in NWC</b>	<b>254,826</b>	<b>192,003</b>
<i>Other adjustments</i>		
Interest paid	(69,406)	(68,997)
Income taxes paid	0	(3,715)
Non-monetary effect of reserves (e.g., translation reserve)	7,742	9,468
Use of provisions	(14,486)	(78,608)
<b>4. Cash flows after other adjustments</b>	<b>178,676</b>	<b>(138,506)</b>
<b>Cash flows from operating activities (A)</b>	<b>178,676</b>	<b>50,151</b>
<b>B. Cash flows from investing activities</b>		
<i>Tangible fixed assets</i>		
Increases	(26,054)	(121,348)
Decreases	253	1,016
<i>Intangible fixed assets</i>		
Increases	(3,332)	(1,193)
Decreases	4,898	2,357
<i>Financial fixed assets</i>		
(Investments)	(33,981)	(764)
<i>Current financial assets</i>		
(Investments)	(22,615)	0
Proceeds from disinvestments	562	350
<b>Cash flows used in investing activities (B)</b>	<b>(80,269)</b>	<b>(119,582)</b>
<b>C. Cash flows from financing activities</b>		
<i>Third party funds</i>		
Increase in bank loans and borrowings and loans and borrowings from other financial backers	20,256	8,336
<i>of which: Loans taken out (including the changes in ANAS' concession fee)</i>	<i>73,826</i>	<i>42,159</i>
<i>Loans repaid</i>	<i>(53,570)</i>	<i>(33,823)</i>
<i>Own funds</i>		
Dividends paid	(4,108)	(2,194)
Increase in shareholder loans	1,276	41
<b>Cash flows from financing activities (C)</b>	<b>17,424</b>	<b>6,183</b>
Increase (decrease) in liquid funds (A + B + C)	115,831	(63,248)
<b>Opening liquid funds</b>	<b>68,854</b>	<b>132,102</b>
<b>Closing liquid funds</b>	<b>184,685</b>	<b>68,854</b>

Chairman of the Board of Directors

Paolo TOTO



## Notes to the consolidated financial statements

Dear Shareholders,

The consolidated financial statements at 31 December 2018 show a net profit of € 25,434 thousand, after income taxes for € 40,855 thousand.

### General information

The traditional core business of the TOTO Group is the design and construction of infrastructure and residential and industrial buildings. Over the course of its history the group has also expanded its activities to different sectors which currently include:

1. Infrastructure construction;
2. Real estate sector;
3. Renewable energy sector;
4. Services;
5. Motorway concessions.

### Description of the main group companies

The main group companies are:

1. TOTO S.p.A. Costruzioni Generali, which operates in the construction sector;
2. Strada dei Parchi S.p.A., which operates in the construction and management of toll motorways and related road services of the Rome-Teramo-Pescara motorways;
3. Renexia S.p.A., a sub-holding which develops and manages the renewable energy business unit and, through its subsidiaries, holds permits for constructing and operating wind and photovoltaic plants;
4. Alitec S.p.A., which operates in the purchase, construction and management of real estate;
5. Aircraft Purchase Fleet Ltd., an Irish company based in Dublin, which operates in the aircraft lease sector;
6. Infraengineering S.r.l., which was established for the purpose of carrying out feasibility studies, research, consultancy, design, work management, assessments of the technical-economic adequacy for public and private works;
7. Parchi Global Services S.p.A., which provides services to motorway network operators;
8. Toto Real Estate S.r.l., a real estate company that manages, promotes and coordinates operations concerning the real property assets it holds.

### Format and content of the consolidated financial statements

The consolidated financial statements at 31 December 2018, drawn up on the basis of the parent and the consolidated companies being a going concern and as per the 2018 - 2022 business plan, have been prepared in accordance with Legislative decree no. 127 of 9 April 1991, transposed into Italian law to implement EEC Directive VII.

These consolidated financial statements have been prepared in accordance with the basis of preparation set out in articles 2423-ter, 2424 and 2425 of the Italian Civil Code supplemented by Legislative decree no. 127/91.

They consist of a balance sheet, a profit and loss account, a cash flow statement and these notes and are accompanied by a directors' report.

Reference should be made to the Directors' report for information on the company's operations, the main events of the year, significant post-balance sheet events and transactions with subsidiaries and associates that are not included in the scope of consolidation.

## Accounting policies and measurement criteria

### Accounting policies

The main accounting policies and measurement criteria applied by the group in preparing the consolidated financial statements at 31 December 2018 are described below.

They comply with those used to prepare prior year consolidated financial statements.

The accounting policies applied to the most significant items are described below.

### Consolidation

The consolidated financial statements are based on the financial statements of TOTO HOLDING S.p.A. (the parent) and the companies in which the parent directly or indirectly holds a controlling interest or exercises control pursuant to article 2359 of the Italian Civil Code.

The reporting date of the consolidated financial statements is 31 December 2018, which coincides with that of the financial statements of the parent TOTO HOLDING S.p.A..

For the purposes of consolidation, the financial statements of each company, approved by the respective shareholders and/or administrative bodies, reclassified and adjusted, where necessary, to comply with the group's accounting policies and presentation criteria, were used.

The consolidation policies and measurement criteria used by the TH in preparing these consolidated financial statements, in accordance with Legislative decree no. 127/91 are illustrated below.

Consolidated assets and liabilities have been considered in full.

All subsidiaries have been consolidated on a line-by-line basis.

The carrying amount of consolidated investments has been eliminated together with the net equity of the investees on a line-by-line basis. In the event of investments of less than 100%, the portion of net equity or net profit/(loss) for the year (consolidated profit or loss) attributable to minority interests is recognised in a specific item of net equity and in the profit and loss account.

The differences between the carrying amount of the investment and the net equity of the consolidated companies, calculated with reference to the existing carrying amounts on the date in which the company was consolidated for the first time, have been allocated to goodwill arising from consolidation when they could not be allocated to individual items. These differences have been determined with reference to the carrying amounts existing on the date in which:

- The company was consolidated for the first time.
- Additional shares/quotas were acquired and/or subscribed.
- Changes in the subsidiaries' net equity took place after the first consolidation with the exception of changes in the net profit/(loss) for the year.

Intragroup gains, even if realised prior to the first consolidation, have been reversed.

Investments in associates have been measured using the equity method as stated in article 2426 of the Italian Civil Code, save in the event they were measured at cost since irrelevant for the purposes of a fair presentation of the financial statements.

Investments in other companies classified under financial fixed assets are measured at purchase or subscription cost.

Intragroup receivables and payables, costs and revenues, profits and losses have been eliminated.

The financial statements of consolidated companies have been prepared using the same accounting policies and the same currency, translating US dollar financial statements into Euros.

#### Measurement criteria

The criteria used in preparing the consolidated financial statements at 31 December 2018 are those provided for by the Italian Civil Code, supplemented and interpreted by the accounting standards issued by the OIC (Italian Accounting Standard Setter).

Items have been measured in accordance with the general principles of prudence and on an accruals basis, assuming the group is able to continue as a going concern as per the business plan for the 2018 - 2022 period.

The preparation of financial statements requires the calculation of estimates which affect reported assets and liabilities and related disclosure. Actual results may differ from these estimates. These estimates are regularly reviewed and the effects of any changes, except for those arising from incorrect estimates, are recognised in the profit and loss account of the relevant year, when the changes only affect said year, and also in subsequent years when they affect both the current and subsequent years. [OIC 29.37-38]

The general accounting principles and valuation criteria used and described below are those in force at the reporting date and do not take into account any changes to the law introduced by Legislative decree no. 139/2015 which have been enforced since 1 January 2016.

In addition to the attachments required by law, the "Reconciliation between the net profit/(loss) and net equity of the parent and the respective amounts resulting from the consolidated financial statements" (annex 4), the "Statement of changes in the group's consolidated net equity" (annex 5) are also presented.

All amounts are stated in thousands of euro, unless specified otherwise. The euro is the group's functional and presentation currency.

Each item of the consolidated financial statements is accompanied by corresponding prior year figures for comparison purposes.

Furthermore, pursuant to article 2423-ter.2 and 3 of the Italian Civil Code and in accordance with OIC 17.41, for the sake of improved clarity, more details were provided about "Assets under construction and payments on account" and a specific item, "Freely transferable assets" was also added.

Starting from this year, assets held for sale have been classified under current assets item "V) Assets held for sale" which was specifically included as required by OIC 16. 79.

#### [Waivers](#)

None of the waivers permitted by article 2423-bis.6.1 of the Italian Civil Code and the standard set out in article 2423.4 have been used.

The following measurement criteria were adopted.

### **Fixed assets**

#### ***Intangible fixed assets***

Intangible fixed assets represent costs and expenses of a long-term nature. They are recognised at the cost actually incurred, net of amortisation.

Amortisation is systematically charged each year according to the asset's residual useful life. If permanent impairment occurs, the asset is correspondingly written down regardless of the amortisation already charged. If, in following years, the reasons for the write-down no longer apply, the original amount is reinstated, adjusted by amortisation only.

Start-up and capital costs and development and advertising costs of a long-term nature are recognised under assets with the approval of the Board of Statutory Auditors of each company and amortised over not more five years (article 2426.1.5).

Trademarks and similar rights are amortised over 20 years.

In 2011, a controlling interest was acquired in Strada dei Parchi S.p.A., a company which until the previous year was consolidated using the equity method. From 2011, because of the controlling interest, the company has been fully consolidated and the measurement difference has been allocated to concessions and amortised over the residual term of the concession, i.e. 20 years.

### ***Tangible fixed assets***

These are recognised at purchase cost and adjusted by the corresponding accumulated depreciation.

Depreciation, charged to the profit and loss account, is calculated based on the use, allocation and expected useful life of the assets. If permanent impairment occurs, the asset is correspondingly written down regardless of the depreciation already charged. If, in following years, the reasons for the write-down no longer apply, the original amount is reinstated, adjusted by depreciation only.

Assets under finance lease have been recognised in accordance with IAS 17 rather than in accordance with the Italian Civil Code. The amount paid to the lease company for the asset leased to group companies has been recognised under tangible fixed assets, net of the depreciation charged at 31 December 2014.

The revaluations refer to revaluation laws nos. 576/75 and 72/83 and the mandatory revaluation of companies' properties under Law no. 413/91 and Law decree no. 185/08.

Assets under construction have been recognised at cost which corresponds to the advances paid to the supplier based on contractual provisions.

In the year ended 31 December 2018 no discretionary or voluntary revaluations of assets were carried out.

### ***Tangible fixed assets – Freely transferable assets***

*Strada dei Parchi S.p.A.*

This item includes the assets to be transferred to the Grantor when the concession period ends, which is recognised at purchase cost, inclusive of any directly attributable ancillary charges. The cost of assets under construction is recognised under "Assets under construction: motorways".

"Freely transferable assets" comprise capitalised technical personnel costs, costs for improving, changing, updating and renewing existing assets, provided they result in a significant and measurable increase in their capacity, productivity or safety or they extend their useful life. Freely transferable assets also include financial charges incurred during the period the assets were constructed, incurred on capital borrowed specifically for acquiring the assets. For calculating the interest payable the spot interest rate applied to project financing was used.

The accruals to accumulated depreciation is reflected in the business plan approved by SDP's board of directors and provides for variable rates which reflect the trend of traffic revenues, net of directly attributable costs and expenses.

The rates applied are as follows:

Year	Old rate	New rate	Difference
2017	4.76%	<b>3.15%</b>	-1.61%
2018	5.04%	<b>3.51%</b>	-1.54%
2019	5.35%	<b>3.98%</b>	-1.36%
2020	5.67%	<b>4.50%</b>	-1.16%
2021	6.01%	<b>5.09%</b>	-0.92%
2022	6.37%	<b>5.71%</b>	-0.65%
2023	6.75%	<b>6.38%</b>	-0.37%
2024	7.16%	<b>7.11%</b>	-0.04%
2025	7.58%	<b>7.83%</b>	0.24%
2026	8.04%	<b>8.59%</b>	0.55%
2027	8.52%	<b>9.49%</b>	0.97%
2028	9.03%	<b>10.47%</b>	1.43%
2029	9.58%	<b>11.52%</b>	1.95%
2030	10.15%	<b>12.66%</b>	2.51%
	<b>100.00%</b>	<b>100.00%</b>	<b>0.00%</b>

Ordinary maintenance costs incurred for keeping assets in good working order are recorded in the profit and loss account when incurred, since they are recurring expenses and do not increase the carrying amount of the assets. Non-recurring maintenance expenses for work on technological systems planned for the next few years are set aside in the "Provision for restoring and replacing freely transferable assets".

In the event of permanent impairment of the carrying amount at the reporting date, the assets are written down to take into account this lower value. If, in following years, the reasons for the write-down no longer apply, the original amount is reinstated up to cost, less accumulated depreciation.

### ***Financial fixed assets***

These consist of investments in non-consolidated investees and include shares, financial receivables, bonds and guarantee deposits.

### ***Equity investments***

Investments in subsidiaries (not consolidated) recognised under financial fixed assets are measured at purchase or subscription cost. In the event of subscriptions through contributions, this amount is justified by appraisal as required by the Italian Civil Code or obtained by the Directors.

Investments in associates are measured using the equity method. Associates that are irrelevant for the purposes of giving a true and fair view of the group's financial position, financial performance and cash flows are recognised at cost.

Other investments are recognised at purchase or subscription cost.

### *Securities*

Non-current securities, which are intended to stay in the company's portfolio until their natural maturity, are stated at purchase cost. Securities are written down when impaired.

Current securities are measured at purchase cost or their realisable value based on market trends by applying the specific cost, whichever is lower.

### ***Inventory***

As a result of the activities carried out by the companies included in the scope of consolidation, inventory consists of:

#### *Raw materials*

In the construction sector, raw materials are measured at their purchase cost or realisable (replaceable) value, whichever is lower, based on market trends. Purchase cost is equal to the latest price which reflects the average weighted cost.

In the concession sector, raw materials are measured at purchase cost, which is calculated using the average weighted cost method, and the realisable value based on market trends.

Obsolete or slow-moving inventory is measured based on the possible residual use or realisable value.

#### *Work in progress*

Work in progress is measured as follows:

Italian contracts: despite the binding agreement between the parties and the company's ability to reliably estimate the contract profit/loss, contract work in progress is recognised on a percentage of completion basis, whereby costs, revenues and margins are recognised based on the work performed.

The percentage of completion is obtained by applying the physical measurement method.

Foreign contracts: given the existence of an internal procedural system which generates reliable and updated estimates of total contract revenues and costs, work in progress is measured on a percentage of completion determined using the cost-to-cost method. This method better reflects the results of this type of contracts. The latter method has also been applied to the Radimero Italian contract and the contracts of the energy sector (Renexia Services S.r.l.).

The contract costs incurred at the reporting date are proportional to the total estimated contract costs. The percentage earned is subsequently applied to the contract's total estimated revenues, obtaining the amount to be allocated to the work performed and, accordingly, the revenues earned on the same date.

Measurement reflects the best estimate of works at the reporting date. The assumptions underlying measurements are periodically updated. Any financial effects are recognised in the year the update takes place. Contract revenues include: the contractually-agreed consideration, formalised variations to works, price adjustments, claims requested and incentives, to the extent that it is reasonably certain that they can be measured reliably.

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

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

#### *Finished goods*

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

#### ***Securities (classified under current assets)***

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

#### ***Receivables***

The receivables, which are classified under "Financial fixed assets" or "Current assets", are recognised at amortised cost, considering the time factor and the estimated realisable value. In particular, the opening carrying amount is the nominal amount of the receivable, net of all premiums, discounts and allowances and inclusive of any costs directly attributable to the transaction that generated the receivable. The transaction costs, any commission income or expense and any difference between the initial amount and the nominal amount upon maturity are included in the calculation of the amortised cost, using the effective interest method. This item also includes the receivables related to invoices to be issued.

As permitted by Legislative decree no. 139/15, at 31 December 2016, the receivables that already existed at 31 December 2015 are recognised at their nominal amount.

Furthermore, according to the company, the effects of the application of the amortised cost method and of discounting receivables due within one year are not significant as well as any difference between the opening balance and the nominal amount at the expiry date.



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

Current receivables also include deferred tax assets, calculated based on the criteria set out in the note to income taxes, to which reference should be made.

Grants related to assets are recognised on an accruals basis.

### ***Liquid funds***

Liquid funds are recognised at their nominal amount which reflects their estimated realisable value and consists of the cash in bank accounts. Petty cash is recognised at its nominal amount.

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

These are calculated on a matching and accruals basis, in order to correctly recognise the year's portion of income and expenses common to two or more years.

### ***Provisions for risks and charges***

These are set aside to cover losses or payables which are certain or likely to occur, but the amount or due date of which is undetermined at the reporting date.

Liabilities are recognised and provided for when considered probable and the related amount can be reasonably estimated.

The amounts accrued represent the best possible estimate based on the data available at the time the financial statements were prepared. Risks for which a liability is only possible are disclosed in the notes if significant, without any amount being set aside to the provision for risks and charges.

These provisions are measured in accordance with the general principles of prudence and accruals basis of accounting. No generic provisions for risks were accrued as there were no economic reasons for doing so.

Furthermore, for the motorway concessions sector, considering the progress of investments and the estimates carried out by top management to take into account the need to incur non-recurring maintenance costs in the next few years, increasing the carrying amount of assets, accruals were made to the "provision for restoring and replacing freely transferable assets", which represents the wear-and-tear of these assets at the reporting date.

### ***Derivatives***

Derivatives are recognised on the date the company signs the contract and is, therefore, subject to its rights and obligations.

Pursuant to article 2426.1.11-bis of the Italian Civil Code and OIC 32, derivatives, including those embedded in other financial instruments, are measured at fair value upon initial recognition and at each subsequent reporting

date. Fair value and changes therein compared to the previous year are recognised using different methods, depending on whether the derivative transaction qualifies (and is effectively designated) as a hedge of financial risks.

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

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

### **Transactions which qualify (and are designated) as hedges**

The group enters into derivative transactions mainly to hedge against the interest rate risk.

A derivative qualifies for hedge accounting when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items under OIC 32;
- there is a close and documented relationship between the characteristics of the hedged instrument or transaction and the hedging instrument, pursuant to article 2426.1.11-bis of the Italian Civil Code. The documentation relates to the formalisation of the hedging relationship, the group's risk management objectives and strategy for undertaking the hedge;
- the hedging relationship meets the hedge effectiveness requirements.

The economic relationship is checked qualitatively, checking that the main elements of the hedging instrument and the hedged item match or are closely in line, and quantitatively. When hedging relationships relate to derivatives with characteristics very similar to those of the hedged item ("simple hedges") and the derivative has been entered into at market conditions, the hedging relationship is deemed effective by just checking that the main elements of the hedging instrument and hedged item (nominal amount, settlement date of cash flows, due date and underlying variable) match or are closely in line and the counterparty's credit risk does not significantly affect the fair value of the hedging instruments and hedged item.

The eligibility requirements are constantly checked and, at each reporting date, the company checks that the effectiveness requirements described above are still met.

Hedge accounting ceases prospectively when:

- a) the hedging instrument expires, is sold or terminated (without replacement already being part of the original hedging strategy);
- b) the hedge ceases to meet the qualifying criteria.

The group adopts "cash flow hedges".

### **Cash flow hedges**

Cash flow hedges exist if a derivative is designated as a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability, a firm commitment or a highly probable forecast transaction. The parent recognises the hedging instrument related to a recognised asset or

liability, a firm commitment or a highly probable forecast transaction in the balance sheet at fair value, with a balancing entry in item A) VII "Hedging reserve" to the extent of the portion deemed effective, whereas the ineffective portion, calculated for hedging relationships other than simple hedges, is recognised in section D) of the profit and loss account.

In cash flow hedges related to a recognised asset or liability or a highly probable forecast transaction or a firm commitment, the amount of the reserve is taken to the profit and loss account in the same years the hedged cash flows have an effect on the net profit (loss) for the year and in the same item affected by the cash flows. In cash flow hedges related to a highly probable forecast transaction or a firm commitment which subsequently result in the recognition of a non-financial asset or liability, the group companies, when recognising the asset or the liability, eliminate the amount of the hedging reserve to include it directly in the carrying amount of the asset (to the extent of the recoverable amount) or the liability. However, when the reserve is negative and the parent does not expect to recover the loss, in whole or in part, in one or more years, the reserve (or part thereof) that the parent does not expect to recover is taken to the profit and loss account.

### **Fair value calculation**

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

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

### ***Employees' leaving entitlement***

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

The reserve is the total of the individual amounts accrued (for companies with more than 50 employees up until 31 December 2006) by employees at the reporting date and relevant annual revaluations, net of any advances paid, and is equal to the amount that would be due to employees if they were to leave the company at that date.

For group companies with more than 50 employees, the provision does not include the indemnities accrued from 1 January 2007 allocated to supplementary pension schemes under Legislative decree no. 252 of 5 December 2005 (or transferred to INPS (Italian Social Security Institute) treasury).

## ***Payables***

Payables arising from the purchase of goods are recognised when the production process for the goods has been completed and the substantial transfer of title has taken place, with the transfer of risks and benefits being the key parameter. Payables relating to services are recognised once the services have been delivered, i.e., when they have been carried out.

Loans and borrowings and payables unrelated to the procurement of goods and services are recognised when the parent has an obligation vis-a-vis the counterparty, identified based on legal and contractual terms.

Payments on account include advances from customers for the provision of goods or services, yet to take place.

Payables are recognised at amortised cost, considering the time value of money.

If the interest rate of the transaction is not significantly different from the market rate, the payable is initially recognised at an amount equal to the nominal amount, net of all transaction costs and all bonuses, discounts and allowances directly derived from the transaction that generated the payable. The transaction costs, such as borrowing costs, any commission income or expense and any difference between the initial amount and the nominal amount upon maturity are allocated over the term of the payable, using the effective interest method.

The effects of the application of the amortised cost and discounting methods when payables are due within one year are not deemed significant, also considering all contractual and substantial considerations in place when the payable was recognised. Transaction costs and any difference between the initial amount and the nominal amount upon maturity are not significant. In this case, the discounting method is not applied and interest is calculated at nominal amount and transaction costs are recognised under borrowing costs.

## ***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 current liabilities and non-current financial receivables are recognised at the spot exchange rate on the reporting date. Gains and losses from translating receivables and payables are taken to profit and loss account item 17 bis Exchange rate gains and losses.

Fixed assets in foreign currency are instead recognised at the exchange rate in force at the time of their purchase or at the lower reporting date amount only if the negative changes result in permanent impairment of the fixed assets.

## ***Revenues and costs***

These are recognised on an accruals basis at the moment the service is provided.

With respect to tolls, also due to the effect of network interconnection and the necessary allotments among the various operators, part of the revenues for the final part of the year was determined based on reasonable estimates.

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.

### ***Current and deferred taxes***

Taxes are provided for on an accruals basis; therefore, this item reflects accruals for taxes paid or to be paid during the year, calculated under current applicable rates and laws.

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

Deferred taxes, deriving from income items subject to deferred taxation, are only recognised when the income tax is recoverable in future years in respect of deductible temporary differences, or in the case of tax losses carried forward.

Starting from 2009, Toto Holding S.p.A. and its subsidiaries Parchi Global Services S.p.A., Alitec S.p.A., Toto S.p.A. Costruzioni Generali and, from 2010, IMC S.r.l. and Infraengineering S.r.l., from 2011, InterSun S.r.l., Renexia S.p.A., Azienda Aviagricola S.r.l., from 2014, Toto RE, from 2015, Renexia Service S.r.l., from 2016, Eurasia S.r.l., and from 2017, Toto Tech S.r.l., have opted to participate in the national tax consolidation scheme, which allows for IRES (corporate income tax) to be calculated according to a taxable basis corresponding to the total of positive and negative taxable amounts of the individual participating companies.

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 signed on 16 June 2009, as subsequently integrated and amended.

### ***Deferred tax assets and liabilities***

Deferred taxes are calculated using the global allocation method, taking into account the aggregate amount of all temporary differences, based on the actual rate for the last year.

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.

### ***Finance leases***

Finance leases are recognised using the financial method as set out in IAS 17, in accordance with OIC 17. 105. The accounting effects of this accounting treatment on tangible fixed assets, loans and borrowings from other

financial backers, the relevant profit and loss account items (including taxes) and net equity are shown in the individual tables and in annex 4.

For information regarding the significant events that took place in 2017, reference should be made to the Director's report.

## Scope of consolidation

In addition to the parent, TOTO Holding S.p.A., the scope of consolidation includes its direct and indirect subsidiaries, which are consolidated on a line-by-line basis. Additional information is provided in Annex 1. Companies are consolidated when TOTO Holding S.p.A. exercises control as a result of its direct or indirect ownership of a majority of the voting rights of the relevant entities, or because it is able to exercise dominant influence given its power to govern the entity's financial and operating policies and obtain the related benefits, also regardless of its percentage of interest.

Entities are included in the scope of consolidation from the date in which the group acquires control. Entities are excluded from the scope of consolidation from the date in which the group loses control.

APFL and US Wind prepare their financial statements in US dollars. The exchange rates applied during the year for translating these financial statements with functional currencies other than the euro are those published by the Bank of Italy, which are shown in the table below:

Currency	31/12/ 2018		2017	
	31/12/ 2018	Average exchange rate 2018	2017	Average exchange rate for 2017
Euro/US Dollar	1.145	1.171	1.1993	1.1297
Euro/Tunisian Dinar	3.4302	3.1106	2.9737	2.7307

The scope of consolidation underwent a change from 31 December 2017 as a result of:

- the consolidation of Concessioni Autostradali S.p.A., which was set up by Toto Holding S.p.A. in January 2018;
- the consolidation of Parco Eolico Casalduni House S.r.l, which was acquired by Renexia S.p.A. in November 2016. Pech has never been consolidated as it was held for sale. However, the sale transaction was not completed and the group's management (Renewables BU) changed the corporate strategy of the Pech project and of renewable energy in general, considering the project as strategic for the creation and consolidation of a portfolio of renewable energy initiatives. The strategic change is aimed at facilitating the group's penetration in the energy sale market;
- the consolidation of Radimero Scarl in the sub-consolidation of TOTO S.p.A. Costruzioni Generali, a consortium company set up by Toto S.p.A. Costruzioni Generali (58%) and Seli Overseas S.p.A. (42%) in 2018 to perform the works related to the "Giovi Third Tunnel".

The Italian company "Toto S.p.A. in association with Taddei S.p.A. Scarl", operating in the construction BU, was excluded from the consolidation area as its consolidation would be irrelevant for a fair presentation of the group.

The associates in which TOTO Holding S.p.A. directly or indirectly holds a more than a 20% investment and which were not consolidated are:

- San Benedetto Val di Sambro Scarl, excluded due to limited control;
- Intermodale S.r.l., excluded due to limited control;
- Novigal S.r.l., excluded due to limited control;
- Arabona Scarl, excluded due to limited control.

The financial statements utilised for consolidation purposes are those of the individual companies at 31 December 2018.

## Workforce

The following table shows the changes in the group's headcount broken down by category at 31 December 2018.

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Senior managers	40.00	40.00	-
White collars and junior managers	481.90	441.00	40.90
Blue collars/Toll Team	783.10	487.00	296.10
Other	8.00	6.00	2.00
<b>Total</b>	<b>1,313.00</b>	<b>974.00</b>	<b>339.00</b>

## Balance sheet

### Intangible fixed assets

In 2018, intangible fixed assets changed as follows:

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2018	Changes
Start-up and capital costs	2,293	11	2,269	0	0	6	29	(2,264)
Development costs	0	0	0	0	0	0	0	0
Industrial patents and intellectual property rights	752	403	0	0	0	405	750	(2)
Concessions, licences and trademarks	34,467	2,918	0	0	0	2,613	34,772	305
Goodwill	1,385	0	0	0	0	1,385	0	(1,385)
Assets under development and payments on account	2,646	0	2,640	0	0	0	6	(2,640)
Other	10,042	0	(11)	0	0	984	9,069	(973)
Goodwill arising on consolidation	0	0	0	0	0	0	0	0
<b>Total</b>	<b>51,585</b>	<b>3,332</b>	<b>4,898</b>	<b>0</b>	<b>0</b>	<b>5,393</b>	<b>44,626</b>	<b>(6,959)</b>

### START-UP AND CAPITAL COSTS

The breakdown of this item is as follows:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Start-up and capital costs	29	2,293	(2,264)
<b>Total</b>	<b>29</b>	<b>2,293</b>	<b>(2,264)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2018	Changes
Start-up and capital costs	2,293	11	2,269	0	0	6	29	(2,264)
<b>Total</b>	<b>2,293</b>	<b>11</b>	<b>2,269</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>29</b>	<b>(2,264)</b>

This item reflects the € 2,269 thousand reduction recorded by Alitec S.p.A. following the different treatment of the redevelopment project of the area owned by the company. Consequently, the start-up costs incurred in prior years were written down as they were no longer in line with the assumptions underlying the uses envisaged in the new redevelopment project.

Amortisation amounts to € 6 thousand.



## INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Software	750	752	(2)
<b>Total</b>	<b>750</b>	<b>752</b>	<b>(2)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsoli d.	Amort.	Dec.2018	Changes
Industrial patents and intellectual property rights	752	403	0	0	0	405	750	(2)
<b>Total</b>	<b>752</b>	<b>403</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>405</b>	<b>750</b>	<b>(2)</b>

This item refers to the costs incurred for acquiring basic software or for the related applications and licences for the group's integrated management accounting system.

## CONCESSIONS, LICENCES, TRADEMARKS AND SIMILAR RIGHTS

The item is broken down as follows:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Concessions (Allocation of goodwill arising on consolidation - Strada dei Parchi S.p.A.)	30,314	32,840	(2,526)
Parco Eolico Casalduni House S.r.l. authorisation	2,737	0	2,737
Mini wind turbines authorisation	973	973	0
Other	748	654	94
<b>Total</b>	<b>34,772</b>	<b>34,467</b>	<b>305</b>

The main changes are as follows:

- the decrease of € 2,526 thousand in the amortisation charge for the year (calculated on the basis of the residual term of the concession) of the difference in valuation of the investment in Strada dei Parchi S.p.A.. Indeed, during 2011, the TOTO Group became the majority shareholder of Strada dei Parchi S.p.A. and the difference in valuation (€ 50,524 thousand) was allocated to Concessions.
- the € 2,737 thousand increase related to the consolidation of PECH, which was acquired in November 2016, and Renexia S.p.A. PECH has not been consolidated as it is held for sale. However, the sale transaction was not completed and the group's management changed the corporate strategy of the Renewables BU by deciding to qualify the project as strategic to the creation and consolidation of a group's MW portfolio.

The authorisations related to renewable sources projects will be amortised as of the year the related wind farms will start operations.

## GOODWILL

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Goodwill	0	1,385	(1,385)
<b>Total</b>	<b>0</b>	<b>1,385</b>	<b>(1,385)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2018	Changes
Goodwill	1,385	0	0	0	0	1,385	0	(1,385)
<b>Total</b>	<b>1,385</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,385</b>	<b>0</b>	<b>(1,385)</b>

This item refers to the acquisition of the business units of Imprese Co.E.Stra. S.p.A. (€ 2,040 thousand) and L'Avvenire 1921 (€ 1,539 thousand), in 2014, and S.E.C.O.L. S.p.A. in 2015 (€1,961 thousand) which form part of the Joint Venture that was awarded the contract by ANAS for the executive design and execution of the variation to state road 1 Aurelia: access roads to the La Spezia harbour, totalling € 125 million. Amortisation ended in 2018.

This goodwill was recognised with the consent of Toto Costruzioni Generali S.p.A.'s Board of Statutory Auditors.

## ASSETS UNDER DEVELOPMENT AND PAYMENTS ON ACCOUNT

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Assets under development and payments on account	6	2,646	(2,640)
<b>Total</b>	<b>6</b>	<b>2,646</b>	<b>(2,640)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2018
Assets under development and payments on account	2,646	0	2,640	0	0	0	6
<b>Total</b>	<b>2,646</b>	<b>0</b>	<b>2,640</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>

In 2018, assets under development decreased by € 2,640 thousand mainly as a consequence of the write-down recognised by Renexia S.p.A. (€ 2,263 thousand) of the preliminary development costs required in order to obtain the authorisations for constructing the wind farms in the municipalities of:

- Lucera (FG), a project for which costs of € 710 thousand have been incurred;
- Troia (FG), a project for which costs of € 1,333 thousand have been incurred;
- Santa Croce del Sannio (BN) and Alberona (FG), a project for which costs of € 219 thousand have been incurred.

Renexia S.p.A. management decided to halt the above development projects for a number of reasons, related to the difficulties met during the authorisation process.

## OTHER

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Other	9,069	10,042	(973)
<b>Total</b>	<b>9,069</b>	<b>10,042</b>	<b>(973)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2018
Other	10,042	0	(11)	0	0	984	9,069
<b>Total</b>	<b>10,042</b>	<b>0</b>	<b>(11)</b>	<b>0</b>	<b>0</b>	<b>984</b>	<b>9,069</b>

The item is substantially unchanged. It decreased from € 10,042 thousand at 31 December 2017 to € 9,069 thousand at 31 December 2018.

The most significant item of the year relates to amortisation (€ 984 thousand) which is essentially attributable to SDP (€ 942 thousand) and refers to the project financing costs capitalised in 2011, including agency, origination, structuring and up-front fees and due diligence costs.

### Tangible fixed assets

The table below shows the balances of tangible fixed assets at 31 December 2018 and their changes from the previous year-end balance.

(amounts in €'000)	31/12/ 2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	31/12/ 2018	Changes
Land and buildings	85,052	6	246	0	0	806	84,006	(1,046)
Plant and machinery	11,816	1,205	2	0	0	2,196	10,823	(993)
Industrial and commercial equipment	1,898	845	0	0	0	1,206	1,537	(361)
Other assets	3,904	969	5	0	0	1,121	3,747	(157)
Freely transferable assets	1,014,521	131	0	0	0	36,743	977,909	(36,612)
Assets under construction	166,598	22,898	0	0	0	0	189,496	22,898
Aircraft	0	0	0	0	0	0	0	0
<b>Total</b>	<b>1,283,789</b>	<b>26,054</b>	<b>253</b>	<b>0</b>	<b>0</b>	<b>42,072</b>	<b>1,267,518</b>	<b>(16,271)</b>

## LAND AND BUILDINGS

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Land	55,122	55,122	0
Buildings	28,884	29,930	(1,046)
<b>Total</b>	<b>84,006</b>	<b>85,052</b>	<b>(1,046)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec.2018	Changes
Land and buildings	85,052	6	246	0	0	806	84,006	(1,046)
<b>Total</b>	<b>85,052</b>	<b>6</b>	<b>246</b>	<b>0</b>	<b>0</b>	<b>806</b>	<b>84,006</b>	<b>(1,046)</b>

This item (€ 84,006 thousand) decreased by € 1,046 thousand on the corresponding balance at 31 December 2017 (€ 85,025 thousand). The decrease is mainly due to the depreciation of the year (€ 806 thousand).

Land can be analysed as follows:

- € 43,169 thousand related to the carrying amount of the land owned by Alitec S.p.A.;
- € 4,120 thousand related to the carrying amount of the land recognised in the financial statements of Toto S.p.A. Costruzioni Generali;
- € 7,290 thousand related to the carrying amount of the land recognised in the financial statements of TOTO RE;
- € 504 thousand related to the carrying amount of the land recognised in the financial statements of Azienda Aviagricola Abruzzese S.r.l.;
- € 39 thousand related to the carrying amount of the land recognised in the financial statements of Toto Holding S.p.A..

As a guarantee for the loans granted by the banks to some group companies, owners of land and buildings, a mortgage was placed on them.

#### PLANT AND MACHINERY

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Plant and machinery	10,823	11,816	(993)
<b>Total</b>	<b>10,823</b>	<b>11,816</b>	<b>(993)</b>

(amounts in €'000)	31/12/ 2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec.2018	Changes
Plant and machinery	11,816	1,205	2	0	0	2,196	10,823	(993)
<b>Total</b>	<b>11,816</b>	<b>1,205</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2,196</b>	<b>10,823</b>	<b>(993)</b>

This item (€ 10,823 thousand) is essentially in line with the balance at 31 December 2017 (€ 11,816 thousand).

"Plant and machinery" also include machinery and equipment used in the work sites of the Construction BU. These include: demolisher hammers, air pads for handling systems, self-lifting platforms, conveyor belts, tunnel boring machines, etc.

Depreciation of the year totalled € 2,196 thousand.

Pursuant to article 2427.1.2 of the Italian Civil Code and OIC 16.E.IV, it is noted that no guarantees, pledges or liens exist in favour of financial credit institutions on the plant, works and operating assets of Intersun S.r.l. constructed, acquired or deriving from the loan agreement entered into for constructing the photovoltaic park it owns.

As highlighted in other sections of these financial statements, leases are recognised using the financial method as set out in IAS 17 and in accordance with OIC 17.105. As a result, plant and machinery include leased assets amounting to € 2,348 thousand (€ 4,303 thousand at 31 December 2017), net of accumulated depreciation. The companies using these assets are TOTO S.p.A. Costruzioni Generali, Strada dei Parchi S.p.A., TOTO Holding S.p.A., Infraengineering S.r.l., and Parchi Global Services S.p.A..

#### INDUSTRIAL AND COMMERCIAL EQUIPMENT

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Industrial and commercial equipment	1,537	1,898	(361)
<b>Total</b>	<b>1,537</b>	<b>1,898</b>	<b>(361)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec.2018	Changes
Industrial and commercial equipment	1,898	845	0	0	0	1,206	1,537	(361)
<b>Total</b>	<b>1,898</b>	<b>845</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,206</b>	<b>1,537</b>	<b>(361)</b>

This item decreased by a net € 361 thousand and reflects the combined effect of:

- increases of € 845 thousand relating to investments during the year carried out mainly by TOTO CG and its subsidiaries in the construction sector (€ 451 thousand) and Parchi Global Services S.p.A. (€ 29 thousand), Strada dei Parchi S.p.A. (€ 355 thousand) and Intersun S.r.l. (10 thousand);
- depreciation of the year (€ 1,206 thousand).

#### OTHER ASSETS

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Other assets	3,747	3,904	(157)
<b>Total</b>	<b>3,747</b>	<b>3,904</b>	<b>(157)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec.2018	Changes
Other assets	3,904	969	5	0	0	1,121	3,747	(157)
<b>Total</b>	<b>3,904</b>	<b>969</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>1,121</b>	<b>3,747</b>	<b>(157)</b>

The balance at 31 December 2018, equal to € 3,747 thousand, is the result of:

- increases of € 969 thousand which reflect the investments of the Construction BU companies (€ 234 thousand), Strada dei Parchi S.p.A. (€ 576 thousand), Parchi Global Services S.p.A. (€ 34 thousand), TOTO RE (€ 27 thousand), Infraengineering S.r.l. (€ 38 thousand), Renexia Services S.r.l. (€ 36 thousand), other companies (€ 24 thousand);
- decreases of € 5 thousand;
- depreciation of the year (€ 1,121 thousand).

The item mainly includes furniture, fittings, office machinery, cars and trucks owned by the group.

#### FREELY TRANSFERABLE ASSETS

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Freely transferable assets	977,909	1,014,521	(36,612)
<b>Total</b>	<b>977,909</b>	<b>1,014,521</b>	<b>(36,612)</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec.2018	Changes
Freely transferable assets	1,014,521	131	0	0	0	36,743	977,909	(36,612)
<b>Total</b>	<b>1,014,521</b>	<b>131</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>36,743</b>	<b>977,909</b>	<b>(36,612)</b>

The item consists of freely transferable assets used in motorway concessions (Strada dei Parchi S.p.A.).

They are recognised at their historical acquisition or construction cost, net of accumulated depreciation.

The accruals to accumulated depreciation is reflected in the business plan which provides for variable rates which reflect the trend of traffic revenues, net of directly attributable costs and expenses. During the year, SDP received MISU grants in accordance with TAR order no. 662 (as described in the Directors' report – paragraph "Urgent safety measures"), worth € 57,736 thousand.

#### ASSETS UNDER CONSTRUCTION

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Assets under construction	189,496	166,598	22,898
<b>Total</b>	<b>189,496</b>	<b>166,598</b>	<b>22,898</b>

(amounts in €'000)	Dec.2017	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec.2018	Changes
Assets under construction	166,598	22,898	0	0	0	0	189,496	22,898
<b>Total</b>	<b>166,598</b>	<b>22,898</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>189,496</b>	<b>22,898</b>

In 2018, assets under construction and payments on account increased by €22,898 thousand due to the following changes:

- constructions transferable to Strada dei Parchi S.p.A. (€ 13,460 thousand) which were not yet operational at 31 December 2018 or for which final approval by the MIT had not yet been obtained. Furthermore, this item also includes € 38,685 thousand, which is the cost for support in planning the work indicated in the various proposals for updating the BP, which is currently being discussed with the MIT. Once the BP has been approved, these ancillary charges will be capitalised on the investments made on a proportional basis;
- infrastructure expenses of € 10 thousand by TOTO RE which were capitalised in connection with a new project for the redevelopment of the area owned by the company;
- costs incurred by US Wind Inc. for the development of the wind farm in the USA for € 7,638 thousand;
- the consolidation of PECH which incurred costs to develop the wind farm project of which it holds the construction permit of € 754 thousand;
- other increases for € 98 thousand.

#### REVALUATIONS OF TANGIBLE FIXED ASSETS AT YEAR END

A list is provided below of the tangible fixed assets recognised at 31 December 2018 which have undergone monetary revaluations and waivers from statutory measurement criteria.

Tangible fixed assets have been revalued in accordance with special, general or sector laws. No discretionary or voluntary revaluations have been carried out and the revaluations carried out are within the objectively determined usage value of the assets.

(amounts in €'000)	Revaluation as per Law no. 72/83	Revaluation 2 as per Law no. 413/91	Revaluation 3 as per Law decree no. 185/2008	Total revaluations
Land and buildings	8	207	17,947	18,162
Plant and machinery	53			53
Industrial and commercial equipment	4			4
Other assets	21			21
<b>Total</b>	<b>86</b>	<b>207</b>	<b>17,947</b>	<b>18,240</b>

## Financial fixed assets

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Equity investments	3,489	3,759	(270)
Financial receivables	31,909	6,667	25,242
Other securities	1,247	2,210	(963)
<b>Total</b>	<b>36,645</b>	<b>12,636</b>	<b>24,009</b>

### EQUITY INVESTMENTS

They amount to € 3,489 thousand (€ 3,759 thousand at 31 December 2017) and comprises:

- investments in the associates of TOTO S.p.A. Costruzioni Generali for € 3,436 thousand (€ 3,722 thousand at 31 December 2017);
- investments in other companies for € 53 thousand (€ 37 thousand at 31 December 2017).

### ASSOCIATES

(amounts in €'000)	Basis of measurement	Share/quota capital	%	Net equity	Net profit/(loss) for the year	Carrying amount
San Benedetto VdS scarl	Cost	10	36.0%	10	-	4
Intermodale S.r.l.	Cost	8,000	49.9%	4,860	(573)	3,429
Novigal scarl	Cost	10	33.0%	10	-	3
<b>Total</b>					<b>(573)</b>	<b>3,436</b>

#### SAN BENEDETTO VAL DI SAMBRO SCARL

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

#### NOVIGAL SCARL

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



### INTERMODALE S.R.L.

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

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

Net equity and the net loss for the year refer to the financial statements at 31 December 2018, which are undergoing approval.

The greater amount of the investment compared to the portion of net equity held is deemed recoverable based on the future income expectations set out in the BP, under review. In this respect, given the inactivity of the Abruzzo Region, the joint venture served a writ of summons before the Court of L'Aquila, requesting that its right to examine the BP related to the Agreement be ascertained and acknowledged. This would enable the joint venture to immediately return to a break-even position.

The Abruzzo Region appealed, raising objections and disputing the validity of Intermodale's claims and, by way of counter-claim, applied for a declaration of partial or full annulment of the Agreement and article 21.

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.

### **OTHER COMPANIES**

(amounts in €'000)	Valuation method	Share/quota capital	%	Carrying amount (€'000)
Compagnia Aerea Italiana S.p.A. (CAI, formerly Alitalia)	Cost	373,568	0.07%	3
Mediapharma S.r.l.	Cost	117	5.00%	15
Janus Pharma S.r.l.	Cost	60	16.67%	4
Other minor investments	Cost			31
<b>Total</b>				<b>53</b>

This item rose from € 37 thousand at 31 December 2017 to € 53 thousand at 31 December 2018.

## RECEIVABLES

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
From subsidiaries	25,304	0	25,304
From associates	5,132	5,132	0
From others	1,473	1,535	(62)
<b>Total</b>	<b>31,909</b>	<b>6,667</b>	<b>25,242</b>

### FROM SUBSIDIARIES

They amount to € 25,304 thousand and relate to the financial receivable due to Renexia Wind Offshore S.p.A. from its subsidiary Beleolico S.r.l. at 31 December 2018. Although it is owned by the group, the latter company has not been consolidated as it is held for sale. For additional information about the transaction, reference should be made to the Directors' report, specifically the paragraph on "Business Outlook - Energy Business Unit".

### FROM ASSOCIATES

They amount to € 5,132 thousand and mainly relate to the interest-bearing loan from Intermodale S.r.l. (€ 5,054 thousand).

### FROM OTHERS

The item is described below:

(amounts in €'000)	31/12/ 2017	Increases	Reclassifications	Decreases	31/12/ 2018
Receivables from others	1,535	323	0	(385)	1,473
<b>Total</b>	<b>1,535</b>	<b>323</b>	<b>0</b>	<b>(385)</b>	<b>1,473</b>

The increases of the year (€ 323 thousand) relate to the cash collateral paid by Renexia S.p.A. to enable Medwind Sarl to apply for the allocation of a construction permit, inclusive of a 20-year incentive tariff, for the El Haouaria Ovest wind farm in Tunisia, which will comprise 10 turbines for a total of 30 MW.

The decreases of € 385 thousand mainly relate to:

- the Construction BU, which fell by € 45 thousand;
- the repayments received from US Wind for the deposits made to guarantee the lease instalments related to marine areas;
- other repayments of € 90 thousand received from SDP, TH and Renexia S.p.A..

The bad debt provision changed as follows during the year:

(amounts in €'000)	31/12/ 2017	Accruals	Utilisation	31/12/ 2018
Bad debt provision	14	75		89
<b>Total</b>	<b>14</b>	<b>75</b>	<b>0</b>	<b>89</b>

The bad debt provision relates to TH.

#### OTHER SECURITIES

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Other securities	1,247	2,210	(963)
<b>Total</b>	<b>1,247</b>	<b>2,210</b>	<b>(963)</b>

At 31 December 2018, other securities mainly comprised shares and bonds of Banca Popolare di Bari which represent a long-term investment. The € 963 thousand decrease relates to the write-down of TH's and TOTO CG's shares in Banca Popolare di Bari in order to bring their purchase/subscription cost into line with market value, reflecting impairment losses.

#### Inventory

At 31 December 2018, inventory amounts to € 137,016 thousand (31 December 2017: € 173,434 thousand). This item is broken down as follows:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Raw materials, consumables and supplies	14,538	18,553	(4,015)
Contract work in progress	110,937	146,322	(35,385)
Finished goods	6,378	6,664	(286)
Payments on account	5,163	1,895	3,268
<b>Total</b>	<b>137,016</b>	<b>173,434</b>	<b>(36,418)</b>

**Raw materials, consumables and supplies** amount to € 14,538 thousand (€ 18,553 thousand at 31 December 2017) and refer to raw materials (€ 11,283 thousand) recognised in the financial statements of Toto S.p.A. Costruzioni Generali and its subsidiaries (€ 15,889 thousand at 31 December 2017), raw materials of € 2,775 thousand related to Strada dei Parchi S.p.A. (€ 2,302 thousand at 31 December 2017), raw materials of € 452 thousand related to Parchi Globale Services S.p.A. (€ 334 thousand at 31 December 2017) and raw materials of € 27 thousand related to Intersun S.r.l. (€ 28 thousand at 31 December 2017).

These items are measured at purchase/production cost or their realisable value based on market trends, whichever is lower.

**Contract work in progress** (€ 110,212 thousand, compared with € 146,322 thousand at 31 December 2017) mainly refers to TOTO S.p.A. Costruzioni Generali for € 99,415 thousand (31 December 2017: € 98,412 thousand) and Renexia Services S.r.l. for € 3,029 thousand (31 December 2017: € 47,868 thousand).

For a better understanding of contract work in progress, the following table summarises the main changes which affected the companies, which are subsequently commented on:

(amounts in €'000)	31/12/ 2017	Increases	Decreases	31/12/ 2018
Toto S.p.A. Costruzioni Generali	98,412	1,728	0	100,140
Renexia Services S.r.l.	47,867	3,029	(47,867)	3,029
Other companies	43	7,725	0	7,768
<b>Total</b>	<b>146,322</b>	<b>12,482</b>	<b>(47,867)</b>	<b>110,937</b>

#### TOTO S.P.A. COSTRUZIONI GENERALI

This item rose by a net € 1,728 thousand on the previous year-end balance and comprises completed work pending issue of approval for payment (€ 20,071 thousand) and greater claims from customers (€ 65,500 thousand).

Contract work in progress includes the pre-operating costs recognised in accordance with OIC document no. 23 of 22 December 2016 for a total of € 14,568 thousand. This item decreased by € 2,325 thousand.

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

Claims, whose balance is unchanged compared to the prior year, are measured considering the estimates prepared by the specific company areas (based on the type of each claim, including assessments of the legal grounds and financial capacity).

According to the directors, the disputes underway will have a positive outcome and therefore these amounts will be recoverable, based on past experience and taking into account the assessments and opinions issued by an independent professional.

#### RENEXIA SERVICES S.R.L.

Contract work in progress amounts to € 3,029 thousand compared to € 47,867 thousand at 31 December 2017 and reflects the percentage progress of the contract for the Castelpagano-Pontelandolfo power line whose construction permit is held by PECH and Cogein and which will be acquired by Terna once construction is complete. The decrease on the prior year-end balance is due to the completion of the works related to the Circello contract for the construction of Cogein's wind farm.

***“Finished goods”*** amount to € 6,378 thousand (31 December 2017: € 6,664 thousand) and include:

(amounts in €'000)	31/12/ 2017	Increases	Decreases	31/12/ 2018
Finished goods (TOTO S.p.A. Costruzioni Generali)	6,664	0	(286)	6,378
<b>Total</b>	<b>6,664</b>	<b>0</b>	<b>(286)</b>	<b>6,378</b>

As shown in the table, this item decreased by € 286 thousand, reflecting the entries in the financial statements of the Construction BU and in connection with Ambra S.r.l. which, during the year, sold part of the real estate units which make up the Agorà complex it owns.

***“Payments on account”*** rose by € 3,268 thousand. It may be analysed as follows:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Payments on account	5,163	1,895	3,268
<b>Total</b>	<b>5,163</b>	<b>1,895</b>	<b>3,268</b>

The increase is mainly due to Renexia Services S.r.l. (€ 2,147 thousand) and includes the advances paid to suppliers in 2018 to purchase the supplies necessary to perform the contracts in portfolio.

## Receivables

The breakdown of receivables by due date and type, compared with the prior year-end balance is as follows:

(amounts in €'000)	Due within one year	Due after one year	Due after 5 years	31/12/ 2018	31/12/ 2017	Changes
Trade receivables	34,908			34,908	29,464	5,444
From subsidiaries	0			0	1,328	(1,328)
From associates	1,188			1,188	538	650
Tax receivables	33,158			33,158	25,386	7,772
Deferred tax assets	73,212			73,212	66,065	7,147
From others	84,623	13		84,636	90,914	(6,278)
<b>Total</b>	<b>227,089</b>	<b>13</b>	<b>0</b>	<b>227,102</b>	<b>213,695</b>	<b>13,407</b>

With regard to the information required by article 2427.6 of the Italian Civil Code, the breakdown of receivables by geographical area is given below.

Receivables by geographical area	Trade receivables	From subsidiaries	From associates	Tax receivables	Deferred tax assets	From others	Total
Italy	34,908	0	1,188	33,158	73,212	84,636	227,102
EU	0						0
Non-EU	0						0
<b>Total</b>	<b>34,908</b>	<b>0</b>	<b>1,188</b>	<b>33,158</b>	<b>73,212</b>	<b>84,636</b>	<b>227,102</b>

## TRADE RECEIVABLES

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Trade receivables	34,908	29,464	5,444
<b>Total</b>	<b>34,908</b>	<b>29,464</b>	<b>5,444</b>

The balance of the item at 31 December 2018 (€ 34,908 thousand compared to € 29,464 thousand at 31 December 2017) mainly consists of the receivables of TOTO CG and its subsidiaries of € 23,397 thousand (31 December 2017: € 10,964 thousand), net of the bad debt provision.

The residual balance at 31 December 2018 comprises the receivables (net of the bad debt provision) related to:

- Strada dei Parchi S.p.A. for € 7,898 thousand, (31 December 2017: € 8,984 thousand);
- Renexia S.p.A for € 2,150 thousand (31 December 2017: € 2,605 thousand);
- AP FLEET LTD for € 1,049 thousand (31 December 2017: € 1,401 thousand);
- Toto Holding S.p.A. for € 0 thousand (31 December 2017: € 126 thousand);
- Intersun S.r.l. for € 190 thousand (31 December 2017: € 149 thousand);
- Renexia Services S.r.l. For € 100 thousand (31 December 2017: € 5,542 thousand);
- and the remaining group companies for a total of € 124 thousand (31 December 2017: € 335 thousand).

The receivables related to Strada dei Parchi S.p.A. are mainly due from public bodies and sub-operators of service areas (refreshment and fuel).

The nominal amounts of trade receivables are adjusted to their estimated realisable value through the bad debt provision which, at 31 December 2018, amounted to € 5,501 thousand.

The bad debt provision changed as follows during the year:

(amounts in €'000)	31/12/ 2017	Accruals	Utilisation	31/12/ 2018
Bad debt provision	5,214	287	0	5,501
<b>Total</b>	<b>5,214</b>	<b>287</b>	<b>0</b>	<b>5,501</b>

## RECEIVABLES FROM ASSOCIATES

They amount to € 1,188 thousand, up by € 650 thousand compared to € 538 thousand at 31 December 2017. The balance mainly relates to the receivable from Intermodale S.r.l..

## TAX RECEIVABLES

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
VAT credits	30,077	22,955	7,122
IRES claimed for reimbursement	758	752	6
Other tax receivables	2,323	1,679	644
<b>Total</b>	<b>33,158</b>	<b>25,386</b>	<b>7,772</b>

This item rose by € 7,772 thousand and relates to the VAT receivable which increased significantly mainly in the financial statements of the Construction BU (€ 8,395 thousand).

## DEFERRED TAX ASSETS

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Deferred tax assets	73,212	66,065	7,147
<b>Total</b>	<b>73,212</b>	<b>66,065</b>	<b>7,147</b>

This item amounts to € 73,212 thousand at 31 December 2018, compared to € 66,065 thousand at 31 December 2017.

The € 7,147 thousand increase is the net effect of the release and recognition of deferred tax assets essentially related to (i) the amounts recognised in the financial statements of the Construction BU (€9,696 thousand) and (ii) the decreases recognised in SDP's financial statements (€ 3,218 thousand).

They were recognised since, based on the estimated operating performance set out in the 2018 – 2022 business plan, approved by TH, it was reasonably certain that the deferred tax assets would be recovered with future taxable profit generated from operations to the extent set out by current law.

## FROM OTHERS

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
From others	84,636	90,914	(6,278)
<b>Total</b>	<b>84,636</b>	<b>90,914</b>	<b>(6,278)</b>

This item amounts to € 84,636 thousand and is down by € 6,278 thousand compared to the corresponding balance at 31 December 2017 (€ 90,914 thousand). It refers to the following companies:

- TOTO Holding S.p.A for € 13,448 thousand (31 December 2017: € 22,676 thousand). Furthermore, the balance comprises receivables already recognised in the prior year whose expected collection is

confirmed, considering the measures taken vis-à-vis the counterparties, including in court or similar, when assisted by the company's legal consultants;

- Strada dei Parchi S.p.A. for € 62,909 thousand, (31 December 2017: € 62,946 thousand);

(amounts in €'000)	2018	2017
Receivables from interrelated companies	29,367	26,541
Sundry receivables	430	1,610
Advances to suppliers	103	126
Receivables due to unpaid tolls	2,482	2,312
Receivables from the Grantor	30,527	32,357
<b>Total receivables from others</b>	<b>62,909</b>	<b>62,946</b>

Receivables from interrelated companies include tolls receipts collected by SDP but payable to other interrelated companies while awaiting the amounts to be defined and mutually paid. Receivables from the Grantor mainly relate to the amounts due to SDP as fare recovery. In consideration of their type and the status of the process for defining this fare recovery, we believe that this payment will take place in a reasonably brief period of time. These items are shown net of the related bad debt provision which, during the year, was increased with respect to the MIT by € 6.7 million, of which € 4.9 million as a result of the revenues lost during the temporary suspension of the tariff increase in the period from 1 October 2018 to 31 December 2018. The residual amount relates to prior year items. The MIT, represented by the General Manager, in communication no. sdp/0017835/2018 dated 8 October 2018, provided for "the recovery of the economic effects of the above measure in the new BP currently under review, without affecting the value of figurative items". SDP decided to accrue the above amount to the bad debt provision on an extremely prudential basis, pending further legal assessments of the communications about the above position with the Ministry;

- Toto S.p.A. Costruzioni Generali, together with its subsidiaries operating in the construction sector, for € 6,058 thousand (31 December 2017: € 4,329 thousand); the nominal amount of receivables from others was adjusted to their estimated realisable value through the bad debt provision of €1,912 thousand;
- AP FLEET Ltd. for € 116 thousand (31 December 2017: € 116 thousand);
- Parchi Global Services S.p.A. for € 39 thousand (31 December 2017: € 40 thousand);
- US Wind Inc. for € 1,484 thousand, essentially related to guarantee deposits (31 December 2017: € 233 thousand);
- other companies for € 582 thousand (31 December 2017: € 687 thousand).



## Current financial assets

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Investments in subsidiaries	25,677	3,062	22,615
Other equity investments	0	0	0
Other securities	250	812	(562)
<b>Total</b>	<b>25,927</b>	<b>3,874</b>	<b>22,053</b>

"Investments in subsidiaries" (€ 25,677 thousand) includes the acquisition of 100% of Beleolico S.r.l. on 18 May 2018, inclusive of ancillary charges (notary deed), which will be sold in the next twelve months.

Other securities include the securities intended to be held for a short period of time.

## Liquid funds

This item, totalling € 184,685 thousand, includes bank and postal accounts of € 184,008 thousand and cash-in-hand and cash equivalents of € 677 thousand.

Furthermore, as part of the MLT loan agreement entered into by Strada dei Parchi S.p.A., current account positive balances have been given as a pledge to lending banks. At 31 December 2018, these current accounts amount to € 76,942 thousand.

Additionally, the group's liquid funds are partially brought in proportion to the commitments under "no recourse" borrowing (project/asset financing): therefore, these amounts represent cash solely to be used for the specific project or financed asset.

## Assets held for sale

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Assets held for sale	47,079	50,250	(3,171)
<b>Total</b>	<b>47,079</b>	<b>50,250</b>	<b>(3,171)</b>

(amounts in €'000)	31/12/ 2017	Increases	Decreases	31/12/ 2018
Assets held for sale	50,250	0	(3,171)	47,079
<b>Total</b>	<b>50,250</b>	<b>0</b>	<b>(3,171)</b>	<b>47,079</b>

This item comprises the assets held for sale recognised in TOTO CG's financial statements, specifically properties, land and dismissed industrial areas totalling € 15,680 thousand and machinery and equipment of € 31,398 thousand. Machinery includes € 30,914 thousand related to the Martina TBM which is currently unused and held for sale. The measurement of the asset at the lower of carrying amount and fair value (recoverable amount) resulted in a write-down of € 3,170 thousand.

### Prepayments and accrued income

This item reflects income and expenses pertaining to previous or future years with respect to the related payment or collection. These are recognised regardless of the date of collection or payment of the respective income and expenses, which relate to two or more years and can be allocated over time. Also for these items, the criteria adopted for measuring and translating amounts expressed in foreign currency are described in the first section of these notes.

This item, amounting to € 12,105 thousand (31 December 2017: € 16,757 thousand), includes accrued income of € 38 thousand and prepayments of € 12,067 thousand.

Prepayments mainly refer to:

- US Wind Inc. for € 6,712 thousand relating to payments made by the company to the US authorities (including the ONRR Department of Interior) in order to commence the preliminary activities necessary to obtain the permit to build the off-shore wind power facility off the coast of Maryland and New Jersey; in accordance with current reporting standards, prepayments released after more than 12 months amount to € 6,204 thousand.
- TOTO S.p.A. Costruzioni Generali, for € 3,146 thousand;
- Strada dei Parchi S.p.A. for € 1,938 thousand.

They comprise prepaid costs such as insurance premiums, rent and leases and the substitute tax on loans (the latter cost item is attributable to Strada dei Parchi S.p.A.).

### Net equity

Net equity amounts to € 204,113 thousand (31 December 2017: € 143,396 thousand): it increased by € 60,717 thousand on the previous year-end balance. Details are provided in the tables in annexes 4 and 5 to these consolidated financial statements. The increase is mainly due to the effect of the net profit for the year of € 52,975 thousand (including minority interests) and the change in the hedging reserve recognised by TOTO CG and, in particular, SDP.

The group's net equity decreased considerably following the recognition of the hedging reserves at fair value, negative by € 61,264 thousand, related to possible interest rate fluctuations.

Pursuant to article 2426 of the Italian Civil Code, net equity reserves that derive from the fair value measurement of the derivatives used to hedge the cash flows expected from another financial instrument or a forecast operation are not considered in the calculation of net equity as per the purposes set out in articles 2412, 2433, 2442, 2446 and 2447 and, if positive, they are not available and cannot be used to cover losses.

### Provisions for risks and charges

The breakdown of the item is as follows:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Tax provision	6,820	274	6,546
Derivatives	80,610	90,613	(10,003)
Other provisions	22,897	17,521	5,376
<b>Total</b>	<b>110,327</b>	<b>108,408</b>	<b>1,919</b>

#### TAX PROVISION

The tax provision consists of deferred tax liabilities generated by temporary differences taxable in future years.

The increase of the year is essentially related to the accrual recognised in TH's financial statements (€ 6,160 thousand) related to the "Pex Cityliner". As described in detail in the paragraph "Risk Factors and Uncertainties - Toto Holding - Tax dispute - Pex Cityliner" of the Directors' report, to which reference should be made for additional information, management considered the possibility of settling this dispute by opting for the so-called *Facilitated settlement of pending disputes* scheme (article 6 of Law decree no. 119/2018, converted, with amendments, by Law no. 136/2018). Tax payers can apply for this scheme (by 31 May 2019) by paying, including in instalments, an amount equal to 100% of the residual amount of the tax recognised in the tax rolls and deferred interest calculated at the legal rate. Consequently, in accordance with the relevant reporting standards, TH recognised an accrual equal the total amount necessary to settle the dispute in the tax provision.

#### DERIVATIVES

This provision includes the negative fair value of the derivatives that were entered into for the purpose of hedging possible fluctuations in the interest rates on loans. For more details, reference should be made to the paragraph "Derivatives". Of this item, € 80,555 thousand refers to SDP, while the residual balance (€ 55 thousand) includes the provision recognised by TOTO CG.

#### OTHER PROVISIONS

Other provisions for risks amount to € 22,897 thousand compared to € 17,521 thousand at 31 December 2017. The € 5,376 thousand increase is due to the accruals recognised by TH, the Construction BU, SDP and US Wind.

This item is broken down below for each company:

#### **TOTO Holding S.p.A. (€ 741 thousand)**

This item rose from € 566 thousand at 31 December 2017 to € 714 thousand at 31 December 2018. During the year, € 360 thousand was accrued in respect of Proceedings RGNR 18997/2008 before the Florence Court.

#### **TOTO S.p.A. Costruzioni Generali (€ 6,747 thousand)**

This item comprises:

- pension costs related to the annual accrual for the end-of-office indemnity for the Board of Directors

resolved by the Shareholders (€ 120 thousand);

- accruals for ten-year post-completion policies (€ 3,029 thousand);
- accruals to cover the possible losses arising from the negative outcome of the dispute underway between the subsidiary IMC S.r.l. in liquidation and the tax authorities (€ 150 thousand);
- future charges of € 3,448 thousand that TOTO CG may incur following the decision to withdraw from the Czech Republic contract due to the many disputes and a strong conflict between the two parties which prevented the achievement of an agreement with the customer about project changes.

**Alitec S.p.A. (€ 60 thousand)**

The balance refers to the provision set up in 2004 for material removal work in the area surrounding the owned building. This work has not yet been carried out.

**Strada dei Parchi S.p.A. (€ 11,280 thousand)**

- *Provision for ANAS release of liability (€ 4,093 thousand - 31 December 2017: € 4,093 thousand)*

This item refers to the charge incurred when the agreement was entered into, for the release of responsibility issued to ANAS for risks deriving from the management relationship under Law no. 106 of 6 April 1977. The provision did not change during the year.

- *Provision for restoring and replacing freely transferable assets (€ 6,802 thousand - 31 December 2017: € 6,041 thousand)*

At 31 December 2018, the provision consists of costs for non-recurring scheduled maintenance.

- *Provision for risks for fines and penalties arising from the Single Agreement (€ 385 thousand - unchanged compared to 31 December 2017)*

This item mainly includes provisions for probable liabilities due to current disputes, whose outcome should be defined in the next few years.

**Renexia S.p.A. (€ 3,410 thousand)**

The balance refers to the damages that Renexia S.p.A. may pay C.v.a. S.p.A. following the sale of the investment in Ponte Albanito S.r.l. (January 2015) in connection with the dispute commenced by Energy & Technical Services S.r.l. ("ETS").

**Intersun S.r.l. (€ 135 thousand)**

This provision for future charges refers to the maintenance that will be carried out cyclically on the photovoltaic plant owned by the company.

### **US Wind Inc (€ 524 thousand)**

This provision for future charges relates to specific disputes with suppliers.

#### **Employees' leaving entitlement**

The breakdown of the provision by company is as follows:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
TOTO Holding S.p.A.	392	364	28
TOTO S.p.A. Costruzioni Generali	657	662	(5)
Infraengineering S.r.l.	266	200	66
Parchi Global Services S.p.A.	486	411	75
Strada dei Parchi S.p.A.	7,683	8,123	(440)
Toto Real Estate S.p.A.	27	25	2
Az. Aviagricola Abr. S.r.l.	4	3	1
Renexia S.p.A.	90	102	(12)
Renexia Services S.r.l.	60	51	9
<b>Total</b>	<b>9,665</b>	<b>9,941</b>	<b>(276)</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 is the total of the individual amounts accrued (for group companies with more than 50 employees only until 31 December 2006) by employees at the reporting date, net of any advances paid, and is equal to the amount that would be due to employees if they were to leave the company at that date.

For group companies with more than 50 employees, the provision does not include the amounts accrued from 1 January 2007 allocated to supplementary pension schemes under Legislative decree no. 252 of 5 December 2005 (i.e., transferred to the INPS treasury).

#### **Payables**

After eliminating intragroup amounts, consolidated payables are measured at their nominal amount. Their due date can be broken down below as follows:

(amounts in €'000)	Due within one year	Due after one year	Due after 5 years	31/12/ 2018	31/12/ 2017	Changes
Bonds	0	3,657	20,831	24,488	0	24,488
Shareholder loans	0	2,421	0	2,421	1,145	1,276
Bank loans and borrowings	71,098	181,673	284,209	536,980	585,698	(48,718)
Loans and borrowings from other financial backers	120,256	148,869	459,024	728,149	683,663	44,486
Payments on account	7,488	14,104	0	21,592	56,617	(35,025)
Trade payables	119,156	9,965	0	129,121	125,762	3,359
Payables to subsidiaries	16,200	0	0	16,200	0	16,200
Payables to associates	1,198	0	0	1,198	657	541
Tax payables	93,919	36,143	0	130,062	76,909	53,153
Social security charges payable	11,130	289	0	11,419	10,641	778
Other payables	54,814	0	0	54,814	69,713	(14,899)

<b>Total</b>	<b>495,259</b>	<b>397,121</b>	<b>764,064</b>	<b>1,656,444</b>	<b>1,610,805</b>	<b>45,639</b>
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The breakdown of payables by geographical area is shown below:

Payables by geographical area	Bonds	Shareholder loans.	Bank loans and borrowings	Other loans and borrowings	Payments on account	Trade payables	From subsidiaries	From associates	Tax payables	Social security charges payable	From others	Total
Italy		2,421	527,351	725,966	11,392	117,252	16,200	1,198	129,993	11,285	54,520	1,597,578
EU	24,488		9,629		10,200	10,962			69	134	262	55,744
Non-EU				2,183		907					32	3,122
<b>Total</b>	<b>24,488</b>	<b>2,421</b>	<b>536,980</b>	<b>728,149</b>	<b>21,592</b>	<b>129,121</b>	<b>16,200</b>	<b>1,198</b>	<b>130,062</b>	<b>11,419</b>	<b>54,814</b>	<b>1,656,444</b>

## BANK LOANS AND BORROWINGS

Bank loans and borrowings for transaction accounts, credit facilities, contract advances, invoice advances and for mortgages comprising principal, interest and ancillary charges incurred, amount to € 536,979 thousand (31 December 2017: € 585,698 thousand) and decreased significantly by € 48,719 thousand with respect to 31 December 2017.

A breakdown of bank loans and borrowings by type is provided below compared with the corresponding balances of the previous year:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Asset finance	12,118	22,250	(10,132)
Project finance	469,353	488,226	(18,873)
Self-liquidating loans	37,537	51,986	(14,449)
Corporate debts	17,972	23,236	(5,264)
<b>Total</b>	<b>536,980</b>	<b>585,698</b>	<b>(48,718)</b>

### ASSET FINANCE

"Asset finance" consists of the loans taken out with collateral on owned assets and decreased by € 10,132 thousand; the decrease was due to:

- TOTO CG (and its subsidiaries belonging to the Construction BU) for € 10,696 thousand;
- TOTO RE for € 179 thousand.

Part of the loans are assisted by collateral on properties.

### PROJECT FINANCE

"Project finance" loans decreased € 18,873 thousand as a result of (i) the repayment (€ 18,625 thousand) by SDP as part of the without-recourse loan granted by a national and international banking syndicate (for a total of € 570,500 thousand) and (ii) the repayment of principal of the loan granted to Intersun S.r.l. which generated the € 248 thousand decrease.



### SELF-LIQUIDATING LOANS

"Self-liquidating" loans decreased by € 14,449 thousand from € 51,986 thousand at 31 December 2017 to € 37,537 thousand at 31 December 2018. The decrease is due to:

- increases related to the disbursement of new loans in favour of Renexia Services S.p.A. (€ 2,839 thousand);
- increases related to the disbursement of new loans in favour of PGS (€ 148 thousand);
- decreases related to the repayment of prior loans in favour of Renexia S.p.A. (€ 500 thousand);
- net decreases in the loans used by Toto S.p.A. Costruzioni Generali (advances on work progress reports/internal situation reports and contract advances) (€ 16,936 thousand).

### CORPORATE

"Corporate" loans decreased by € 5,264 thousand from € 23,236 thousand at 31 December 2017 to € 17,972 thousand at 31 December 2018. The changes during the year are as follows:

- repayments of TOTO Holding S.p.A. amounting to approximately € 366 thousand;
- repayment of the credit lines of TOTO S.p.A. Costruzioni Generali by € 5,788 thousand, the net balance deriving from the repayment and the new disbursements received for the facilities held until cancellation;
- draw downs by Infraengineering (€ 1 million), partly repaid during the year.

### **LOANS AND BORROWINGS FROM OTHER FINANCIAL BACKERS**

This item, amounting to € 728,149 thousand (31 December 2017: € 683,663 thousand) increased by € 44,486 thousand on the previous year-end balance.

A breakdown of the item is provided below compared with the corresponding balances of the previous year:

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Asset finance (leased assets)	3,431	4,218	(787)
Securitisation (TOTO CG)	15,000	0	15,000
Corporate (US Wind wind farm)	2,184	2,085	99
Payable to the grantor	707,534	677,360	30,174
<b>Total</b>	<b>728,149</b>	<b>683,663</b>	<b>44,486</b>

### LEASED ASSETS

Payables for leased assets, amounting to € 3,431 thousand, are attributable to TOTO CG (for € 2,846 thousand), SDP (€ 51 thousand), TH (€ 5 thousand) and PGS (€ 530 thousand). Finance leases are recognised using the financial method as set out in IAS 17, in accordance with OIC 17.105.



### CORPORATE (US WIND WIND FARM)

This item amounts to € 2,184 thousand and refers to the loan granted by the State of Maryland to finance the studies aimed at constructing the off-shore wind farm in the body of water belonging to Maryland.

### PAYABLE TO THE GRANTOR

This item of € 707,534 thousand refers to SDP and consists of:

- the payable due to the grantor (€ 692,324 thousand);
- the amount due to the Italian Guarantee Scheme of ANAS for the so-called "*former SARA loans*" payable assumed by Strada dei Parchi due to the New Single Agreement, (€ 15,210 thousand).

The table below shows the changes of the year in the amount due to the grantor:

Amounts in thousands of euro	31/12/ 2017	Payments	Compensati on	Increases	31/12/ 2018
Residual amount due for Concession Fee deferment	519,214				519,214
Interest of the year	31,153			29,671	60,824
Suspension under article 52 quinquies of Law decree no. 50/17	111,719				111,719
Legal interest on the suspension under article 52 quinquies of Law decree no. 50/17	63			503	566
Guarantee fund	15,211				15,211
<b>Total</b>	<b>677,360</b>	<b>0</b>	<b>0</b>	<b>30,174</b>	<b>707,534</b>

Pending the outcome of the ruling about the amount of accrued concessions due (ANAS S.p.A. or MIT), SPD suspended payment thereof and asked its lending banks to use the amounts already accrued on term deposits in accordance with the loan agreement in force and to be used for the future payment of the concession, to finance the urgent works, since the government grants under the Genoa decree (Law no. 130 of 16 November 2018) were not and are not still, available.

### **TRADE PAYABLES**

Trade payables amount to € 129,121 thousand (31 December 2017: € 125,762 thousand) and increased by € 3,359 thousand on the previous year-end balance.

### **PAYABLES TO SUBSIDIARIES**

Payables to subsidiaries amount to € 16,200 thousand and relate to the payments on account made by Beleolico S.r.l. to build its off-shore wind farm near the Taranto port. Although it is owned by the group, Beleolico S.r.l. has not been consolidated as it is held for sale. For additional information about the transaction, reference should be made to the Directors' report, specifically the paragraph on "Business Outlook - Energy Business Unit".

### **PAYABLES TO ASSOCIATES**

They amount to € 1,198 thousand (31 December 2017: € 1,198 thousand), up € 541 thousand on the previous year-end balance.

#### **TAX PAYABLES**

This item amounts to € 130,062 thousand (31 December 2017: € 76,909 thousand). The € 53,153 thousand increase is essentially due to the recognition by US Wind of the payable to the US government (€ 46,700 thousand), following the above-mentioned sale to EDF.

In accordance with ruling legislation, the residual balance also includes the instalments related to VAT due and not yet paid by other group companies.

#### **OTHER PAYABLES**

During 2018, this item decreased by € 14,899 thousand from € 69,713 thousand at 31 December 2017 to € 54,814 thousand at 31 December 2018. It usually comprises payables to the group's personnel for ordinary and deferred remuneration to be paid and untaken accrued holidays, in addition to payables to directors and statutory auditors.

Specifically, the € 54,816 thousand balance relates to the following companies:

- TH for € 19,613 thousand. This item comprises TH's payable to CAI (€ 18,585 thousand) related to the dispute in place with CAI which ended on 2/3 August 2017, with the parties entering into a settlement agreement whereby they agreed the terms to repay the amounts due by TH to CAI following the Arbitration Board's award of 14/17 February 2017;
- SDP for € 17,305 thousand; this item mainly comprises payables to related companies for an amount equal to the toll revenues to be allocated to other operators and the charges to ANAS related to the concession and sub-concession arrangements with service stations;
- Construction BU for € 10,321 thousand, mainly related to the payables recognised in the financial statements of TOTO CG and Radimero Scarl;
- APFL for € 4,751 thousand, essentially including the payables to CAI, which were recognised following the English Court's rejection of the claims filed by APFL Ltd, in which APFL was sentenced to pay the court fees;
- Infraengineering S.r.l. for € 1,672 thousand; the balance mainly comprises shareholder loans for dividends unpaid at the reporting date;
- PGS for € 720 thousand;
- Renexia S.p.A. for € 219 thousand;
- other companies for € 215 thousand.

## Accrued expenses and deferred income

(amounts in €'000)	31/12/ 2018	31/12/ 2017	Changes
Accrued expenses and deferred income	2,177	2,339	(162)
<b>Total</b>	<b>2,177</b>	<b>2,339</b>	<b>(162)</b>

These are recognised on an accruals basis.

## Notes to the profit and loss account

### Production revenues

The breakdown of Production revenues for 2018 is as follows:

(amounts in €'000)	2018	2017	Changes
Turnover from sales and services	287,339	239,953	47,386
Change in work in progress	(286)	(235)	(51)
Change in contract work in progress	(36,360)	39,342	(75,702)
Internal work capitalised	70,869	109,315	(38,446)
Other revenues and income	186,347	9,510	176,837
<b>Total</b>	<b>507,909</b>	<b>397,885</b>	<b>110,024</b>

Reference should be made to the Directors' Report for an in-depth analysis of the change in turnover from sales and services and the overall group performance.

### REVENUES BY BUSINESS SEGMENT

Revenues are broken down by business as follows:

(amounts in €'000)	2018	2017	Changes
Work tender and design services (**)	95,821	136,323	(40,502)
Motorway concession revenues	198,867	197,105	1,762
Revenues for engineering services (**)	9,826	9,819	7
Revenues from the energy sector (**)	44,645	625	44,020
Other (**)	1,406	1,770	(364)
<b>Sub-total</b>	<b>350,565</b>	<b>345,642</b>	<b>4,923</b>
(**) of which Work tender services provided to group companies	(63,226)	(105,689)	42,463
<b>Total turnover from sales and services</b>	<b>287,339</b>	<b>239,953</b>	<b>47,386</b>

As shown in the table, € 63,226 thousand corresponds to the payment of work tender services to group companies which were reclassified to Internal work capitalised.

### REVENUES BY GEOGRAPHICAL SEGMENT

Revenues by geographical segment	Turnover from sales and services	Total
Italy	77,847	<b>77,847</b>
EU	17,974	<b>17,974</b>
Non-EU	0	<b>0</b>
<b>Total</b>	<b>95,821</b>	<b>95,821</b>

Revenues from the EU relate to TOTO CG in connection with the Polish contract.

## Production cost

The breakdown of Production cost for 2018 is as follows:

(amounts in €'000)	2018	2017	Changes
Raw materials, consumables, supplies and goods	29,231	67,321	(38,090)
Services	95,655	90,459	5,196
Use of third party assets	21,977	12,786	9,191
Personnel expenses	84,186	72,701	11,485
Amortisation/depreciation and write-downs	62,682	45,576	17,106
Change in raw materials, consumables, supplies and goods	3,983	(5,271)	9,254
Provisions for risks	11,237	365	10,872
Other provisions	984	833	151
Other operating costs	32,851	22,576	10,275
<b>Total</b>	<b>342,786</b>	<b>307,346</b>	<b>35,440</b>

### Raw materials, consumables, supplies and goods

This item amounts to € 29,231 thousand and decreased by € 38,090 thousand compared to the previous year.

The following purchases had a particular impact:

- raw materials for € 15,925 thousand;
- consumables for € 3,426 thousand;
- maintenance materials for € 3,647 thousand;
- fuel and lubricants of € 3,760 thousand.

### Services

These amount to € 95,655 thousand. This item includes external processing costs (€ 38,519 thousand), technical consultancy costs (€ 7,179 thousand), electricity costs (€ 4,219 thousand), sundry insurance costs (€ 4,865 thousand) and consultancy and legal fees (€ 10,372 thousand).

### Use of third party assets

This item amounts to € 21,977 thousand and comprises lease payments for administrative offices, software rental fees for and user licences and miscellaneous fees.

### Personnel expenses

This item amounts to € 84,186 thousand and includes all personnel expenses, including merit-based bonuses, promotions, seniority raises, accrued untaken holidays and provisions required by law and collective employment contracts.

### Amortisation/depreciation and write-downs

#### Amortisation/depreciation (€ 47,465 thousand)

This item rose from € 43,109 thousand in 2017 to € 47,465 thousand in 2018

and includes the depreciation of SDP's "freely transferable assets", calculated based on the depreciation set out in the BP which provides for variable rates which reflect the trend of traffic revenues, net of directly attributable costs and expenses.

Furthermore, it includes the depreciation of leased assets (recognised using the financial method pursuant to IAS 17, in accordance with OIC 17.105), equal to € 1,275 thousand (for assets used by TOTO CG, SDP, TH and PGS).

#### Write-downs (€ 15,217 thousand)

These comprise:

*Other write-downs (item B10c)* - € 8,085 thousand related to the write-downs recognised

- in the financial statements of the Construction BU (€ 5,823 thousand), including the Martina TBM (€ 3,171 thousand) and the write-down of Alitec's intangible fixed assets (€ 2,653 thousand) as discussed in the note to "assets under development";
- and € 2,262 thousand recognised in Renexia S.p.A.'s financial statements in respect of the projects whose development activities were halted due to the difficulties encountered as part of the authorisation process.

*Write-downs of current receivables (item B10d)* – € 7,132 thousand: the main accrual is that recognised by SDP (€ 6,750 thousand) in a specific bad debt provision, netting the receivable from the grantor recognised under current assets.

#### Provisions for risks

This item amounts to € 11,237 thousand and may be analysed as follows:

- € 6,160 thousand recognised by TH in respect of the "Pex Cityliner". As described in detail in the paragraph "Risk Factors and Uncertainties - Toto Holding - Tax dispute - Pex Cityliner" of the Directors' report, to which reference should be made for additional information, TH considered the possibility of settling this dispute by opting for the so-called *Facilitated settlement of pending disputes* scheme (article 6 of Law decree no. 119/2018, converted, with amendments, by Law no. 136/2018). Tax payers can apply for this scheme (by 31 May 2019) by paying, including in instalments, an amount equal to 100% of the residual amount of the tax recognised in the tax rolls and deferred interest calculated at the legal rate. Consequently, in accordance with the relevant reporting standards, TH recognised an accrual equal the total amount necessary to settle the dispute in the tax provision.
- € 4,717 thousand recognised in TOTO CG's financial statements mainly related to the future charges that the company may incur following the decision to withdraw from the Czech Republic contract due to the many disputes and a strong conflict between the two parties which prevented the achievement of an agreement with the customer about project changes.

## Other provisions

This item amounts to € 984 thousand and comprises:

- TOTO CG's accruals of € 120 thousand, related to the directors' end-of-office indemnity;
- SDP's accrual of € 841 thousand, entirely related to the provision for restoring and replacing freely transferable assets;
- Intersun S.r.l.'s accruals for € 23 thousand related to cyclical maintenance to be carried out on the photovoltaic park owned by the company.

## Financial income and charges

The item is broken down as follows:

(amounts in €'000)	2018	2017	Changes
Income from equity investments	0	363	(363)
Other financial income	629	570	59
Interest and other financial charges	(72,278)	(71,148)	(1,130)
Net exchange rate gains	2,243	1,218	1,025
<b>Total</b>	<b>(69,406)</b>	<b>(68,997)</b>	<b>(409)</b>

Other income comprises interest income accrued on non-current receivables and interest income on bank deposits.

Interest and other financial charges totalling € 72,278 thousand relate to:

(amounts in €'000)	2018	2017	Changes
Banks	(32,579)	(32,875)	296
Others	(39,699)	(38,273)	(1,426)
<b>Total</b>	<b>(72,278)</b>	<b>(71,148)</b>	<b>(1,130)</b>

Interest and charges due to others essentially relate to accrued interest expense to the grantor on the extension of the payment of the concession fee and the former SARA loans of Strada dei Parchi S.p.A. (approximately € 30,232 thousand);

## Adjustments to financial assets

(amounts in €'000)	2018	2017	Changes
Write-backs	0	293	(293)
Write-downs	(1,887)	(314)	(1,573)
<b>Total</b>	<b>(1,887)</b>	<b>(21)</b>	<b>(1,866)</b>

"Write-downs" relate to those recognised by TH and TOTO CG (€ 1,279 thousand) mainly in relation to the shares held in Banca Popolare di Bari.

#### Income taxes for the year

(amounts in €'000)	2018	2017	Changes
<i>Current taxes:</i>	<i>50,100</i>	<i>7,816</i>	<i>42,284</i>
IRES (corporate income tax) (including US tax)	45,535	2,291	43,244
IRAP (regional tax on production)	4,565	5,525	(960)
<i>Change in deferred tax liabilities (assets) and prior year taxes:</i>	<i>(9,033)</i>	<i>7,877</i>	<i>(16,910)</i>
IRES (corporate income tax)	(9,036)	7,877	(16,913)
IRAP (regional tax on production)	3	0	3
<i>Net charges due to tax consolidation</i>	<i>(212)</i>	<i>(2,290)</i>	<i>2,078</i>
<b>Total</b>	<b>40,855</b>	<b>13,403</b>	<b>27,452</b>

#### Other information

##### Off-balance sheet commitments, guarantees and contingent liabilities

(amounts in €'000)	2018	2017	Changes
Commitments	627,769	683,166	(55,397)
Risks	48,941	53,411	(4,470)
Other	174,630	196,636	(22,006)
<b>Total</b>	<b>851,340</b>	<b>933,213</b>	<b>(81,873)</b>

The breakdown by company is as follows:

(amounts in €'000)	TOTO Holding	TOTO CG	Alitec S.r.l.	Renexia	SDP	Renexia Services	TOTAL
Commitments	3,702	567,628	1,063		0	55,376	627,769
Risks	27,852			1,089	20,000		48,941
Other	40,000	134,630			0		174,630
<b>Total</b>	<b>71,554</b>	<b>702,258</b>	<b>1,063</b>	<b>1,089</b>	<b>20,000</b>	<b>55,376</b>	<b>851,340</b>

Details of the item are provided for each relevant group company.

##### TOTO Holding S.p.A.

##### Commitments (€ 3,702 thousand - € 3,606 thousand at 31 December 2017)

They relate to the commitments for the acquisition of the residual 2% of SDP currently held by Autostrade per l'Italia S.p.A.

##### Risks (€ 27,852 thousand - 31 December 2017: € 28,411 thousand)

They include the guarantees given by TH to third parties. The balance consists of those granted to the buyer of Monteboli S.p.A. (€ 27,622 thousand) and is substantially related to the hypothetical and remote compensation



payable by TH in the unlikely event of revocation of the single authorisation pursuant to which the Eboli photovoltaic power plant was built.

Other (€ 40,000 thousand)

This is the maximum amount which the company will cover for any drop in the market value of the interest rate hedges if the long-term loan agreements entered into by Strada dei Parchi S.p.A. are terminated earlier.

*TOTO S.p.A. Costruzioni Generali*

Commitments (€ 567,628 thousand - 31 December 2017: € 678,497 thousand)

The contractual commitments refer to goods or services yet to be delivered/provided.

Other (€ 134,630 thousand - 31 December 2017: € 148,587 thousand)

- Insurance sureties provided to customers as a guarantee for the satisfactory execution of the works totalling € 112,228 thousand;
- Insurance sureties provided to customers as release of guarantee withholdings on work totalling € 2,233 thousand;
- Insurance sureties provided to customers as a guarantee for advances received for work totalling € 16,563 thousand;
- Insurance and bank sureties provided to guarantee sundry contractual commitments totalling € 3,607.

*Alitec S.p.A.*

Commitments (€ 1,063 thousand)

For Alitec S.p.A., they consist of the amount of the commitments entered into, net of advances already paid for the purchase of trade permits for the future shopping centre which the company intends to construct on the land it owns.

*Strada dei Parchi S.p.A.*

Risks (€ 20,000 thousand)

This item amounts to € 20,000 thousand and relates to the performance agreement signed with the lending banking syndicate to guarantee the granting body in respect of the concession.

*Renexia S.p.A.*

Risks (€ 1,089 thousand - 31 December 2017: € 5,000 thousand)

They relate to the counter-surety given in favour of E.T.S. as part of the arbitration procedure commenced by E.T.S. Against Renexia S.p.A..

*Renexia Services S.r.l.*

Commitments (€ 55,376 thousand - 31 December 2017: € 8,049 thousand)

This item comprises the main contractual commitments entered into for the supply of goods and services related to the (i) design and construction of the 150 kV power line connecting Castelpagano (BN) and Pontelandolfo (BN) and the Morcone (BN) substation and the (ii) design and construction of the off-shore wind farm within the Taranto port, comprised of 10 windmills for a total power of 30 MW. Work site activities began in early 2019.

#### CONTINGENT LIABILITIES

The company has no unrecognised contingent liabilities.

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

Pursuant to article 2427.13 of the Italian Civil Code, it is noted that, as described in detail in the Directors' report and in these notes, 2018 is affected by the effect of the sale of the contract for the lease of the area covering approximately 743 square metres of federal waters off the New Jersey (United States) coast, which had been signed by the subsidiary US Wind Inc. and BOEM (Bureau of Ocean Energy Management), to EDF Group. This transaction resulted in exceptional revenues which will generate further effects in the next few years represented by the deferred consideration to be collected by the group.

The agreed consideration amounts to approximately USD 455 million and includes:

- (i) USD 2 million paid on 31 October 2018 as exclusive right consideration;
- (ii) USD 4 million paid when the contract was signed, i.e., 3 December 2018;
- (iii) USD 209 million paid on 6 December when the closing took place, following BOEM's authorisation to transfer to the lease to the new owners;
- (iv) USD 240 million as deferred consideration, subject and indexed to the MW percentage (up to 2.475) which can effectively be installed on the New Jersey area.

#### Directors' and statutory auditors' fees

The table below shows the fees paid to directors and statutory auditors pursuant to article 2427.16 of the Italian Civil Code.

Position	(€'000)
Directors	1,900
Board of Statutory Auditors	436
<b>Total</b>	<b>2,336</b>

#### Related-party transactions

Transactions with subsidiaries have been eliminated upon consolidation. Other transactions with associates and other related parties were all carried out on an arm's length basis and are irrelevant in view of the parameters recommended by CONSOB in regulation no. 17221 of 12 March 2010 concerning related-party transactions.

Shareholder loans are broken down as follows:

(amounts in €'000)	31/12/ 2018	Due within one year	Over 12 months
Shareholder loans	2,421	0	2,421

### Financial instruments issued by the company

Through Renexia Wind Offshore S.p.A., the group issued a senior secured, non-convertible and unsubordinated bond loan pursuant to article 2410 of the Italian Civil Code, with principal of € 25.0 million, privately placed with several foreign qualified investment funds. The bond comprises dematerialised securities listed on the multi-trading facility managed by the Vienna stock exchange. Bonds were issued at a price equal to 100% of their nominal amount. Repayment will start on 31 December 2022 for an annual amount equal to 8% of the nominal amount of the bond and the remaining balance will be paid in one tranche at maturity (i.e., within eight years of the date of first issue). The securities will pay coupons at an annual 8% rate in arrears, starting from 31 December 2018.

The bond was issued in three tranches which may be summarised as follows:

- 1) 18 May 2018 for a nominal amount to € 7.5 million;
- 2) 22 May 2018 for a nominal amount to € 12.5 million;
- 3) 3 July 2018 for the residual € 5.0 million.

### Fair value of derivatives

At the reporting date, the group companies held the following financial instruments:

#### *TOTO S.p.A. Costruzioni Generali*

In 2011, the company entered into several interest rate hedges to cover a portion of its bank debt.

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

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

2) Contract: OPTION

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

*AP Fleet Ltd*

In 2009, the company entered into eight interest rate hedges to cover a portion of its bank debt. In 2018, AP Fleet terminated the derivatives at their natural expiry date.

*Strada dei Parchi S.p.A.*

The derivatives listed below were entered into in order to hedge the interest rates applied to loans acquired in 2011.

1) Contract: INTEREST RATE SWAP

- a. type of derivative contract: unlisted financial derivative;
- b. contract start date: 30/06/2015
- c. contract end date: 31/12/2027
- d. purpose: hedging;
- e. notional amount: € 364,896 thousand;
- f. underlying financial risk: interest rate risk (libor);
- g. fair value of derivative contract: € (80,556 thousand);
- h. liability hedged: bank debt.

At 31 December 2018, the fair value of the derivatives agreed was recognised in the provisions for risks and charges with a balancing entry in the hedging reserve, net of the deferred tax effect. These instruments, which are not speculative but exclusively hedge the interest rate risk, will be kept until maturity when their value, given their very nature, will be zero.

*Off-balance sheet transactions*

There are no off-balance sheet transactions which may have a significant impact on the parent's financial position, financial performance and cash flows pursuant to article 2427.22-ter of the Italian Civil Code.

## Significant events after the reporting date

### *Holding*

The company settled the dispute about the VAT demand no. 03220170003165303000 through the "2018 Facilitated settlement scheme (article 3 of Law decree no. 119/2018, converted with Law no. 136/2018)".

The dispute related to the lack of payment of the last instalment of the repayment plan (the "Plan") granted by the Regional office of the Tax authorities (the "Office") in 2011 to Toto Holding S.p.A. ("TH" or the "company") for the lack of VAT payment for January, June, July and November 2010 to the former Toto Costruzioni Generali S.p.A. (now TH). The Plan provided for 20 instalments falling due between 12 January 2012 and 31 October 2016.

The company paid the first 19 instalments and missed only that due on 31 October 2016 (€ 0.4 million, of which € 378 thousand as principal and € 30 thousand as penalty, € 5 thousand as interest on lack of payment and € 70 thousand for deferred interest).

The Office immediately recognised the unpaid instalment (principal of € 378 thousand) in the tax rolls (no. 2017/900125) and the penalty (€ 1.5 million), in addition to interest (€ 685 thousand) paid (first and second) on the entire tax subject to instalments (€ 7,563 million). Tax demand no. 032 20017 00031653 03 000 was served on 8 November 2017.

TH filed an appeal against the tax roll and the tax demand before the Chieti province tax commission (the "Commission"), which issued its ruling filed on 3 December 2018. The Commission partially allowed TH's appeal and annulled the tax demand to the extent of interest and premiums on the portion calculated on interest, while confirming the residual part of the appeal. Following the above ruling, received by TH by certified email dated 20 December 2018, management communicated the remission of an amount equal to interest of € 685 thousand.

TH entered into the "2018 Facilitated settlement scheme (article 3 of Law decree no. 119/2018, converted with Law no. 136/2018)", further to its application dated 11 January 2019. Indeed, it intended to settle the dispute as quickly as possible, while benefiting for the best conditions in the interest of the company.

The above scheme will generate savings worth € 1,551 thousand, following the possibility of settlement by paying € 378 thousand related to the tax due and unpaid, instead of running the risk of paying € 1,929 thousand. Payment will take place in 18 quarterly instalments on which deferred interest calculated at the legal rate will be applied.

On 18 February 2019, the HOLDING and its Irish subsidiary APFL Ltd entered into a private deed (the "Second Agreement") with Compagnia Aerea Italiana S.p.A. ("CAI"). Indeed, the HOLDING had signed the original "Agreement" on 2/3 August 2017 and, on 12 July 2018, the "First Agreement" which, respectively, initially regulated and subsequently amended the terms for the repayment of the amounts due by the HOLDING to CAI as per the arbitration award of 14/17 February 2017.

On 30 November 2018, the case commenced by APFL before the London High Commercial Court against CAI ended with the rejection of all claims filed by APFL. APFL and its lawyers initially considered the possibility of filing an appeal. However, after an in-depth analysis and based on the negative opinions of its lawyers about the possibility that the appeal be allowed (in the English law, it is highly unlikely that the Court of Appeal changes the judgement of the Court of First Instance), and the likelihood of a successful outcome, the company abandoned this idea and agreed on a settlement with CAI with respect to the costs that the English Court had ordered APFL to pay.

Indeed, following the rejection of APFL Ltd's claims, CAI requested and obtained from the English Court that APFL pay the legal fees incurred. After talks between the parties and following HOLDING's and APFL's decision not to file any appeal against the above ruling, CAI expressed its willingness to receive an amount equal to € 4,845 thousand. Furthermore, CAI said it was willing to accept that HOLDING assume APFL's payable and pay the agreed amount in instalments, in addition to the instalments still due by the HOLDING under the "Agreement" and the "First Agreement", based on a new payment plan. Consequently, based on the above, on 18 February 2019, the parties signed the "Second Agreement" which provides for an increased outflow of € 4.8 million and a new modulation of the terms of payment.

#### *Construction*

There were no significant events after the reporting date.

#### *Concessions*

##### **Tariff increase**

On 31 December 2018, with communication MIT-29849, the grantor informed SDP about the adoption of Interministerial decree no. 589 of 31 December 2018 issued by the MIT together with the MEF, setting the tariff increase applicable as of 1 January 2019. Although at the end of the investigation carried out by the MIT's DGVCA, the tariff change for the operator had been set at 5.59%, compared to Strada dei Parchi's request dated 15 October 2018 (reg. no. 18408) for a 6.94% increase, the tariff increase was suspended until 30 June 2019 pending the completion of the review of the BP, in the public interest of avoiding the application of tariff levels to users who, at the end of the review of concession relationship, may exceed those to which the operator is effectively entitled to. Consequently, the tariffs applicable from 1 January 2019 match those in place at 31 December 2017. Under the Decree, the lower revenues earned by the operator following the tariff suspension will be recovered through the revision of the BP currently underway.

For SDP, the Decree was unlawful and, on 1 March 2019, it filed an appeal before the Lazio TAR to obtain the annulment of the interministerial decree.

##### **Update of the new BP**

As part of the process to update and review the new BP (indeed, the proposal being discussed provides for an extension of the concession period), on 20 February 2019, SDP, as the concerned party, met in Brussels with the DG Competition and the DG Growth to preliminarily discuss the elements underlying the options under

discussion. During the meeting, which also saw the participation of an Italian Government's representative, the operator and the Commission's members discussed the technical/financial aspects of the main assumptions underlying the project. The Commission confirmed its strong focus on safety, hence the urgent need to complete the approval/review of the BP in order to promptly commence works.

On 28 February 2019, the grantor called SDP for an update about the outcome of the meeting with the Commission. SDP confirmed its willingness to work urgently in order to complete the update of the BP. The MIT's representative declared that the review will depend on the indication and guidelines to be given by the European Commission.

The second regulatory period (2014-2018) of the ruling Agreement expired on 31 December 2018. 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 fee 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 receiving from the incoming party an amount equal to that of the residual regulatory receivables. At 31 December 2018, SDP figurative receivables amount to approximately € 644 million, as per the appraisal of a leading independent auditor.

### **ART consultation**

With resolution no. 16 of 18 February 2019, the Transport Regulation Authority (ART) commenced a public consultation about the proposed review of the toll tariff system related to the concession under article 43 of Law decree no. 20172011, as referred to in article 37 of said decree. With article 16.1 of Law decree no. 109 of 28 September 2018 (the so-called "Genoa Decree"), the legislator further extended ART's authorities and duties to the extent of the motorway sector. More specifically, the ART should set the toll tariff systems based on the price cap method, identifying a five-year production indicator for both new and existing concessions. The ART's effective authority over the existing concessions will undoubtedly be accurately checked by both Strada dei Parchi and the trade association AISCAT. The tariff system currently used by SdP is already based on the price-cap mechanism. Therefore, any innovations introduced by the ART, if applied, will not have a significant impact on the structure of the agreement, although they will formally entail a major review of tariffs.

### *Energy*

#### **Projects in Italy**

On 18 February 2019, Renexia Wind Offshore S.p.A. signed the contract for the sale of Beleolico S.r.l., which owns the Single Authorisation to build an off-shore wind farm in the Taranto port. The sale is subject to the occurrence of specific contractually-agreed events and is expected to be completed at the end of 2019. With respect to

operations, the construction of the wind plant continued. Specifically, in early 2019, the main supply and sub-contracting agreements were signed.

In March 2019, the subsidiary Parco Eolico Casalduni House S.r.l. was invited to the service meeting to obtain the variation necessary for the authorisation of the Casalduni (BN) wind farm.

#### *Services*

##### **Infraengineering S.r.l.**

There were no significant events after the reporting date.

##### **Parchi Global Services S.p.A.**

There were no significant events after the reporting date.

#### *Annexes to the consolidated financial statements*

The following documents are attached to these consolidated financial statements:

- list of other investments in consolidated subsidiaries; list of associates measured using the equity method; list of associates recognised at cost (Annex 1);
- list of unconsolidated subsidiaries (Annex 2);
- list of other investments (Annex 3);
- reconciliation between net equity and the net loss of TOTO Holding S.p.A. with consolidated net equity and net profit (Annex 4);
- statement of changes in consolidated net equity (Annex 5);

Chairman of the Board of Directors

Paolo TOTO



## **Annexes to the consolidated financial statements**

# ANNEX 1 - LIST OF CONSOLIDATED INVESTMENTS

Company	Registered office	Country	Business	Currency	Subscribed share/ quota capital	% of share/ quota capital held	% direct	% indirect	Indirect investments
<b>PARENT</b>									
Toto Holding S.p.A.	Chieti	Italy	Holding	€	100,000,000	-	-	-	
<b>SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS</b>									
Alitec S.p.A.	Chieti	Italy	Real estate	€	45,000,000	100.00%	4.46%	95.54%	Toto S.p.A. Costruzioni Generali
Ambra S.r.l.	Chieti	Italy	Construction	€	6,900,000	98.55%	-	98.55%	Toto S.p.A. Costruzioni Generali
AP Fleet Limited	Dublin	Ireland	Aircraft Hire and Sale	US dollar	12,000,000	100.00%	100.00%	-	
Azienda Aviagricola Abruzzese S.r.l.	Chieti	Italy	Real estate	€	48,048	72.77%	72.77%	-	
Calabria Energia S.r.l.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	100.00%	Renexia S.p.A.
Concessioni Autostradali S.p.A.	Chieti	Italy	Concessions	€	150,000,000	100.00%	100.00%	-	
Eurasia S.r.l.	Chieti	Italy	Harbour management	€	40,000	70.00%	70.00%	-	
Good Wind S.r.l.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	-	Renexia S.p.A.
IMC S.r.l. in liquidation	Chieti	Italy	Construction	€	12,000	51.00%	-	51.00%	Toto S.p.A. Costruzioni Generali
Indaco S.r.l.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	100.00%	Renexia S.p.A.
Infraengineering S.r.l.	Chieti	Italy	Service companies	€	20,000	60.00%	60.00%	-	
Intersun S.r.l.	Chieti	Italy	Energy sector	€	30,000	80.10%	-	100.00%	Renexia S.p.A.
MedWind Sarl	Tunis	Tunisia	Energy sector	TND	5,000	80.00%	-	80.00%	Renexia S.p.A.
Parchi Global Service S.p.A.	Chieti	Italy	Service companies	€	1,000,000	90.00%	90.00%	-	
Parco Eolico Casalduni House S.r.l.	Chieti	Italy	Energy sector	€	40,000	80.10%	-	100.00%	Renexia S.p.A.
Pontepo Scarl	Chieti	Italy	Construction	€	10,000	73.73%	0.00%	73.73%	Toto S.p.A. Costruzioni Generali
Radimero Scarl	Chieti	Italy	Construction	€	10,000	58.00%	0.00%	58.00%	Toto S.p.A. Costruzioni Generali
Renexia Services S.r.l.	Chieti	Italy	Energy sector	€	100,000	80.10%	-	100.00%	Renexia S.p.A.
Renexia S.p.A.	Chieti	Italy	Energy sector	€	5,000,000	80.10%	80.10%	-	
Renexia Wind Offshore S.p.A.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	100.00%	Renexia S.p.A.
Spartivento S.r.l.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	100.00%	Renexia S.p.A.
Strada dei Parchi S.p.A.	Rome	Italy	Concessions	€	48,114,240	98.00%		98.00%	Toto S.p.A. Costruzioni Generali - Concessioni Autostradali S.p.A.
Toto Real Estate S.p.A.	Chieti	Italy	Real Estate	€	10,000,000	100.00%	100.00%	-	
Toto S.p.A. Costruzioni Generali	Chieti	Italy	Construction	€	50,000,000	100.00%	100.00%	-	
Toto Tech S.r.l.	Chieti	Italy	Car fleet management	€	10,000,000	100.00%	-	100.00%	Toto S.p.A. Costruzioni Generali
US Wind Inc	Boston	USA	Energy sector	US dollar	100,000	80.10%	-	100.00%	Renexia S.p.A.
Volere Volare S.r.l.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	100.00%	Renexia S.p.A.

Company	Registered office	Country	Business	Currency	Subscribed share/ quota capital	% of share/quota capital held	% direct	% indirect	Indirect investments
<b>INVESTMENTS RECOGNISED AT COST</b>									
<b>Associates</b>									
Intermodale S.r.l.	S. Giovanni T. (Ch)	Italy	Construction	€	8,000,000	49.90%	-	49.90%	Toto S.p.A. Costruzioni Generali
Novigal Scarl	Bari	Italy	Construction	€	10,000	33.00%	-	33.00%	Toto S.p.A. Costruzioni Generali
San Benedetto Val di Sambro Scarl	Rome	Italy	Construction	€	10,000	36%	-	36%	Toto S.p.A. Costruzioni Generali

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## ANNEX 2 - LIST OF OTHER INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES

Company	Registered office	Country	Business	Currency	Subscribed share/quota capital	% of share/quota capital held	% direct	% indirect	Indirect investments
<b>SUBSIDIARIES AND ASSOCIATES EXCLUDED FROM THE SCOPE OF CONSOLIDATION (OIC 17)</b>									
Beleolico S.r.l.	Chieti	Italy	Energy sector	€	8,000,000	80.10%	-	100.00%	Renexia Wind Offshore S.p.A.
Toto S.p.A. in association with Taddei S.p.A. Scarl	Chieti	Italy	Construction	€	10,000	51.00%	-	51.00%	Toto S.p.A. Costruzioni Generali

These companies were excluded from the scope of consolidation since their financial statements are not relevant to the true and fair view of the group or are held for sale (Beleolico S.r.l.).

The companies' net equity and carrying amount are as follows:

Company	Share/quota capital	% of invest.	Net equity	Profit/(loss)	Equity method	Carrying amount
Beleolico S.r.l.	8,000,000	100.00%	7,759,191	(412,013)	7,759,191	25,672,143
Toto S.p.A. in association with Taddei S.p.A. Scarl	1,000	51.00%	10,000	0	5,100	5,100

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### ANNEX 3 - LIST OF OTHER INVESTMENTS RECOGNISED AT COST

Company	Registered office	Country	Business	Currency	Subscribed share/quota capital	% of share/quota capital held	% direct	% indirect	Indirect investments
<b>INVESTMENTS RECOGNISED AT COST</b>									
<b><i>Other investments</i></b>									
Compagnia Aerea Italiana S.p.A.	Rome	Italy	Air transport	€	3,526,846	0.06%	0.06%	-	
Consorzio Autostrade Italiane Energia	Rome	Italy	Electricity Market Procurement	€	112,107	5.40%	-	5.40%	Strada dei Parchi S.p.A.
Dirpa Scarl	Rome	Italy	Construction	€	500,000	0.01%	-	0.01%	Toto S.p.A. Costruzioni Generali
Forum Scarl	Rome	Italy	Construction	€	51,000	0.01%	6.00%	0.01%	Toto S.p.A. Costruzioni Generali
Fiumicino Pista Scarl	Rome	Italy	Construction	€	10,200	0.01%	-	0.01%	Toto S.p.A. Costruzioni Generali
Janus Pharma S.r.l.	Rome	Italy	Scientific Research	€	30,000	15.87%	15.87%	-	
Mediapharma S.r.l.	Chieti	Italy	Scientific Research	€	117,362	9.19%	9.19%	-	

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#### ANNEX 4 – Reconciliation between net equity and the net loss of TOTO Holding S.p.A. with consolidated net equity and net profit.

(in €'000)	NET EQUITY	NET PROFIT/LOSS
<b>NET EQUITY AND NET LOSS OF TOTO HOLDING S.p.A. AT 31/12/2018</b>	<b>285,566</b>	<b>(11,512)</b>
Elimination of investments	(148,223)	150,969
Goodwill arising on consolidation (SDP concession)	30,314	(2,526)
Elimination of 2017 dividends	0	(111,509)
Other consolidation adjustments (e.g. IAS 17)	171	11
<b>NET EQUITY AND NET PROFIT ATTRIBUTABLE TO THE GROUP AT 31/12/2018</b>	<b>167,828</b>	<b>25,433</b>
Net equity and net profit - minority interests	36,283	27,541
<b>CONSOLIDATED NET EQUITY AND NET PROFIT AT 31/12/2018</b>	<b>204,111</b>	<b>52,974</b>

#### ANNEX 5 - Statement of changes in group's consolidated net equity

(amounts in euro)	Share capital	Legal reserve	Extraordinary reserve	Revaluation reserve L.D. no. 185/08	Reserve for unrealised exchange rate gains	Reserve for translation of foreign operations	Hedging reserve	Losses carried forward	Profit/Loss for the year	Total
<b>Opening balance 01/01/2018</b>	<b>100,000,000</b>	<b>2,111,277</b>	<b>242,485,940</b>	<b>17,560,599</b>	<b>0</b>	<b>2,687,195</b>	<b>(68,865,871)</b>	<b>(167,831,066)</b>	<b>4,918,350</b>	<b>133,066,424</b>
<b>Changes for the year:</b>										
Opening and consolidation entries						(2,687,195)	68,865,871	(1,125,607)		65,053,069
Alloc. of prior year net loss		287,758			379			4,630,213	(4,918,350)	0
Effect of translating the financial statements of foreign operations						5,380,676				5,380,676
Effect of IAS 17								158,861		158,861
Hedging reserve							(61,263,829)			(61,263,829)
Net profit for the year									25,433,954	25,433,954
<b>Closing balance 31/12/2018</b>	<b>100,000,000</b>	<b>2,399,035</b>	<b>242,485,940</b>	<b>17,560,599</b>	<b>379</b>	<b>5,380,676</b>	<b>(61,263,829)</b>	<b>(164,167,599)</b>	<b>25,433,954</b>	<b>167,829,155</b>

Chairman of the Board of Directors

Paolo TOTO



**INDEPENDENT AUDITOR'S REPORT**

**TOTO HOLDING SPA**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2018**



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

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

To the shareholders of Toto Holding SpA

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

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#### ***Opinion***

We have audited the consolidated financial statements of Toto Holding Group (the Group), which comprise the balance sheet as of 31 December 2018, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2018, 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.

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

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of this report. We are independent of Toto Holding SpA (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.

#### ***Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements***

Management is responsible for the preparation of the consolidated 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 management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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Management is responsible for assessing the Group's ability to continue as a going concern and, in preparing the consolidated financial statements, for the appropriate application of the going concern basis of accounting, and for disclosing matters related to going concern. In preparing the consolidated financial statements, management uses the going concern basis of accounting unless management either intends to liquidate Toto Holding SpA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing, in the terms prescribed by law, the Group's financial reporting process.

### ***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements.

As part of an 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 consolidated 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 Group's internal control;
- We evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- We concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;



- We evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion on the consolidated financial statements.

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***

Management of Toto Holding SpA is responsible for preparing a report on operations of the Toto Holding Group as of 31 December 2018, including its consistency with the relevant consolidated 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 consolidated financial statements of the Toto Holding Group as of 31 December 2018 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 consolidated financial statements of Toto Holding Group as of 31 December 2018 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 April 2019

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.*

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