

# Consolidated Financial Statements 2019

(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

**GME** – Gestore dei Mercati Energetici, Italian power exchange

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

**INFRA** – Infraengineering S.r.l.

**MGP** – Day-Ahead Market

**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

**PSV** – Virtual Exchange Point (gas wholesale market)

**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

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

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<sup>1</sup> The Board of Directors of TOTO Holding was appointed on 30 April 2019. Its term of office expires with the approval of the financial statements at 31 December 2021.

<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 2019-2021 period by TOTO Holding's Shareholders in their meeting of 30 April 2019.

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 reporting standards and comprise the financial statements of the parent, TOTO Holding S.p.A., 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., Renexia Services S.r.l., Renexia Wind Offshore S.p.A., Spartivento S.r.l., Good Wind S.r.l., Calabria Energia S.r.l., Indaco S.r.l., Volere Volare S.r.l., Parco Eolico Casalduni House S.r.l., AP FLEET Ltd, Concessioni Autostradali S.p.A. and the financial statements of the Construction BU, i.e., Toto S.p.A. Costruzione Generali, Toto Tech S.r.l., Alitec S.p.A., Ambra S.r.l., IMC S.r.l. in liquidation and Pontepo Scarl.

The scope of consolidation underwent a change from 31 December 2018 as a result of:

- the consolidation of Cefalù Scarl. This consortium company was set up in 2018 by TOTO CG (77.99%) and ICI S.p.A. (22.01%) to perform part of the works related to the contract awarded by ITALFERR for the performance of civil works for the new railway line doubling the Cefalù Ogliastrillo - Castelbuono section of the Palermo-Messina line, with a length of approximately 12.3 km, entirely on double tracks, including the construction of the Cefalù, S. Ambrogio and Malpertugio tunnels and related works;
- the deconsolidation 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". On 29 March 2019, Toto S.p.A. Costruzioni Generali and Seli Overseas S.p.A. signed an agreement concerning the withdrawal of TOTO CG from the contract and from the JV as from 1 February 2019. The agreement acknowledged the entitlement of TOTO CG to receive a consideration in exchange for its transfer of the rights and obligations in connection with the performance of the contract and in exchange for its interest in Radimero S.c.a r.l., for an amount equal to the nominal value of the quotas initially subscribed;
- the deconsolidation of Intersun S.r.l. as it is held for sale. On 3 April 2019, the parent Renexia S.p.A. signed a preliminary agreement for the sale of the company's quotas as part of the purchase of Beleolico S.r.l.;
- the consolidation of Renexia Pech S.p.A. which was set up on 12 June 2019 by the parent Renexia S.p.A. as part of the development of the wind project headed by Parco Eolico Casalduni House S.r.l..

Graph 1 – Group structure (Main business sectors)



## Macroeconomic and System Context

### Significant events in 2019

#### The World Economy

In 2019, the global economic slowdown and the contraction of world trade continued. Significant risks affected the expansion of international economic activities due to protectionist tensions, though mitigated by negotiations between the parties, the deceleration of operations in China and Brexit timing and method. The main central banks adopted highly expansionary monetary policies.

In the United States and Japan, GDP decelerated, as in the United Kingdom, where it was affected by the disposal of accumulated stocks for precautionary reasons close to the original Brexit deadline, scheduled for the end of March 2019. However, growth indicators rose again in the last quarter.

Economic activity slowed in China in the spring and summer months, as well as in India, and stabilised in the last few months of the year. Brazil and Russia recorded a slight recovery, though they remained at very modest levels. The downturn in world trade in 2018 continued in 2019. However, world trade increased in the third quarter of 2019 in both the advanced and emerging economies. The outlook for world trade is unfortunately unfavourable.

In August, the trade tensions between the United States and China escalated, affecting world trade since 2018: the US administration tightened tariffs on imports from China, and the Chinese government, in turn, raised tariffs on US dollar imports from the United States. In December, a number of trade negotiations led to an agreement in principle including the suspension of part of the tariff increases previously envisaged. However, tariffs remain high compared to two years ago. In October 2019, the United States announced new tariffs of between 10% and 25% for a number of specific European goods, as a compensatory measure declared fair by the World Trade Organization, compared to the state aid granted to the Airbus aviation consortium.

According to projections released by the OECD, the world economy will expand by 2.9 per cent, the lowest figure since the global financial crisis of 2008-09. The weakness of world trade and manufacturing production will continue to weigh on economic activity. According to Bank of Italy estimates, international trade increased by barely 0.6 per cent in 2019 and will accelerate moderately in 2020. The risks to global growth remain tilted to the downside. The risk of trade tensions escalating between the United States and China and of the United Kingdom withdrawing from the European Union without a deal have abated. Geopolitical tensions are mounting, however, especially between the United States and Iran, and fears persist that the China's economy will slow more markedly than was expected. (*source: Bank of Italy – Economic Bulletin – January 2020*).

## The Italian Economy

In Italy, GDP, which expanded by 0.1 per cent in the third quarter, supported by domestic demand and by consumption in particular, remained virtually unchanged in the fourth quarter. In 2019, it grew by 0.2 per cent.

Based on the available cyclical indicators, industrial production is estimated to have fallen in the fourth quarter. The firms participating in the Bank of Italy's survey reported a slight expansion in their investment plans for 2020. The increase in disposable income recorded in 2019, also due to the slight growth in employment, boosted household spending in the summer months; the propensity to save remained essentially unchanged.

Italian exports reflected weak growth in international trade in the third quarter of 2019. Nevertheless, the current account surplus remains large and Italy's net investment position is still close to balance. In recent months, there has been substantial foreign investment in Italian public sector securities, improving the Bank of Italy's negative balance on the TARGET 2 European payment system, which was further reduced by the introduction of the new remuneration system for banks' reserves held with the Eurosystem.

Lending conditions remain relaxed: banks have reported an easing of credit standards and the cost of credit for households has fallen significantly. Business loans contracted slightly, consistent with the weakness in demand. The flow of new non-performing loans remains limited, notwithstanding the unfavourable cyclical phase. Italian government bond yields have been rising since mid-October, reflecting a similar trend in other euro-area countries. Share prices have benefited from the easing of trade tensions and from the publication of better-than-expected euro-area macroeconomic data.

Official assessments indicate that the budgetary provisions approved in December for the three years 2020-22 raise the deficit by 0.7 percentage points of GDP on average per year compared to the level on a current legislation basis. After stabilising in 2020, the Government expects the ratios of net borrowing and debt to GDP to decline in 2021 and 2022. According to the quarterly account estimates released by Istat (the National Institute for Statistics), in the first nine months of 2019, general government net borrowing came to 3.2 per cent of GDP, as against 3.4 per cent in the same period in 2018. *(source: Bank of Italy – Economic Bulletin – January 2020).*

## Construction Sector

The Italian economy continues to lack the fundamental contribution of a strong construction sector that, in recent years, has experienced a deep crisis and has not been able to support the economy as it did in the previous expansionary cycle (1998 - 2008): investments in construction +28.4% and GDP +16.1%.

To date, the tentative positive signs for the construction sector cannot be read as a reversal of the trend, but rather as a physiological situation, often unnoticeable to the industrial system and to citizens, of a sector reduced to an historical low. ANCE (Italy's National Builders' Association) estimate for 2019 is growth in construction investment of 2.3% in real terms, in line with the forecast already mentioned in the analysis at the beginning of 2019.

This is linked to the continuation of the positive trend in the private residential and non-residential segment and a first "plus" sign in public works. This is an absolutely negligible increase, in the light of a contraction in production levels of more than a third; a decrease that has led to the closure of about 130 thousand businesses and the loss of 640 thousand jobs.

With regard to sector indicators, the Istat industrial production index in the construction sector shows a trend growth of 2.9% in the first ten months of last year. Although in 2019 sectoral production increased for the third consecutive year, after growing 0.7% in 2017 and 1% in 2018, the trend points to a weakening in the second half of 2019, after an initial boost of production.

Istat figures on construction investments also show a further 2.5% increase in the third quarter of 2019, compared to the same period of the previous year, slowing down compared to the significant increases of the two previous quarters (+6% in the first quarter of 2019 and +3.4% in the second quarter of 2019). The overall increase in the first nine months of 2019 was 4.0%.

With respect to investments in non-residential public construction, an initial increase of 2.9% in quantity is estimated for 2019. The measures passed by the Government over the past few years seem, at last, to have the first effects on investment levels. With reference to the performance of the entire public works sector, in addition to the good performance of the local bodies, ANCE's latest analyses confirm the continuing difficulties and uncertainties in the large infrastructure sector for large spending bodies, such as Anas and Ferrovie (Italy's railway), due to the very long time necessary to approve the respective planning agreements, which have led to the accumulation of delays with respect to planning.

*(source: Ance – Economic analysis of the construction sector – January 2020).*

## Motorway Concessions Sector

In 2019, traffic results showed a positive trend in mobility compared to the previous year: the total number of vehicles-kilometres travelled on the network in the twelve months exceeded 84.5 billion, with an increase of 0.6 percentage points compared to the actual figure for 2018 and an increase of well over 500 thousand vehicles per kilometre.

With respect to road safety indicators, a comparison with the previous year's monthly comparative period shows a sharp drop in the accident rate (- 6.7%) as well as in the rate of injured people (- 8%). Conversely, the mortality rate increased without explanations. It can be considered physiological when analysing long-term figures. In any case, these apparently high percentage values are mainly a consequence of the smallness of the absolute values in question: indeed, the difference between the two monthly periods is only 4 units.

Finally, for a comprehensive picture at year end, the positive trend in safety figures over the 12 months should also be noted.

They show a satisfactory decrease in all reference segments, confirming the good work carried out by the toll motorway sector.

*(Source: Aiscat note no. 12- December 2019)*

## Renewable Energy Sector

In 2019, the energy markets are characterised by a strong and generalised downward trend in prices, after the rises of the previous two years.

The significant decrease in European oil and gas prices favours large reductions in electricity prices, also limiting the bullish impact caused by the further strong increase in costs linked to climate-altering gas emission levels.

In the Italian electricity market, the volumes and liquidity of the MGP remained very high, while the PUN fell to around € 52/MWh, in line with the contraction in gas costs and the main European prices, with respect to which it maintained a "structural" spread of about € 12/MWh.

A similar trend characterised the areas of Italy, cancelling the North-South differential and showing an increase in hours with prices equal to € 0/MWh in Sicily. With respect to sources of generation, the above reduction in gas costs strengthens the market share of combined-cycle plants, to the detriment of coal, characterised by higher emission costs and declining sales to an all-time low.

For the gas markets - which saw the introduction, from 1 January 2020, of a new segment (AGS) to enable Snam Rete Gas S.p.A. to supply the resources necessary to operate the gas system - the most significant figure for 2019 refers to the further significant increase in the volumes traded in the spot market, driven by the historical maximum growth of MGPGAS and MI-GAS trading. The prices recorded on these markets were around € 16/MWh, hitting lows in August and reflecting the strong downward trend observed on the PSV (€ 16.3/MWh) and the other main European hubs from which the Italy shows a difference of approximately € 2.7/MWh.

During the year, the MGP and MI electricity markets and the gas spot market were also affected by the introduction of the netting mechanism, which enables the GME to facilitate the containment of the costs incurred by operators in terms of financial guarantees required, and to simplify and optimise the operational and management processes to participate in these markets.

*(Source: GME – Annual report 2019)*

## Significant events of the year

### Toto Holding S.p.A.

*2010 VAT – Facilitated settlement of the amounts due to the collection agent (article 3 of Law decree no. 119/2018 converted with Law no. 136/2018)*

TH 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**”) at the end of 2011 to TH for unpaid VAT in January, June, July and November 2010 by the former Toto Costruzioni Generali S.p.A. (now TH).

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 its interest.

Payment will take place in 18 quarterly instalments of € 268 thousand on which deferred interest calculated at the legal rate will be applied.

*Pex Cityliner – Facilitated settlement of the tax disputes (article 6 of Law decree no. 119/2018 converted with Law no. 136/2018)*

On 23 May 2019, TH agreed to the facilitated settlement of the tax disputes by submitting the relevant application and concurrently paying the first instalment of the repayment plan available on the basis of current legislation. The total amount agreed was € 5,362 thousand to be paid in twenty quarterly instalments.

The dispute commenced in 2011 following the preliminary assessment report issued by the Chieti tax police upon completion of a tax audit which began on 17 February 2011 was therefore settled. In the preliminary assessment report, the tax police challenged the use of pex in the 2009 tax return (income for 2008) for the sale (in 2008) of the investment held by Toto Holding S.p.A. in Air One Cityliner S.p.A..

### *CAI Second Agreement*

On 18 February 2019, TH and its Irish subsidiary APFL entered into a private deed (the “Second Agreement”) with CAI. Indeed, TH 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 TH 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 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's claims, CAI requested and obtained from the English Court that APFL pay the legal fees incurred. After talks between the parties and following the 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 the 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.

#### *Liquidation of the Irish subsidiary Aircraft Purchase Fleet Inc.*

Based on that stated above, the business object of the Irish subsidiary Aircraft Purchase Fleet Inc. ("APFL") was considered achieved. Before putting into liquidation APFL, on 26 June 2019, TH subscribed a capital increase of \$ 8,800,000, i.e. 8,800,00 new shares with a unit nominal amount of \$ 1. The capital increase was subscribed in part by converting the loan in place with the Irish subsidiary and by an amount equal to the amount receivable on the date the resolution was passed. The remaining shares, or part thereof, will be subsequently issued via cash contribution, subject to the subsidiary APFL's request for the funds required to complete the liquidation. The liquidator was appointed on 30 August 2019.

#### *Tax Audit*

On 19 February 2019, the Chieti tax police served TH an order to access its offices. The initial aim of the audit was to check the VAT and other taxes related to the 2017, 2018 and 2019 tax years. However, it was subsequently extended to 2014 and 2015.

The preliminary assessment report was signed on 16 September 2019 with findings related to both IRES (corporate income tax) and IRAP (regional production tax) for 2014, 2015, 2016 and 2017.

Assisted by its consultants, TH prepared and filed the counter-arguments by initiating a series of discussions with the Tax authorities. Given the early stage of the procedure, at present, it is not possible to predict the final outcome of the discussions and quantify the possible effects. However, TH is confident of its work and intends to take all necessary actions to safeguard its interests.

#### *CAI Third Agreement*

The private deed signed between TH and CAI (the "Third Agreement") was finalised on 20 December 2019. In accordance with this agreement, CAI waived: (i) the claims and rights resulting from the claw-back action pending before the Civil Court of Chieti; (ii) the claims and rights resulting from the case pending before the

Court of Appeal of Rome (NRG 6996/2017). In exchange for this waiver, the parties agreed to a settlement amount of € 4.75 million to be paid in monthly instalments together with the remaining instalments under the Second Agreement.

## Concessions BU

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

Main events in 2019:

- a. Traffic trend;
- b. Tolls;
- c. Urgent safety works (MISU);
- d. BP;
- e. Change to the legal and regulatory framework of the motorway concessions sector

### Traffic trend

In 2019, traffic trend was positive overall by 1% compared to the previous year. Specifically, light traffic increased by 0.9% and heavy traffic by 1.5%.

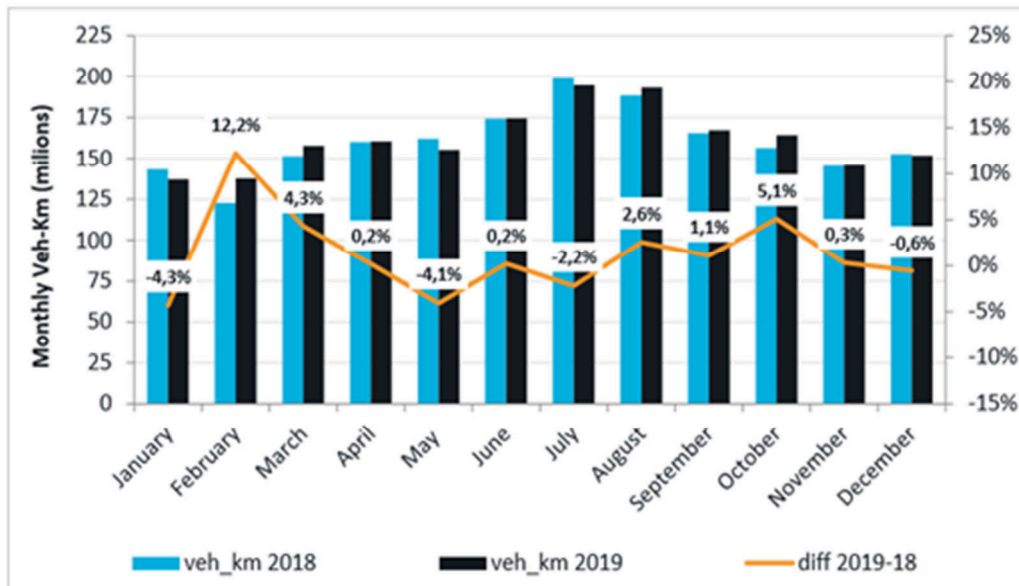
**Graph 1- A24/A25 traffic by vehicle type 2017-2018 (millions of vehicles/KM)**

<i><b>Vehicles</b></i>	<b>2018</b>	<b>2019</b>	<b>· 2019-2018</b>
Light	1,637.61	1,652.47	+0.9%
Heavy	283.11	287.25	+1.5%
<b>Total</b>	<b>1,920.72</b>	<b>1,939.72</b>	<b>+1.0%</b>

The increase recorded by SDP is slightly better than the average for the sector in the first nine months of the year, which was substantially in line with the previous year.

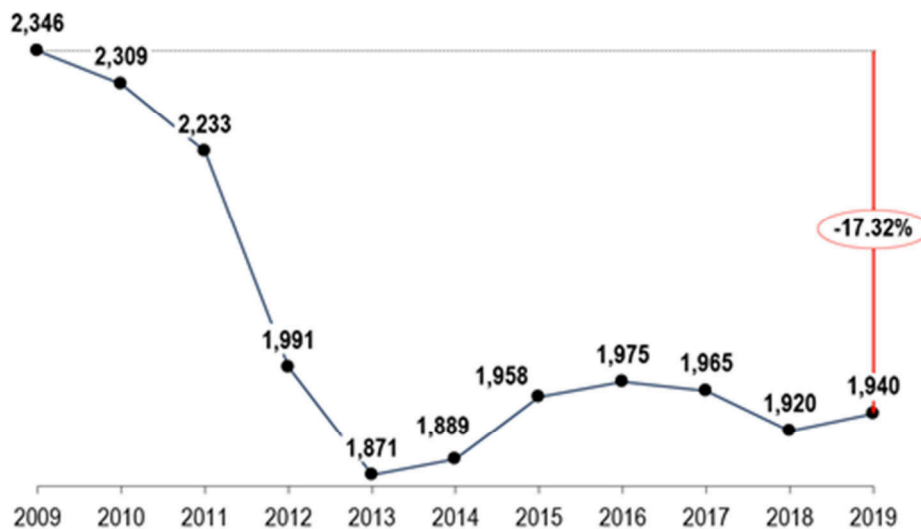
Graph 3 shows the monthly performance of traffic for 2019 compared with that for 2018. The overall change in traffic (+1.0%) is essentially due to the positive peak recorded in February. Excluding this month, the overall annual change would have been around 0.2%.

**Graph 2 - Total vehicles by month 2018-2019**



Traffic in 2019 decreased by 17.32% compared to 2009 (peak year during the concession period), as shown by graph 4 below. After reaching its lowest level in 2013, distances covered have slowly increased since 2014. However, this trend fluctuated over the past few years.

**Graph 3- SDP traffic trends 2009/2018 (millions of vehicles/KM)**



Historical surveys of traffic trends show that there is substantial inelasticity with respect to tolls, as confirmed by traffic trends in 2018 and 2019, during which no major effects on mileage as a result of significant toll containment measures took place.

### *Tolls*

In its Circ. no. 18408 of 15 October 2018, SDP applied to the Supervisory Structure at the Ministry of Infrastructure and Transport (MIT) for a 6.94% toll change, to be applied from 1 January 2019. Inter-ministerial Decree no. 589 of 31 December 2018 established that Strada dei Parchi S.p.A. was entitled to a 5.59% change from 1 January 2019. However, that same Decree also established the suspension of the toll increases for 2018 and 2019 until 30 June 2019.

The analysis of the acts of the Supervisory Structure at the MIT, to which the company had access on 14 February 2019, revealed that the difference between the toll requested and that decreed was due exclusively to the K investment component, as shown in the table below:

**Table 2 - 2019 toll increase: comparison between the Operator's request and the Inter-ministerial Decree**

	<b>Requested</b>	<b>Decreed</b>	<b>Difference</b>
Target inflation	1.20%	1.20%	
X factor	2.56%	2.56%	
K INVESTMENTS	1.33%	0.02%	1.31%
K VALIDATION	1.49%	1.45%	0.04%
$\Delta Q$ quality	0.36%	0.36%	
<b>Total change</b>	<b>6.94%</b>	<b>5.59%</b>	<b>1.35%</b>

Specifically, the Grantor allowed lower investment costs for € 19.8 million, of which: (i) € 2.2 million not approved because in excess of the amount decreed by the Department for Motorway Concessions (DGVCA); (ii) € 5.0 million not approved because in excess of the net contractual amount; (iii) € 0.1 million not approved due to the lack of supporting documents and/or because this amount is not related to the works approved by the Grantor; (iv) € 12.5 million not approved because related to the new BP currently being approved.

As the deadline set by the decree for the suspension of the toll increase (30 June 2019) approached, the Operator, at the request of the Grantor, decided to extend the suspension first for two months and then for a further three months.

Finally, under Law decree no. 123 of 24 October 2019 (Italian official journal - general series - no. 300 of 23 December 2019) Article 9 tricies semel – under the heading: "Suspension of toll increases on the A24 and A25 motorways", the legislator ruled that:

- Comma 1. *Pending the procedure set out in article 1.183 of Law no. 228 of 24 December 2012, from 1 January 2019 to 31 October 2021 and, in any case, not after completing the checks over the existence of the conditions necessary to continue the current concession of the A24 and A25 motorways, should this completion occur prior to 31 October 2021, the toll increase for the A24 and A25 motorways shall be suspended, also in order to mitigate the effects on users. Throughout the suspension period, the toll rates in force on 31 December 2017 shall apply.*
- Comma 2. *In accordance with that set out in paragraph 1, the obligation of the A24 and A25 motorway operator to pay the instalments of the concession referred to in article 3.3.0, letter c) of the Single Agreement signed on 18 November 2009, for the years 2017 and 2018, each amounting to € 55,860,000, including deferred interest, is concurrently suspended.*
- Comma 3. *At the end of the concession, the A24 and A25 motorway operator shall pay to ANAS S.p.A. the instalments of the consideration suspended pursuant to paragraph 2, plus the accrued interest calculated at the legal rate. All the remaining instalments of the consideration referred to in article 3.3.0, letter c) of the Single Agreement signed on 18 November 2009, due to ANAS S.p.A., remain due.*

Therefore, the rates applied in 2019 are the same as those in force at 31 December 2017, as expressly stated in Legislative decree no. 123 of 24 October 2019.

As a result of the suspension established by the Inter-ministerial Decree and Law decree no. 123/19, in 2019, SDP's toll revenues decreased (€ 31,245 thousand), in addition to the amounts receivable already recognised in prior years and also due to the suspension of the toll increases, unilaterally ordered by the Grantor though in contrast with the concession contract. In the 2018 financial statements, the "Other Receivables" recognised given the lack of toll increases amounted to € 36,113 thousand, being the sum of the amounts due in 2015 (€ 7,459 thousand), in 2016 (€ 8,561 thousand), in 2017 (€15,172 thousand) and in the last quarter of 2018 (€ 4,920 thousand).

The table below summarises revenues and receivables for toll increases recognised by SdP from 2016:

**Table 3 - Revenues and receivables recognised for lack of toll increases broken down by year**

<b><i>SDP in €/thousand</i></b>	<b><i>2016</i></b>	<b><i>2017</i></b>	<b><i>2018</i></b>	<b><i>2019</i></b>
Revenues for toll recovery [Item A.1) c) - <i>Other revenues</i> ]	16,021	15,172	4,920	31,245
<b>Receivables from the Grantor</b> <i>(only "Recovery of lack of toll increases")</i>	<b>16,021</b>	<b>31,193</b>	<b>36,113</b>	<b>67,358</b>

In addition to the receivable for revenues for lack of toll increases, the receivable from the Grantor recognised in the financial statements includes the receivables for "commuter discount" and is net of the related bad debt provision.

**Table 4 – Breakdown of receivables from the Grantor**

<b><i>(€/ thousand)</i></b>	<b><i>2016</i></b>	<b><i>2017</i></b>	<b><i>2018</i></b>	<b><i>2019</i></b>
Commuter discount	813	1,165	1,165	1,165
Toll recovery	16,021	31,193	36,112	67,358
(less) Bad debt provision	0	0	(6,750)	(1,830)
<b>Receivables from the Grantor</b>	<b>16,834</b>	<b>32,357</b>	<b>30,527</b>	<b>66,692</b>

The Operator is entitled to recover from the Grantor the missed tolls due to the "suspension" of the toll adjustments. Even if these revenues were considered not in relation to the provision of the service to users, as a result of the "suspension", the relevant year would be the same. Indeed, under OIC 15.30, "Receivables originating for reasons other than the exchange of goods and services (e.g., for financing operations) may be recognised if there is a "title" to the receivable, i.e., if they actually represent a third-party obligation to the company". In this case, the title to the receivable comprises the Single Agreement, the related inquiries of the DGVCA and the regulatory provisions of Law decree no. 123/2019 (which provides for the "suspension" of tolls), which under Inter-ministerial Decree no. 589 of 31 December 2018 determines the prerequisite for the recovery of adjustments). Therefore, also in this respect, recognition takes place in the year the Operator would be entitled to apply the toll adjustment.

Furthermore, the receivable can be considered immediately available because the case law (see Court of Cassation Judgement nos. 17989/2016 and 19958/2005) defines an immediately available receivable when its amount is determined or can be determined by applying strict criteria, i.e., that the sum resulting from their application is one and only one. In this case, the amount is determined each year by applying a simple mathematical formula, i.e., the product of the toll increase percentage, approved by the DGVCA, by the traffic revenues (prior to the increase) in the relevant year.

With regard to collection, a receivable is due when it is not subject to conditions or time limits, or when the time limit has expired and the creditor can request payment or enforce it in court to obtain an order. In this case, the receivable is not subject to conditions and the term for its collection is determined as follows: it can be inferred from the regulatory provisions of Law decree no. 123.1 of 24 October 2019 which sets the deadline for the effects of the suspension of toll increases on 31 October 2021 and, in any case, "not after completing the checks over the existence of the conditions necessary to continue the current concession of the A24 and A25 motorways, should this completion occur prior to 31 October 2021". Therefore, this receivable would be due at the earlier of the following two terms: (1) 31 October 2021; (2) the completion of the checks over the existence of the conditions necessary to continue the current concession, a procedure currently under way concurrently with the BP revision: on this point, it is noted that the time limit laid down in point (2) applies to this case. Indeed, the procedure can be considered completed since the time limit laid down in the contract for the BP revision has largely elapsed. In response to SdP's request in 2019, article 11.6 of the Agreement provides that, in the case of extraordinary events that alter the economic-financial balance of the BP, the amendments to the Agreement must be defined "within six months from the date the review of the BP by the Operator was filed". Therefore, it can be reasonably expected that the actions aimed at safeguarding the economic balance of the interests between the parties will be defined in the short term, as the deadline to rebalance the BP has now expired. In line with OIC 15. 22, based on these considerations, the receivable for contractual toll adjustments can be classified as a short-term receivable (due within one year). Indeed, there is no medium to long maturity for the counterparty. With respect to collection, since it is a recognised right, in the absence of an acceleration clause for the counterparty, it could also be claimed immediately. Should the provision of Law decree no. 123.1 of 24 October 2019 refer only to the suspension of the toll increases to users, the amounts accrued would be considered due as they could be fully enforceable in court.

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

Given the clear extension of the administrative procedure for the revision and update of the BP, SDP 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 (approximately € 165 million) necessary to avoid the creation of steps in the case of an earthquake. This is extremely 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.

The stair-stepping works were successfully completed in record time, despite the considerable difficulties encountered in financing them. The timely raising of the necessary funds to advance and complete the works was only possible thanks to the activities promoted by the operator. Two regulatory changes were required: (i) the first one (article 52 quinquies.1 of Law decree no. 50/2017, converted into Law no. 96 of 21 June 2017) made it possible for SdP to finance itself, using the amounts already set aside to pay said concession fees, by postponing to 2028, 2029, and 2030 the obligation to pay the concession fees owed to ANAS S.p.A. for 2015 and 2016 (€ 111.7 million); (ii) the second one (article 16-bis of Law no. 123 of 3 August 2017), on the one hand, allocated contributions of € 250 million, to implement urgent works, to the operator, but, on the other hand, provided a time-frame (annual instalments of € 50 million starting in 2021) which is not compatible with the urgent nature of the works. It was only thanks to a ruling by the Regional Administrative Court of Lazio, to which SDP had appealed in order to obtain what was necessary to complete the stair-stepping works, that the company received a € 58 million advance from MIT in January 2018, paid against future grants (Law no. 205/17).

SDP has repeatedly urged the grantor to promptly allocate the remaining contributions (€ 192 million) provided for by Law decree no. 50/2017 in order to speed up the completion of the urgent works. With Law no. 130 of 16 November 2018, providing for the "Conversion into law, with amendments, of Law decree no. 109 of 28 September 2018, containing urgent provisions for the city of Genoa, the safety of the national infrastructure and transport network, the 2016 and 2017 seismic events, labour and other emergencies", the Government established that the grants of € 192 million, initially only available beginning in 2021 in annual tranches of € 50 million each, would be made available to the operator in 2018 (€ 50 million) and in 2019 (€ 142 million).

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

The Memorandum of Understanding between MIT and SPD, dated 23 January 2019, regulates the payment and use of public grants for safety measures concerning structures (the so-called MISU) for a total of € 192 million, of which € 50 million refers to 2018 and € 142 million to 2019. The above-mentioned Memorandum was subsequently amended with the Supplement dated 12 April 2019. Following the amendment, a dual legal regime is currently in place. On the one hand, this regime comprises the public grant for a total of € 112 million - of which 50 million is for 2018 and € 62 million is for 2019 - that is directly governed by the above-mentioned Memorandum and "that the Operator will use for the purpose of implementing the safety measures on the structures on the A24 and A25 motorways in compliance with the projects approved by the Ministry", pursuant to art. 2 of the Memorandum. On the other hand, the payment and use of the remainder of the public grant, up to € 192 million by 31 December 2019 - i.e., € 80 million, will be covered by a subsequent Supplement and will be disbursed provided two conditions are met: a) the works are in line with expected progress; b) the "availability of the funds requested in the relevant category of expenditure" is confirmed.

In 2019, work was carried out for a total of approximately € 68 million, which, when added to that of previous years, brings the total progress to about 40%, as detailed in the table below:

**Table 5 Breakdown of MISU works (excluding stair-stepping)**

<i>(In thousands of Euros)</i>		Progress		
Contract	Works	Before 2019	2019	Total
Bussi junction viaduct	3,191	258	1,596	<b>1,854</b>
S. Onofrio viaduct	16,255	416	6,035	<b>6,451</b>
Popoli Viaduct	8,359	276	3,004	<b>3,279</b>
Roviano landslides	5,495	121	4,321	<b>4,442</b>
Arsoli landslides	5,538	162	3,341	<b>3,503</b>
Column adaptation	20,525	584	6,202	<b>6,786</b>
A24/A25 SOS stations	1,215	19	1,027	<b>1,047</b>
A24 Temperino	11,978	330	4,311	<b>4,641</b>
A25 Palazzo	13,708	288	8,053	<b>8,342</b>
Fornaca	22,534	788	6,149	<b>6,936</b>
Group 1	37,093	1,187	9,586	<b>10,772</b>
Group 3	34,568	1,150	10,862	<b>12,012</b>
Genzano	10,293	354	3,435	<b>3,789</b>
<b>TOTAL</b>	<b>190,750</b>	<b>5,933</b>	<b>67,921</b>	<b>73,854</b>

Reports on these works were submitted to the MIT in accordance with the terms of the Memorandum of Understanding signed at the beginning of 2019 to obtain the grants allocated to cover the works.

Total grants obtained in 2019 amounted to € 56.4 million.

On 14 January 2020, with note no. 838, DGVCA, commenting on the seismic upgrade design of the works related to the Fornaca Viaduct, indicated that the Vn coefficient (point 2.4 NTC 2018 "Nominal Design Life") should be increased from 50 to 100 years. In the same note, the Grantor stated that the new design standard (Vn=100) should be attributed to all works on the A24 and A25 motorways. As a result, SDP suspended work on the Fornaca Viaduct and on the so-called "Group 1" (Orsara, Vaccarino, Le Pastena, Cerqueta and Valle Monito viaducts), asking the designer to redesign the works according to the new value, i.e., Vn = 100 instead of Vn = 50 used until then. At present, the increase in the amounts for each work cannot be quantified as the redesign is still in progress.

## BP

As part of the process for updating and reviewing the new Business Plan, since the proposals discussed with the Grantor provided for an extension of the concession period, on 20 February 2019, SDP, being the party involved, met in Brussels with DG Competition and the DG Growth for preliminary discussions of the elements underlying the options in question. During the meeting, which was also attended by a representative of the Italian Government, the Operator and the Commission's members

discussed the technical/financial aspects of the main assumptions of the project in question.

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.

In February 2019, the Grantor summoned SdP to report on the outcome of the meeting with the Commission. At this meeting, SdP confirmed its willingness to complete the update process of the BP without delay. The MIT's representative declared that the review will depend on the indication and guidelines to be given by the European Commission.

In the following months, further discussions were held, also focusing on the toll levels to be applied to the network managed by SdP; these discussions led to the suspension of the toll increases already approved and the need to include the related impacts in the BP being updated.

After the meeting held on 25 June 2019, the MIT, also in the presence of a representative of the Ministry of Economy and Finance ("MEF"), having agreed on the need to submit the BP to CIPE (Italy's Inter-ministerial committee for economic planning) for approval, asked the company to formalise the proposed BP in order to allow preliminary investigations to be carried out, including by the Transport Regulation Authority (Autorità di Regolazione dei Trasporti or ART), and to submit the proposed BP to CIPE.

On 19 June 2019, the ART issued resolution no. 66/2019 regarding the toll system to be applied to SDP, and the latter immediately proceeded with the preparation of a new BP proposal, together with the first formalised excerpt of the Validation Plan covered entirely by public funds with the most urgent works totalling € 723 million.

On 9 July 2019, SDP submitted to the Grantor its formal proposal to update/review the BP, comprised of four distinct scenarios and reflecting the toll scheme indicated by the ART in its resolution. The Grantor asked the Operator about the scenario to be considered as a formal proposal. The Operator indicated "Scenario 4", which develops over a time horizon of 21 years (from 2019 to 2040) and provides for the following: - extending the expiry date of the Concession to 2040, originally set for 2030; - a rate of remuneration (WACC) to be applied to the works to be carried out of 7.09%; - a rate of remuneration (TIR or project's internal rate of return) to be applied to the works already carried out or underway of 8.2%; an investment plan of € 3,140 million, of which € 2,000 million financed with public grants, € 111 million already obtained and € 1,029 million to be self-financed over the period 2020 to 2027; - medium/long-term loans amounting to € 568 million, to be repaid by 2031, and a Capex Bond Line of € 772 million to be repaid by 2037; - the contribution of new equity of € 257 million; - constant coverage of net requirements; - an increase in vehicle traffic of 0.92% (CAGR - Compound Annual Growth Rate); - a toll increase of 2.50% for the period 2020-2022 (included) and a 3.27% toll increase from 2023 until the new end of the concession (2040);

- a profitability indicator (TIR) of 7.67%; – an
- average DSCR (Debt Service Coverage Ratio) of 1.31; - an average LLCR (Loan Life Coverage Ratio) of 1.47; - a takeover value of € 965 million in 2040, equal to a net present value of € 229 million at the WACC rate of 7.09%; - a ratio between takeover value and EBITDA (earnings before interest taxes depreciation and amortisation) of 3.14.

On 31 July 2019, the ART issued a favourable opinion with requirements for the proposed update/review of the BP ("Scenario 4") that the Operator sent to the MIT in July 2019. In the above opinion, the ART states the following: *"As part of the current "Scenario 4", the [...] profitability and bankability indicators adequately ensure the balance of the BP, given the concurrent existence of economic (economic viability or profitability) and financial balance (financial sustainability or bankability) as defined in article 3.1 letter fff) of the Code of Public Contracts."*

The proposed BP, together with ART's opinion, was immediately communicated to CIPE on 1 August 2019. At this meeting, CIPE *"acknowledged the changes in the concession relationship and in the business plans of the Strada dei Parchi (A24-A25) concession for an estimated overall amount of approximately € 3.1 billion, and a validation plan for the implementation of anti-seismic safety measures that guarantees the immediate launch of urgent and undelayable investments"*. CIPE also ordered that the Granting Ministry submit all documentation to the European Commission for the preliminary verification of all compatibility profiles with EU standards. In compliance with CIPE provisions, on 27 September 2019, the Grantor forwarded to the competent offices of the European Commission the reference documentation accompanied by the proposed BP, the proposal for the "first Validation Plan", ART's opinion and the reports of the MIT's General Directorate for Supervision of Motorway Operators.

In its note dated 28 October 2019, the European Commission confirmed to MIT that it had analysed the elements made available by the Italian authorities and requested some in-depth analyses of the extension, the public grants and the value of the works compared to the original concession.

In this respect, it is noted that the Ministry never informed the Operator about which proposal had effectively been sent by the Italian authorities to the European Commission. In fact, the Administration never replied to the company's specific request for access dated 18 November 2019, making it necessary to lodge an appeal against the refusal of grant access which is currently pending before the Lazio Regional Administrative Court (R.G. no. 985/2020). In parallel with the updating process, as described in detail in the section on legal issues, SDP continued to pursue legal proceedings to have its rights acknowledged, requesting the intervention first of the Regional Administrative Court and then of the Council of State, which ordered the appointment of an acting commissioner to complete the BP updating procedure. On 17 July 2019, the Council of State passed a judgement in which it establishes "*the obligation for the MIT to adopt an urgent measure in order to finally complete the BP updating/review procedure within the applicable deadline, which, taking into account the time lapsed and the preliminary activities already carried out, should be set for 30 October 2019*". On 23 December 2019, the company filed a formal petition pursuant to article 117.3 of the Italian code of administrative procedure for the Council of State to appoint an acting commissioner to enforce judgement no. 5022/2019.

The Chamber of Council was held on 20 February 2020. On 14 April 2020, the Council of State announced its order (no. 2413/2020) whereby, in accordance with article 177 of the Italian code of administrative procedure, it appointed the Head of the Department for Administrative Coordination (DICA) as the acting commissioner to complete SDP's BP.

#### [Change to the legal and regulatory framework of the motorway concessions sector](#)

Since the collapse of the Polcevera bridge in Genoa (August 2018), Italy has started a process to review the legal and regulatory framework of the motorway concessions sector in order to (i) standardise toll schemes, (ii) recover operational efficiency, (iii) redistribute risks evenly, including that related to traffic, between the Grantor and the Operator, (iv) contain toll increases applied to users, (v) avoid the generation of extra profits, in addition to the rate of reasonable remuneration based on objective and universal parameters, (vi) create a binding system of penalties in case of default by the Operator.

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. The Authority, which was entrusted with the specific task of establishing toll systems based on the price cap method determining a productivity indicator every five years, not only for new concessions but also for those in force, developed a new toll system, whose general characteristics are set out in Resolution no. 16/2019 of 18 February 2019, "Toll system for concessions referred to in article 43 of the Law decree no. 201/2011 as referred to in article 37 of the same decree", and more specifically for SdP in ART resolution no. 66/2019 of 19 June 2019 "Toll system related to ANAS S.p.A. - Strada dei Parchi S.p.A. Single Agreement".

The system underlying the 2019 Single Agreement is already price-cap based. Therefore, the changes introduced by the Authority did not substantially affect the general structure of the Agreement. Indeed, SdP was one of the first operators to present a proposal in July 2019 to update the BP with the new rules.

The pressure of the Italian legislator on sector operators became increasingly intense and led to ministerial inspections carried out to identify possible instances of non-compliance by operators. The inspections by the Territorial Inspections Office of the MIT's General Directorate for Supervision of Motorway Operators were also flanked by judicial investigations which, in some cases, also led to the precautionary seizure of certain infrastructures, specifically viaducts, with inevitable repercussions on traffic, which suffered lengthy restrictions on the road network.

Article 35.11 of Law decree no. 162 of 30 December 2019 (the so-called "Milleproroghe" decree), converted with amendments by Law no. 8 of 28 February 2020, is an important step in this process aimed at redesigning the sector and, above all, the weights at stake, and applies indiscriminately to all motorway operators, including SDP.

Article 35 provides for a number of different provisions. The first three periods cover the possibility of entrusting ANAS with the operation of roads or motorways pending the awarding of the concession to a new operator and concerns all cases of revocation, forfeiture or termination of road or motorway concessions, including those subject to tolls. The provision departs from that set out in article 176 of the Procurement Code (Legislative decree no. 50/2016), which governs termination, automatic withdrawal, termination for breach of contract and takeover. Under the fourth period, *"If the concession terminates as a result of a breach by the Operator, article 176.4, letter a) of Legislative decree no. 50 of 18 April 2016 shall apply, also replacing any different contractual clauses, both substantive and procedural, even if approved by law, to be understood as null and void pursuant to article 1418.2 of the Italian Civil Code, without any termination by law as a result of this provision"*. The departure made by the legislator with respect to the current provisions governing the termination of the concession, specifically with respect to the calculation of the compensation due to the Operator, is applicable, by law, only in the event that the termination is due to breach by the Operator.

Article 176.4 letter a) of Legislative decree no. 50/2016 provides that: "If the concession is terminated due to breach by the contracting authority or the latter revokes the concession for reasons of public interest, the Operator shall be entitled to:

- a) *The amount of the works carried out plus accessory charges, net of depreciation, or if the work has not yet passed the testing phase, the costs actually incurred by the Operator;*
- b) *The penalties and other costs incurred or to be incurred as a result of termination, including charges arising from the early termination of interest rate risk hedges;*
- c) *A compensation for lost profits equal to 10 per cent of the amount of the works still to be performed or, if the work has passed the testing phase, the present value of the revenues resulting from the business plan attached to the concession for the remaining years of operation".*

The new provision has no particular effect on SDP, since the compensation provided for in article 9 of the Single Agreement is already in line with the provisions of article 176.4 letter a).

In the event of early termination, the Operator is also responsible for settling the notional items. In accordance with said Agreement, which implements the provisions of CIPE resolution no. 39/2007, in order to ensure the progressive development of the toll, the BP may provide for the inclusion of "notional items" which, based on the principles of legitimate expectation and financial neutrality, generate regulatory receivables (receivables related to notional items),

any time the fee due to the Operator is postponed following a time deferral in toll increases under the Single Agreement.

These regulatory receivables, which are "off-balance sheet", are to all intents and purposes an asset of the company. Indeed, under the principle of legitimate expectation set out in the Single Agreement, when it is not possible to "recover" the notional items prior to the expiry date of the concession, the Operator is entitled to receiving from the incoming party (Grantor or new Operator) an amount equal to that of the residual regulatory receivables. At 31 December 2019, SDP nominal receivables amount to approximately € 677 million, as per the appraisal of a leading independent auditor.

## 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.

## Engineering BU

### Infraengineering S.r.l.

The company 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 SDP Group, the A24-A25 motorway operator, TOTO CG and other group companies operating in the renewable energy sector.

During the year, activities continued, mainly related to the design and construction supervision and works management.

In this respect, INFRA focused on ongoing activities with SDP, the main ones being:

- the completion of the executive design of the works to ensure the safety of the A24/A25 motorway tunnels in accordance with Legislative decree no. 264, including civil works;
- the continuation of other minor activities (CSE, consultancies, checks and extraordinary maintenance projects). In particular, local repair projects were delivered on some beam viaducts of the A24, the CSE activity of the intervention on the Pietrasecca viaduct started and final projects for the upgrade of the safety barriers of two junctions (Aquila est and Villanova) were delivered;
- the continuation of specialist consultancies regarding safety checks on viaduct decks in accordance with NTC 2018 regulations, transitability tests during construction, and load tests prepared by SDP and the MIT;
- The surveillance and monitoring activities of SDP's main works.

At the same time, INFRA performed additional services for the other group companies, and in particular for TOTO CG (design and consultancies both for its ongoing contracts with third parties and for participation in tenders). The most important one relates to the drafting of the variant survey to reinforce the piers of the Ritiro viaduct.

The company also assisted the companies operating in the renewable energy sector: Renexia Services and Uswind Inc.. For Renexia Services, the DL and CSE activities for the Circello wind farm and its connection were completed, while the variant relating to the turbines is awaiting approval for the continuation of the executive design of the Casalduni wind farm. For US Wind, the preliminary design and validation by an external company of the Maryland offshore wind farm was completed with various solutions, including a tower with monobucket foundation.

## Construction BU

Toto S.p.A. Costruzioni Generali

### **"Radimero" contract**

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

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

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

### **Poland S05 contract**

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

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

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

On 24 May 2019 the Customer unilaterally decided to set 1 June 2019 as the new project completion date. TOTO CG did not agree to this deadline, because this new extension was granted after a delay of more than six months and left only six days before the new completion date. The Customer repeatedly behaved in this way during the performance of the contract, obliging the JV to work on a "day-to-day" basis and preventing it from planning construction site activities in an organised and structured manner, so that the work was carried out under the

constant risk of penalties. The Customer also postponed decisions that were important for the correct scheduling of activities and never had any intention of considering the claims put forward by the JV.

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

During the performance of TOTO CG contract, guaranteed by a Bulgarian insurance company, TOTO CG had to submit three different independent and first demand payment guarantees, for a total of PLN 76,119 thousand (€ 17,882 thousand). In detail:

- a performance bond of PLN 52,924 thousand (€ 12,434 thousand) guaranteeing the correct performance of all contract obligations.
- an advance payment bond of PLN 13,880 thousand (€ 3,261 thousand) guaranteeing the contractual obligation received from the entity awarding the contract.
- bonds for Milestone 1 of PLN 9,315 thousand (€ 2,188 thousand) guaranteeing the penalties that would have accrued as a result of any delays in achieving the contract objectives and defined as "Milestone 1".

Following the contractual termination notified to GDKKIA on 4 June 2019, the latter tried to enforce the guarantees by claiming payment of:

- PLN 25,731 thousand (€ 6,045 thousand) as penalties due for contract termination.
- PLN 9,315 thousand (€ 2,188 thousand) for the failure to reach Milestone 1.
- PLN 13,019 thousand (€ 3,058 thousand) for the failure to reach Milestone 2.
- PLN 54,900 thousand (€12,897 thousand) for the reimbursement of payments made to suppliers by GDKKIA in the name and on behalf of TOTO CG (Solidarity Payments).
- PLN 4,086 thousand (€ 960 thousand) for the repayment of the residual value of the contractual advance.

On 6 November 2019, TOTO CG filed a petition with the Polish court through its lawyers in Poland, as part of decision on the merits to ascertain in advance that there were no grounds for the customer GDKKIA to apply the penalties and enforce the bonds, in order to enjoin GDKKIA from collecting the guarantees and applying the penalties pending the settlement of the decision on the merits. The injunction against the enforcement of the bonds is based on the fact that the contract was terminated due to the customer's fault. The decision on the merit was changed for the same reasons. In particular, in its petition, TOTO CG asked:

- The cancellation of the penalties due for contractual withdrawal amounting to PLN 25,731 thousand (€ 6,045 thousand).

- The cancellation of the penalties due for failure to achieve Milestone 1 and Milestone 2 amounting to PLN 9,315 thousand (€ 2,188 thousand) and PLN 13,019 thousand (€ 3,058 thousand), respectively.
- The acknowledgement of the "ex tunc" contract termination and the right to a fee equal to PLN 294,650 thousand (€ 69,219 thousand).
- As an alternative to the previous point, the acknowledgement of the "ex nunc" contract termination and the right to a fee equal to PLN 126,077 thousand (€ 29,618 thousand).

Pending the decision of the Court of Warsaw in Poland on the merits, TOTO CG filed a number of precautionary motions in Poland, Bulgaria and Italy in order to prevent the enforcement of the guarantees. At present, complaints have been upheld before the Court of Sofia and the Court of Rome regarding the enforcement of the performance bond and the milestone bond, while the outcome of the petitions for the acceptance of the injunction against the enforcement of the advance payment bond in Poland, Bulgaria and Italy is pending.

## **Czech Republic contract**

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

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

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

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

Conversely, RSD filed a claim for higher costs incurred as a result of the termination of the agreement amounting to CZK 137.0 million (€ 5,392 thousand) excluding the penalties discussed below.

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

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

- An advance payment bond of CZK 262,3 million (€ 10,3 million) guaranteeing the repayment of the contractual advance.
- A performance bond of CZK 174.9 million (€ .88 million) guaranteeing the performance of the contract obligations.

The JV contract stipulated that TOTO CG and GEOSAN would issue 50% each of the guarantees. However, for reasons not attributable to TOTO CG, the advance payment bond was issued entirely by GEOSAN also on behalf of TOTO CG. With respect to the performance bond, TOTO CG issued its share of CZK 87.4 million (€ 3.4 million).

Following termination of the contract, RSD declared that it was entitled to contractual penalties of CZK 60.1 million (€ 2.4 million) and therefore attempted to enforce the performance bond issued by TOTO CG.

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

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

In its order of 12 February 2020, the Italian Judge withdrew the reservation and rejected the request for injunction declining jurisdiction, in the wake of previous orders concerning similar situations. A complaint was lodged against the order and the hearing was set for 27 March 2020, but due to the health emergency caused by the spread of Covid-19 the hearing was postponed. At present, the hearing has still to be scheduled.

In any case, on 4 April 2019, at the request of GEOSAN, the Court of Prague also issued an order suspending the enforcement of the performance bond. Subsequently, at the beginning of May 2019, GEOSAN initiated relevant proceedings against RSD as requested by the Czech Court with the aforesaid order. TOTO CG also appeared in such case, requesting in the Czech Republic the issue of an injunction prohibiting Ceska Bank from requesting payment from BPM in the above mentioned lawsuit between Geosan S.A. and RSD. The application was filed on 13 March 2020.

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

During the year, GEOSAN commenced two arbitration proceedings against TOTO CG in the Czech Republic, specifically, RSP arbitration proceedings nos. 125/19 and 170/19.

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

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

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

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

On 12 November 2019, the Prague Court of Appeal granted, by an interim measure, without prior hearing of the other side, the suspension of the effectiveness of the award. GEOSAN therefore appeared on appeal and appealed to the Prague Supreme Court against the ruling suspending the effectiveness of the award. The Prague Supreme Court, by order of 24 April 2020, upheld GEOSAN's appeal on the suspension of the effectiveness of the award. The judge therefore dismissed the decision of the Prague Municipal Court by referral, finding two procedural errors, one in relation to the lack of motivation on the *periculum* and the other for a formal error relating to the party who made the suspension. The Supreme Court then referred the decision to be taken on the basis of the above reasons to the Prague Court of Appeal.

On 20 May 2020, TOTO CG was therefore notified of the *exequatur* of the award issued by the Court of Appeal of L'Aquila. The decree issued by the president of the Court of Appeal declaring a foreign arbitration award to be effective in Italy does not give it immediate enforceable effect, pending the deadline for opposition. At the moment, legal proceedings are underway to file a petition with the Court of Appeal of L'Aquila to oppose the effectiveness of the award in Italy.

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

The arbitration award was issued on 18 November 2019. The award rejected GEOSAN's request because it was premature and made it clear that GEOSAN will only be able to take action to allocate the JV's losses once the JV's accounts have been closed.

Therefore, on 27 December 2019, GEOSAN notified TOTO CG of the termination of the JV for cause with effect from 31 December 2019. In its letter dated 24 January 2020, TOTO CG informed GEOSAN that the JV's contract could not be considered terminated and urged the JV, in order to fulfil its disclosure obligations under the contract, to communicate the economic and financial information pertaining to the JV at 31 December 2019 (financial statements of the TGS JV at 31 December 2019). Such information has never been received to date.

### **“La Spezia” contract**

As is known, given the conduct of ANAS, which confirmed its total lack of willingness to resolve the significant issues that, since the contract take-over date (end of 2014), have prevented the regular performance of works, TOTO CG claimed damages for termination of the contract and brought an action against ANAS, as per the deed served on 8 June 2018, before the Court of Rome (ruling R.G. 49268/2018) in order to obtain the termination of the contract for serious breach by ANAS, also requesting damages (€ 47,537,468.99). In return, with communication no. 428790 of 8 August 2018, ANAS claimed damages for contract termination, on the grounds that 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 division) to obtain payment of claims for compensation and increased fees, included in the contract (€ 99,305,665, of which € 93,160,485 accrued).

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 concerning the damages for contract termination. The Judge reserved his decision to the hearing of 11 October 2018.

The two cases were combined during the hearing on 11 October 2018 and the deadlines for filing the various briefs pursuant to paragraph 6, points 1, 2 and 3 of Article 183 of the Italian Code of Civil Procedure were set. Such deadlines were duly met.

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

On 5 March 2020, the hearing for the technical expert's oath was held and, on that occasion, the company's lawyers represented that the order to rephrase the questions had not yet been issued, and the judge, having acknowledged the error, adjourned the hearing.

The judge then rephrased the questions and scheduled the hearing for the technical expert's oath for 15 October 2020.

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

The initial claim was for € 99,305,665.40, of which € 93,160,485.84 accrued. Indeed, claim 62 – concerning the correct calculation of safety charges - had been determined in the writ of summons as the amount accrued at that time for the work already performed (€ 3,476,510.10), while also stating the total amount which would have accrued upon completion of the work (€ 8,273,757.72). Clearly, the subsequent termination of the contract will result in an increase in safety charges upon completion of the works.

In addition, at the time of filing the brief pursuant to Article 183.6.1 of the Italian Code of Civil Procedure (deadline: 17 March 2019), the amount of the claims was increased by the additional amounts recognised after the date the writ of summons was notified, hence, to cover the whole of interim payment certificate (SAL 13) for works up to 9 April 2018, totalling € 22,546,334.97. Consequently, the total amount was increased to € 115,706,820.81, as follows: € 93,160,485.84 + € 22,546,334.97 = € 115,706,820.81.

Conversely, the amount related to ruling R.G. 49268/2018, of € 47,537,468.99, is unchanged.

#### **Cefalù contract**

On 21 October 2019, TOTO CG served ITALFERR with a writ of summons before the Court of Rome requesting the acknowledgement of the technical reserves recorded in the accounting records to request fees in addition to those contractually provided for. Subsequently, TOTO CG declared its willingness not to enter the action in the list of cases had ITALFERR initiated the amicable settlement procedure pursuant to article 240 of Legislative decree no. 163/06.

In a note dated 30 October 2019, ITALFERR promoted the establishment of a commission for attempted amicable settlement procedure pursuant to article 240 of Legislative decree no. 163/2006. Therefore, TOTO CG did not file the summons with the Court. Therefore, the case never began.

The procedure concerns the claims recorded in SAL no. 22 of 30 April 2019, totalling 46 and amounting to € 233,208 thousand, of which € 176,587 thousand accrued at the reporting date.

At present, TOTO CG is awaiting the commission's assessment.

### **Ritiro Viaduct contract**

With reference to the requests for additional fees made by TOTO CG to CAS, during 2019, the amicable settlement procedure provided for by article 240 of Legislative decree no. 240 was activated to define of the claims recorded by TOTO CG, which amounted to € 28,604 thousand for SAL 23 at 26 November 2019. Subsequently, on 11 September 2019, the current Inter-regional manager for Sicily and Calabria public works was appointed as president, completing the Commission in accordance with article 240 of the Legislative decree no. 163/06, for the definition of the claims recorded by TOTO CG.

On 6 March 2020, the Commission submitted the proposal for an amicable settlement amounting to € 6,890 thousand. In its note dated 17 March 2019, TOTO CG expressed its support and subsequently the entity awarding the contract confirmed its willingness to proceed by accepting the contents of the Commission's proposal for an amicable settlement.

The procedures to define and sign the minutes of the amicable settlement are currently underway pursuant to article 240 of Legislative decree no. 163/06.

### **Intermodale**

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

With respect to the review of the Business Plan, given the inactivity of the Abruzzo Region, in 2017, the TJV served a writ of summons before the Court of L'Aquila, requesting that its right to examine the BP related to the Agreement be ascertained and acknowledged. This would enable the TJV to immediately return to a break-even position. The case was filed under no. RG 1309/2017.

The Abruzzo Region appealed, raising objections and disputing the validity of INTERMODALE's claims and, by way of counter-claim, applied for a declaration of partial or full annulment of the Agreement and article 21 thereof. In the first hearing held on 6 November 2018, INTERMODALE lawyers confirmed the reasons for the inadmissibility of the counter-claim for partial annulment and requested, should the Court allow the claim, that the pre-contractual responsibility of the Region for causing the partial annulment of the contract be checked. The Judge set the deadlines for filing the briefs and adjourned the proceedings to examine the preliminary requests to 14 May 2019.

Once the briefs had been filed pursuant to Article 183.6 of the Italian Code of Criminal Procedure, the hearing to examine the preliminary requests was held on 28 October 2019. INTERMODALE lawyers insisted on the appointment of a technical expert and the judge reserved the right to decide. Subsequently, the Judge ordered the technical consultancy and scheduled a hearing for 18 May 2020 for the technical expert's appointment and oath. The hearing was postponed to 21 September 2020 due to the COVID-19 emergency.

### Order book

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

**Table 6 Order book**

Contract	Customer	Contract value	Share (%) Toto CG	Order book 31 Dec. 2019	Order book 31 Dec. 2018	Difference
Cefalù	Italfer	374.5	93%	333.3	315.1	18.2
Ritiro viaduct	C.A.S.	43.5	100%	24.6	31.6	(7.0)
L'Aquila - Ss 260 Picente	Anas	46.1	100%	42.9	45.0	(2.1)
Po bridge restructuring	Province of Mantua	25.3	100%	17.7	21.4	(3.7)
M.I.S.U.	SDP	154.8	100%	88.1	154.8	(66.7)
Miscellaneous orders	SDP	16.0	100%	4.5	3.6	0.9
Poland - S61	Gdkkia	100.4	100%	96.2	99.6	(3.4)
Poland - S05	Gdkkia	99.8	100%	0.0	19.8	(19.8)
Radimero	COCIV	183.6	100%	0.0	97.1	(97.1)
<b>Total</b>				<b>607.4</b>	<b>788.0</b>	<b>(180.6)</b>

The order book at 31 December 2019 decreased by € 180.6 million on the previous year end as a consequence of the performance of works during the year, the transfer of the Radimero contract and the termination of the Poland - S5 contract.

## Energy BU

### ITALY

#### Beleolico Wind Farm Project

Beleolico S.r.l., the wholly-owned subsidiary of Renexia Wind Offshore S.p.A., owns: (i) the Single Authorisation from the Puglia region, (ii) the concession for the relevant body of water and also (iii) won a feed-in tariff (FIT) in the latest FER2016 auction.

The events of the year can be grouped into three categories: 1) Transactions with the previous owners of Beleolico S.r.l.; 2) Construction of the offshore wind farm; 3) Sale of the investment in Beleolico S.r.l..

**1) Transactions with the previous owners of Beleolico S.r.l.**

Under the contract to acquire Beleolico S.r.l., which was completed on 21 May 2018 with a notary deed recording the quota transfer, the Toto Group, through Renexia Wind Offshore S.p.A., reached an agreement with the previous owners on a deferred payment plan to pay part of the price of the investment in Beleolico S.r.l. by transferring 100% of the interest in Intersun S.r.l.. On 3 April 2019, the contract for the sale of Intersun S.r.l. quotas was signed. The transaction, which is, however, subject to some conditions precedent, is expected to be completed as part of the contract to acquire Beleolico S.r.l..

**2) Construction of the offshore wind farm**

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

As regards the construction of the Taranto wind farm (the first off-shore wind farm in Italy – the “**Project**”), the first materials necessary for laying the off-shore and fibre-optic cables were delivered in May and at the beginning of July.

From a financial point of view, on 28 December 2018, the loan agreement (the “Loan Agreement”) was signed by the borrower, Beleolico S.r.l., and the French bank Natixis S.A., acting, inter alia, as agent bank (the agreement was subsequently amended and/or supplemented). Beleolico S.r.l. will use the loan to finance the construction of its wind farm. The loan, structured as a project financing package, consists of:

- a € 70.4 million basic credit line;
- a € 9.5 million VAT financing facility;
- a € 2.4 million stand-by facility.

Interest will be charged at a rate equal to six-month Euribor plus a variable margin according to the period of construction/operation.

The guarantees granted to the lender entail: 1) a pledge on the shares of Beleolico S.r.l.; 2) a pledge on the current accounts of Beleolico S.r.l.; 3) the assignment of receivables arising from project contracts and the concession; 4) the assignment of VAT receivables of Beleolico S.r.l.; 5) a mortgage on real estate assets of Beleolico S.r.l.; 6) a special lien on movable assets of Beleolico S.r.l.

However, the Project suffered delays in its implementation:

- on 9 April 2019 the Court of Hamburg approved the commencement of self-administration proceedings in respect of the assets owned by the German wind turbine maker Servion (the “**Proceedings**”).
- the Proceedings caused a significant event for the Loan Agreement which resulted in the suspension of the disbursements;

- as soon as Renexia Services (EPC contractor) was notified of the Proceedings, it contacted the supplier and was constantly reassured that the contracted activities would continue as planned. Meanwhile, it started negotiations with the bodies in the Proceedings to define the terms and conditions of a Project continuation agreement, pending the definition of the Proceedings (the **"Continuation Agreement"**);
- the negotiations to define the Continuation Agreement continued until September 2019, but then broke down when it became clear that the parties to the Proceedings could not guarantee the continuation of the contracted activities, also due to the lack of potential investors willing to acquire the supplier's wind turbine generator production activities;
- the Project therefore stalled, as the turbine supplier is clearly the first link in the wind farm construction chain, with all the obvious consequences in terms of managing relations with other suppliers based on a time schedule that no longer applies. In addition, given the uncertainty regarding the Project timetable, the lending banks will not allow Beleolico to make any further utilisation of the loan granted, which it would need to pay for work already done or that remains to be done;
- moreover, since the construction and energisation of the facility will now take longer than planned, this will prevent compliance with the terms established by Article 16.3 of Italian Ministerial Decree dated 23 June 2016 in order to receive the related incentives. Under the aforesaid law, the facility would have to be operational by 22 July 2020. Therefore, on 17 July 2019 Beleolico applied to Gestore dei Servizi Energetici S.p.A. ("**GSE**"), the Italian energy services operator, to suspend the above time limit for 18 months, in view of the force majeure event that has negatively affected the Project, delaying its completion. For additional information about the developments, reference should be made to the section "Significant events after the reporting date" in the notes to the separate financial statements;
- in this scenario, Renexia Services checked the availability of other suppliers to procure wind turbines that comply with the project's permits and authorisations, as well as all the GSE requirements to obtain the related incentive. The expressions of interest received will enable the subsidiary Renexia Services to select the most competitive supplier both in terms of costs and timeframes.

### 3) ***Sale of the investment in Beleolico S.r.l.***

On 18 February 2019, Renexia Wind Offshore S.p.A. entered into a contract for the sale of its quotas in Beleolico S.r.l.. The sale is, however, subject to some conditions precedent.

In June, Renexia Wind Offshore S.p.A. received € 7.6 million as an advance on the sale price of the investment.

#### *Parco Eolico Casalduni House Project*

This indirect subsidiary ("PECH") owns the Single Authorisation to construct a wind power plant in the municipality of Casalduni (BN).

In March 2019, PECH was invited to the service meeting to obtain the variation necessary for the authorisation of the Casalduni (BN) wind farm, bringing the project from twelve 3-MW wind turbines (producing a total of 36 MW), to ten 3,465-MW wind turbines (producing a total of 34.65 MW) while increasing the production of MWh fed into the grid.

On 8 August 2017, PECH also 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). Construction work on the second section of the power line (Pontelandolfo – Morcone) continued in 2019. Construction work on the first section of the power line was completed in the previous year.

In November 2019, PECH sold the 150 kV power line to Terna S.p.A..

As part of the development of the wind farm for which PECH holds the Single Authorisation, the company and the group carried out the following:

- (i) setting up a new company (Renexia Pech S.p.A.) and;
- (ii) transferring the investment in Parco Eolico Casalduni House S.r.l. to Renexia Pech S.p.A.,

a corporate structure welcome to new investors interested in the PECH project.

On 4 July 2019, Renexia Pech S.p.A. completed the transaction for the issue of a € 12.5 million bond listed on the Vienna stock exchange and fully subscribed by sector-specialist international funds. According to usual practices for this kind of transaction, the Company provided guarantees for investors and in the interests of Renexia Pech S.p.A., which included (i) pledging the Company's shares in Renexia Pech S.p.A. in favour of investors, and (ii) signing a deed of assignment of the Company's rights in respect of Renexia Pech S.p.A. under any shareholder loan agreements to be signed therewith, and the aforesaid assignment for collateral purposes when any such shareholder loans are subscribed.

The bond loan was used to fund the subsidiary Parco Eolico Casalduni House S.r.l. ("**PECH**") to enable it to raise the necessary financial resources to construct the wind farm. PECH has, in fact, signed an EPC with the related company Renexia Services S.r.l. for the construction of its wind farm, and made an advance payment on the final amount due, as is practice in the sector.

The construction and implementation of the project involves the use of structured financing in the form of a bond loan with the characteristics typical project financing without recourse to the shareholder for an amount of approximately € 38 million with a ten-year duration.

## ABROAD

### *Tunisia*

As reported in the 2018 financial statements, on 18 December 2018, MedWind Sarl applied for 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.

Although the Company has not been officially informed, it was not granted the permit. It must therefore wait for the next tender before it can proceed with the development of the project. Meanwhile, Renexia S.p.A. is examining expressions of interest for the acquisition of MedWind submitted by third-party investors following the publication by the Tunisian government in the national official journal of the possibility of signing energy sales contracts ("PPA") with local energy consumers using the STEG network operator line.

### *United States*

US Wind Inc. is continuing to develop its project.

Its activities during the year can be summarised as follows:

- 1) start of the executive design phase for connections to the power delivery substation;
- 2) continuation of preparatory work on the Construction and Operational Plan (C.O.P.). The C.O.P. should be lodged by the third quarter of 2020. The C.O.P. is subject to approval by the B.O.E.M. (Bureau of Ocean Energy Management);
- 3) completion of work to set up the Met Tower and selection of the supplier who should have installed it (Epic). In July, Epic informed US Wind Inc. that it was closing its division responsible for the installation project. US Wind immediately found another installer (Intermoor Inc - based in Texas) to carry out the activity requested. However, this supplier was also unable to complete the installation. US Wind Inc. was party to a number of lawsuits with Intermoor Inc.. As a result of mutual claims and disagreements on the performance of the contract, the contract was terminated, each of the parties claiming the other party's default. After the termination, three main lawsuits were filed, one in Texas, one in North Carolina and one in Maryland. The lawsuits in Texas was settled accepting the lack of jurisdiction raised by US Wind. The lawsuit in North Carolina was settled and US Wind was granted the requested precautionary measures. The only lawsuit pending to date is that before the Federal Court of Maryland, where the merits of the case will be decided. The risk of losing the case is considered remote.

- 4) pending the resolution of the problems related to the installation of the Met Tower, US Wind is working on the installation of a BOA LIDAR in order not to delay the energy yield assessment;
- 5) The Government of Maryland passed new implementing regulations for the assignment of subsequent ORECs in which the US subsidiary is interested. The OREC proposal submission window is already open.

## Financial highlights

### Toto Group

Below are:

- 1) the reclassified profit and loss account for 2019;
- 2) the reclassified balance sheet as at 31 December 2019; and
- 3) the 2019 NFP.

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

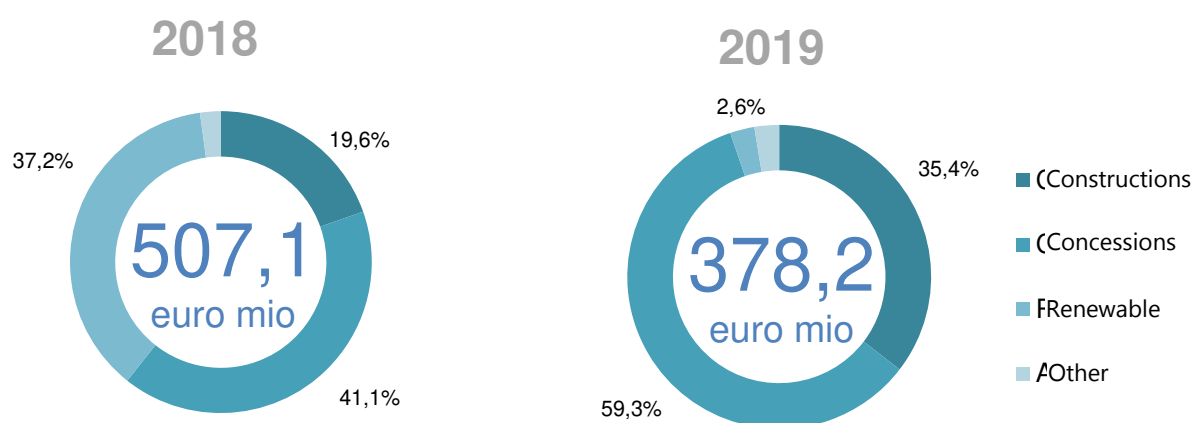
Profit and loss account <i>In thousands of euro</i>	Dec. 2019	Dec. 2018	Change	% Change
Production revenues - Construction BU	134,032	99,367	34,665	35%
Production revenues - Concessions BU	224,419	208,674	15,745	8%
Production revenues - Energy BU	9,788	188,563	(178,775)	-95%
Production revenues - Engineering BU	8,402	9,852	(1,450)	-15%
Production revenues - Services BU	233	120	113	94%
Production revenues - Holding and minor BUs	1,382	1,333	49	4%
			<b>(129,653)</b>	
<b>Total production revenues</b>	<b>378,256</b>	<b>507,909</b>	<b>)</b>	<b>-26%</b>
Operating costs	271,108	267,883	3,225	1%
			<b>(132,878)</b>	
<b>EBITDA</b>	<b>107,148</b>	<b>240,026</b>	<b>)</b>	<b>-55%</b>
<i>EBITDA Margin</i>	<i>28.3%</i>	<i>47.3%</i>	<i>(18.93)%</i>	
D&A	62,259	74,903	(12,644)	-17%
			<b>(120,234)</b>	
<b>EBIT</b>	<b>44,889</b>	<b>165,123</b>	<b>)</b>	<b>-73%</b>
<i>EBIT Margin</i>	<i>11.9%</i>	<i>32.5%</i>	<i>(20.64)%</i>	
Net financial charges	(69,561)	(69,406)	(155)	0%
Equity investments and adjustments to financial assets	(887)	(1,887)	1,000	-53%
			<b>(119,389)</b>	
<b>EBT</b>	<b>(25,559)</b>	<b>93,830</b>	<b>)</b>	<b>-127%</b>
<i>Margin</i>	<i>-6.8%</i>	<i>18.5%</i>	<i>(25.23)%</i>	
Income taxes	3,750	(40,855)	44,605	-109%
<b>Net loss for the year including the portion attributable to minority interests</b>	<b>(21,809)</b>	<b>52,975</b>	<b>(74,784)</b>	<b>-141%</b>
Minority interests in the net loss for the year	1,876	27,541	(25,665)	-93%
<b>TOTO group net loss for the year</b>	<b>(23,685)</b>	<b>25,434</b>	<b>(49,119)</b>	<b>-193%</b>
<i>Margin</i>	<i>-6.3%</i>	<i>5.0%</i>	<i>(11.27)%</i>	

In 2019, the group incurred a net loss of € 23.6 million which reflects the significant impact the following non-recurring events:

1. the write-off of a TH receivable (€ 13.3 million), which became unrecoverable because all the initiatives carried out by the company, even in court or similar, did not allow its recovery. The write-off was recognised under operating costs ("Operating costs" in the reclassified profit and loss account);
2. the transaction whereby TH recognised a charge of € 4.8 million against CAI as described in "Significant events - Toto Holding S.p.A. - Third CAI Agreement" paragraph to which reference should be made. This charge was recognised under operating costs ("Operating costs" in the reclassified profit and loss account);
3. write-downs of equity securities of banks for about € 0.7 million ("Adjustments to financial assets";
4. the bankruptcy of a German strategic supplier that caused negative economic effects for the group. Indeed, the delay in the development of the project for the construction of the "Beleolico" offshore park, compared to the initial schedule, led to a decrease in revenues of approximately € 79 million which, after discounting the related costs and taxes, would have enabled the group to end 2019 with a very different result from that achieved at year end.

As shown in the above table, the items referred to in points 1), 2) and 4) have a negative impact on both EBITDA, which amounted to € 107.1 million, and EBIT, which amounted to € 44.8 million. Compared to the previous year, both figures are significantly lower due mainly to the impact, on 2018, of the revenues generated by US WIND sale of the lease to the EDF Group of the area covering about 743 square kilometres of federal waters off the coast of New Jersey (United States) previously signed with the BOEM - Bureau of Ocean Energy Management. This transaction generated revenues of more than € 181 million (net of transaction costs). This justifies the main change in production revenues attributable to the energy sector for € 178.7 million. Finally, the sale contract signed by US WIND provides for additional proceeds (and revenues) of USD 240 million in the coming years as deferred consideration, subject to the achievement of specific milestones and depending on the MW authorized in the New Jersey area.

**Graph 1 – Percentage distribution of production revenues by business unit**



Again with respect to the 2019 reclassified profit and loss account, the € 12.6 million decrease in amortisation, depreciation and write-downs ("D&A") is due exclusively to the write-downs recognised in 2018. Indeed, in 2019, D&A totalled € 55.8 million compared to € 47.4 million in the previous year. The increase is essentially attributable to SDP, mainly as a result of the start-up of the work carried out to prevent the shifting of viaduct decks and the application of the increasing depreciation rate.

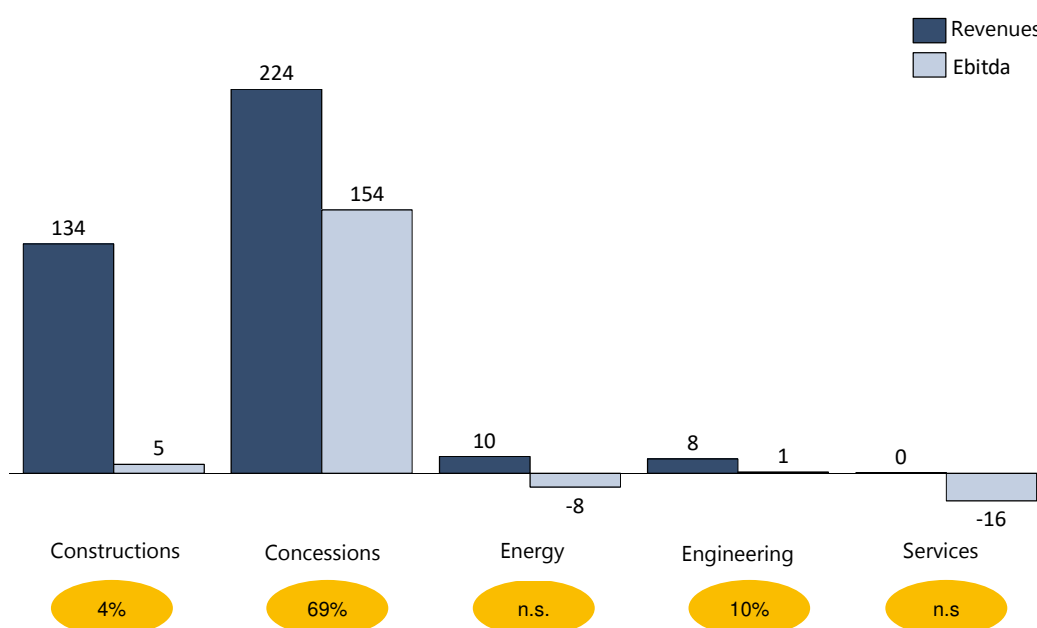
As described earlier, a significant impact on the loss for the year refers to financial charges which completely eroded the EBIT margin and generated a pre-tax loss of € 25.5 million. The net effect of taxes is positive for € 3.7 million. Consequently, the net loss for the year amounts to € 21.8 million. Net of the portion of minority interests, the loss attributable to the group amounts to € 23.6 million. Compared to 2018, the change in taxes (€ 44.6 million) is still attributable to the sale completed by US WIND, which generated a significant tax burden paid by the same company in 2019 to the US tax authorities.

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

**Graph 2 – Breakdown of EBITDA margin by business unit**

## EBITDA Margin by Business Unit

Main Companies by Business Unit



Carrying amounts, net of elimination entries

**Table 2 – Reclassified consolidated balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/ 2019	31/12/ 2018	Change	% Change
Intangible fixed assets	40,101	44,626	(4,525)	-10%
Tangible fixed assets	1,248,695	1,267,518	(18,823)	-1%
Financial fixed assets	35,229	36,645	(1,416)	-4%
<b>Total fixed assets</b>	<b>1,324,025</b>	<b>1,348,789</b>	<b>(24,764)</b>	<b>-2%</b>
<b>NWC</b>	<b>137,622</b>	<b>79,998</b>	<b>57,624</b>	<b>72%</b>
<b>NIC</b>	<b>1,461,647</b>	<b>1,428,787</b>	<b>32,860</b>	<b>2%</b>
Provisions	(94,485)	(110,327)	15,842	-14%
Employees' leaving entitlement	(9,097)	(9,665)	568	-6%
<b>Invested capital</b>	<b>1,358,065</b>	<b>1,308,795</b>	<b>49,270</b>	<b>4%</b>
<b>Net equity</b>	<b>177,893</b>	<b>204,113</b>	<b>(26,220)</b>	<b>-13%</b>
Self-liquidating loans	46,178	37,537	8,641	23%
Asset finance	12,243	15,550	(3,307)	-21%
Project finance	437,045	469,353	(32,308)	-7%
Corporate debts	17,776	20,155	(2,379)	-12%
Bond loan	36,751	24,488	12,263	50%
Factoring	17,391	15,000	2,391	16%
Liquid funds	(124,682)	(184,935)	60,253	-33%
<b>Net financial indebtedness</b>	<b>442,702</b>	<b>397,148</b>	<b>45,554</b>	<b>11%</b>
Payable to ANAS	737,470	707,534	29,936	4%
<b>"Adjusted" net financial indebtedness</b>	<b>1,180,172</b>	<b>1,104,682</b>	<b>75,490</b>	<b>7%</b>
<b>Total coverage</b>	<b>1,358,065</b>	<b>1,308,795</b>	<b>49,270</b>	<b>4%</b>

Net invested capital increased by approximately € 32.8 million to € 1,461.6 million:

- intangible fixed assets decreased by € 4.5 million mainly as a consequence of the amortisation charge of the year;
- tangible fixed assets decreased by € 18.8 million. The reduction reflects the ordinary trend of this item on which the increases of the year (€ 15.7 million) are offset against decreases of € 5.1 million (mainly as a result of the deconsolidation of Intersun S.r.l. and the related photovoltaic plant) and depreciation (€ 51.8 million). SDP's freely transferable assets had a significant effect on this item;
- finally, financial fixed assets decreased by € 1.4 million and include the reduction in equity investments (€ 0.6 million), receivables (€ 0.2 million) and securities (€ 0.4 million).

NWC increased by € 57.6 million from € 79.9 million at 31 December 2018 to € 137.6 million at 31 December 2019. The increase is essentially due to the combined effect of (i) the rise in inventory (€ 26.6 million), trade receivables (€ 27.4 million) and trade payables (€ 44.1 million) and (ii) the reduction in tax receivables (€ 6.4 million) and tax payables (€ 52.3 million).

Net equity (including minority interests), amounting to € 177.8 million, was heavily affected by SDP's recognition of hedging reserves for a negative € 50.4 million to cover the risks arising from interest rate fluctuations. 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 € 26.2 million decrease in net equity is essentially due to the effect of the net loss for the year and the changes in the fair value of derivatives and the translation reserve compared to the previous year end.

Net financial indebtedness ("**NFI**") of € 442.7 million worsened by € 45.5 million on the previous year end (€ 397.1 million). For additional information, reference should be made to the next section describing net financial indebtedness.

Finally, the payable to ANAS rose by € +29.9 million. The increase is due to the rise in the financial liabilities to ANAS related to the interest accrued during the year.

## Net financial indebtedness

Net financial indebtedness (NFI) is negative by € 442.7 million, up € 45.5 million (+11%) on December 2018.

### Changes in NFI by nature

**Table 3 – Financial liabilities by nature**

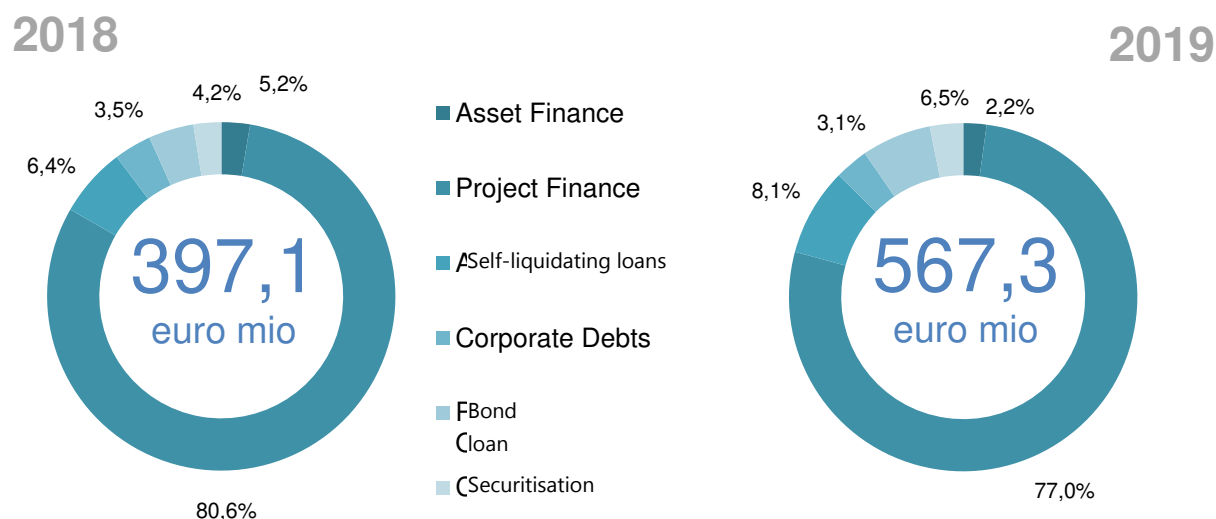
NFI by Nature <i>in thousands of euro</i>	31/12/ 2019	31/12/ 2018	Change	% Change
Asset finance	12,243	15,550	(3,307)	-21%
Project finance	437,045	469,353	(32,308)	-7%
Self-liquidating loans	46,178	37,537	8,641	23%
Corporate debts	17,776	20,155	(2,379)	-12%
Bond loans	36,751	24,488	12,263	50%
Factoring	17,391	15,000	2,391	16%
<b>Total</b>	<b>567,384</b>	<b>582,083</b>	<b>(14,699)</b>	<b>-3%</b>
Liquid funds	(124,682)	(184,685)	60,003	-32%
Current assets	0	(250)	250	-100%
<b>Total</b>	<b>(124,682)</b>	<b>(184,935)</b>	<b>60,253</b>	<b>-33%</b>
<b>Net financial indebtedness</b>	<b>442,702</b>	<b>397,148</b>	<b>45,554</b>	<b>11%</b>

Net financial indebtedness may be analysed as follows:

- the payables based on collateral on owned assets under asset finance schemes went from € 15.5 million in 2018 to € 12.2 million in 2019 with a 21% decrease due to the repayments mainly made by TOTO CG;
- the structured payables under project financing (without-recourse) schemes went from € 469.3 million to € 437.0 million. The decrease is due to the repayments of the year by SDP and the deconsolidation of Intersun S.r.l.'s payable (the latter company is held for sale).
- Self-liquidating loans amounted to € 46.1 increasing by approximately € 8.6 million compared to the balance at 31 December 2018. 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 € 5.9 million) and SDP (in 2019, it drawn an additional amount of € 14.4 million);
- corporate loans amounted to € 17.7 million and decreased by 12% compared to 2018 mainly as a result of the repayments made by TOTO CG;
- bond loans increased by € 12.2 million since, during the year, Renexia Pech S.p.A. subscribed an additional bond in addition to that already issued in 2018 by Renexia Wind Offshore S.p.A.; the nominal amount of the new issue was € 12.5 million;

- the TOTO CG securitisation transaction involving the sale of part of its technical provisions relating to certain contracts which increased by € 2.3 million due to the interest accrued during the year.

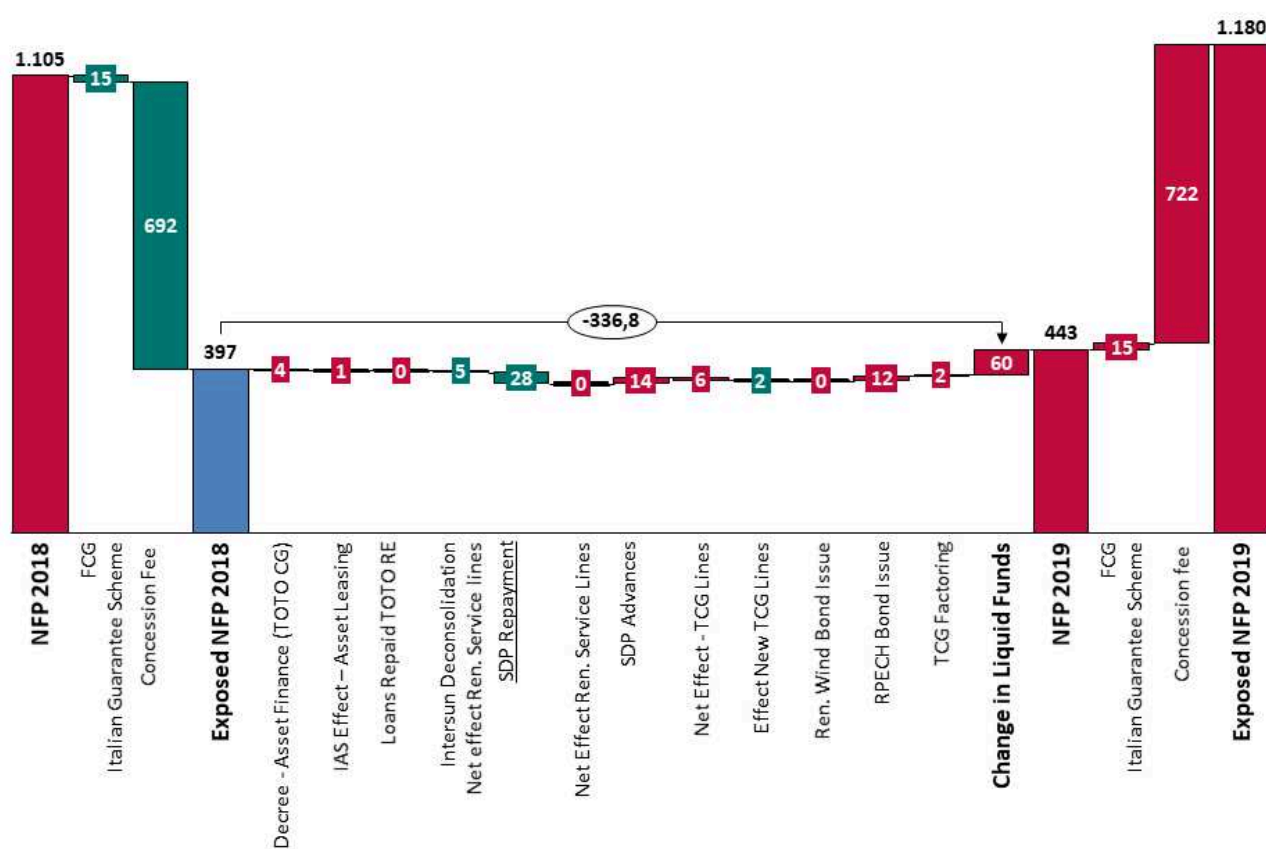
Graph 3 – Breakdown of financial liabilities by nature



The calculation of the NFI does not take into account SDP S.p.A. payable for the concession fee (€ 722.2 million) and the loan of the former operator (SARA S.p.A.) 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 NFI 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 4 – Bridge analysis on the development of the 2018 – 2019 NFI

### Bridge Analysis NFP 2018 – NFP 2019



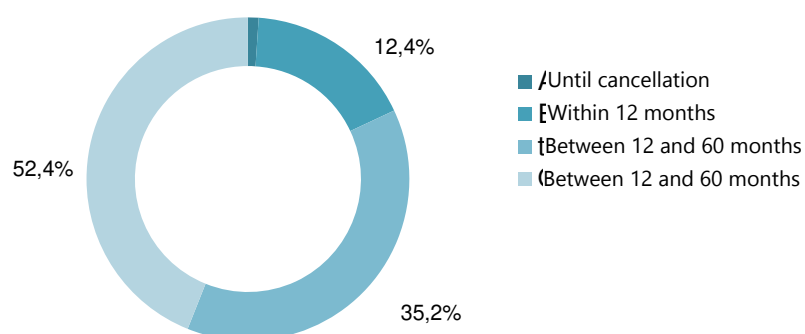
### Analysis of NFI by due date

The analysis of net financial indebtedness by due date shows that 43.9 % of financial liabilities is due after 5 years. The € 6.6 million asset financing due within one year includes the principal to be repaid within 12 months of loans and financing, such as those for the Martina TBM. The € 30.4 million self-liquidating loans due within one year 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. The € 6.5 million corporate debts due within one year mainly relate to Toto CG's bank current accounts. The € 17.3 million relating to TOTO CG securitisation transaction will be repaid when the technical provisions partly sold to third-party lenders are collected.

**Table 4 – Breakdown of 2019 financial liabilities by nature and due date**

NFI by due date <i>in thousands of euro</i>	Until cancellation	Within one year	Between 12 and 60 months	Over 60 months	Total
Asset finance	0	6,687	4,493	1,063	12,243
Project finance	0	35,209	179,977	221,859	437,045
Self-liquidating loans	0	30,411	15,767	0	46,178
Corporate debts	6,106	6,555	5,115	0	17,776
Bond loan	0	0	10,598	26,153	36,751
Factoring	0	17,391	0	0	17,391
<b>Total</b>	<b>6,106</b>	<b>96,253</b>	<b>215,950</b>	<b>249,075</b>	<b>567,384</b>
Liquid funds					(124,682)
Current assets					0
<b>Total</b>					<b>(124,682)</b>
<b>Net financial indebtedness</b>	<b>6,106</b>	<b>96,253</b>	<b>215,950</b>	<b>249,075</b>	<b>442,702</b>

**Graph 5 – Breakdown of 2019 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 5 – Breakdown of payables to the grantor and former FCG**

ANAS/FCG payables by due date <i>in thousands of euro</i>	Until cancellation	Within one year	Between 12 and 60 months	Over 60 months	Total
Payable to ANAS	0	67,020	132,778	537,672	737,470

## SDP take-over amount

In the event of early termination, the Operator SDP is also responsible for settling the notional items. In accordance with said Agreement, which implements the provisions of CIPE resolution no. 39/2007, in order to ensure the progressive development of the toll, the BP may provide for the inclusion of "notional items" which, based on the principles of legitimate expectation and financial neutrality, generate regulatory receivables (Receivables related to notional items), any time the fee due to the operator is postponed following a time deferral in toll increases under the Single Agreement.

These regulatory receivables, which are "off-balance sheet", are to all intents and purposes an asset of the company. Indeed, under the principle of legitimate expectation set out in the Single Agreement, when it is not possible to "recover" the notional items prior to the expiry date of the concession, the Operator is entitled to receiving from the incoming party (Grantor or new Operator) an amount equal to that of the residual regulatory receivables. At 31 December 2019, SDP figurative receivables amount to approximately € 677 million, as per the appraisal of a leading independent auditor.

## 2019 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 € 12.5 million, privately placed with a foreign qualified investment fund. 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 the first half of 2021 for an annual amount equal to € 1 million up to 31 December 2025 and the remaining balance will be paid in one tranche at maturity (31 December 2026). The securities will pay coupons at an annual 8.5% rate in arrears, starting from 31 December 2019.

The bond was issued in one tranche on 4 July 2019 for the full nominal amount.

At the reporting date, the residual debt amounts to € 12.2 million.

## Performance of the main group companies

TOTO Holding S.p.A.

**Table 6 – Reclassified profit and loss account of TOTO Holding S.p.A.**

Profit and Loss Account <i>In thousands of euro</i>	2019	2018	Change	% Change
Production revenues	5,092	4,877	215	4%
Operating costs	28,759	9,411	19,348	206%
<b>EBITDA</b> <i>EBITDA Margin</i>	<b>(23,667)</b> -465%	<b>(4,534)</b> -93%	<b>(19,133)</b>	<b>422%</b>
D&A	1,699	17,419	(15,720)	-90%
<b>EBIT</b> <i>EBIT Margin</i>	<b>(25,366)</b> -498%	<b>(21,953)</b> -450%	<b>(3,413)</b>	<b>16%</b>
Net financial income	69,424	10,283	59,141	575%
<b>EBT</b> <i>Margin</i>	<b>44,058</b> 865%	<b>(11,670)</b> -239%	<b>55,728</b>	<b>-478%</b>
Income taxes	4,935	158	4,777	3023%
<b>Net profit (loss) for the year</b> <i>Margin</i>	<b>48,993</b> 962%	<b>(11,512)</b> -236%	<b>60,505</b>	<b>-526%</b>

Also in 2019, production revenues (€ 5.0 million) do not cover operating costs (€ 28.7 million), resulting in a gross operating loss (EBITDA) of € 23.6 million. The significant increase in costs on 2018 (+ € 19.3 million) is essentially due to operating costs (€ 19.5 million). Indeed, during the year, TH wrote off a € 13.3 million receivable because all the initiatives carried out, even in court or similar, did not allow its recovery. Furthermore, TH completed a transaction entailing the payment of € 4.8 million to CAI. The sum of these two non-recurring amounts resulted in the € 19.3 million increase in operating costs on 2018.

Amortisation, depreciation and write-downs (€ 1.7 million) also include the write-downs related to the adjustments to financial assets (€ 1.45 million). The balance comprises:

- the write-down of the investments in APFL, TOTO RE, AVIAGRICOLA, EURASIA (approximately € 1 million);
- the write-down of bank shares (approximately € 0,45 thousand) .

Therefore, the operating loss (EBIT) amounts to € 25.3 million. However, since it is a holding company, financial management requires particular attention given its importance within a company whose business object is the management of investees.

Consequently, net financial income for 2019 amounts to € 69.4 million and includes (i) € 60,075 thousand related to the dividends approved in 2019 by the shareholders of the subsidiary RENEXIA (ii) € 4,950 thousand related to the dividends approved in 2019 by the shareholders of the subsidiary PGS and (iii) € 1,500 thousand related to the dividends approved in 2019 by the shareholders of the subsidiary INFRA.

Income taxes have a € 4.9 million positive effect on the net profit for the year, mainly as a consequence of the income from the tax consolidation scheme (€ 2.8 million), the recognition of deferred tax assets on the tax losses of the year (€ 1.3 million) and the release of deferred tax liabilities (€ 0.1 million).

**Table 7 – Reclassified balance sheet of TOTO Holding S.p.A.**

Balance sheet <i>In thousands of euro</i>	31/12/2019	31/12/2018	Change	% Change
Intangible fixed assets	277	277	(0)	0%
Tangible fixed assets	131	120	10	8%
Financial fixed assets	297,325	271,024	26,301	10%
<b>Total fixed assets</b>	<b>297,732</b>	<b>271,421</b>	<b>26,311</b>	<b>10%</b>
<b>NWC</b>	<b>(15,226)</b>	<b>(12,248)</b>	<b>(2,978)</b>	<b>24%</b>
<b>NIC</b>	<b>282,506</b>	<b>259,173</b>	<b>23,333</b>	<b>9%</b>
Provisions	(740)	(7,013)	6,273	-89%
Employees' leaving entitlement	(405)	(392)	(13)	3%
<b>Invested capital</b>	<b>281,361</b>	<b>251,768</b>	<b>29,593</b>	<b>12%</b>
<b>Net equity</b>	<b>334,560</b>	<b>285,566</b>	<b>48,994</b>	<b>17%</b>
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	70,906	69,410	1,496	2%
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	4	10	(6)	-62%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(123,370)	(102,577)	(20,793)	20%
Liquid funds	(739)	(641)	(98)	15%
<b>Net financial position</b>	<b>(53,199)</b>	<b>(33,798)</b>	<b>(19,401)</b>	<b>57%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position</b>	<b>(53,199)</b>	<b>(33,798)</b>	<b>(19,401)</b>	<b>57%</b>
<b>Total coverage</b>	<b>281,361</b>	<b>251,768</b>	<b>29,593</b>	<b>12%</b>

The increase in fixed assets is mainly due to TH investments (see the note to financial fixed assets) which rose by € 26.3 million. The increase is mainly due to:

- the carrying amount of the investment in TOTO CG which rose by € 20 million. During the year, TH formally acknowledged its waiver to a financial receivable in order to financially support its subsidiary and cover the losses incurred by the latter;
- the investment in APFL which rose by € 7.7 million following the capital increase of the year. This transaction was preliminary to the liquidation of the Irish subsidiary which was completed in August 2019 with the appointment of a liquidator.

NWC increased essentially as a result of the rise in tax payables (€ 5.3 million following the facilitated settlement of the tax dispute related to the application of the "Participation Exemption" (PEX) scheme in prior years) and in the amounts due to CAI (€ 4.7 million) as discussed in the "Significant events – Toto Holding S.p.A. – Third CAI Agreement" paragraph to which reference should be made, net of the payments to CAI amounting to € 14.1 million.

The facilitated settlement of the tax dispute related to the application of the PEX scheme is also behind the decrease in provisions. Indeed, the previously-accrued provision was used to apply for the facilitated settlement. Net equity increased as a result of the net profit for the year, while the net financial position rose by € 19.4 million. Indeed, the increase in financial payables mainly to the subsidiaries Renexia S.p.A. and PGS was largely absorbed by the rise in financial receivables from subsidiaries (mainly TOTO CG).

**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>	2019	2018	Change	% Change
Production revenues	139,295	104,901	34,394	33%
Operating costs	133,832	149,894	(16,062)	-11%
<b>EBITDA</b> <i>EBITDA Margin</i>	<b>5,463</b> 4%	<b>(44,993)</b> -43%	<b>50,456</b> 46.81%	<b>-112%</b>
D&A	7,241	16,053	(8,812)	-55%
<b>EBIT</b> <i>EBIT Margin</i>	<b>(1,778)</b> -1%	<b>(61,046)</b> -58%	<b>59,268</b> 56.91%	<b>-97%</b>
Net financial charges	(8,828)	(7,491)	(1,337)	18%
<b>EBT</b> <i>Margin</i>	<b>(10,606)</b> -8%	<b>(68,537)</b> -65%	<b>57,931</b> 57.72%	<b>-85%</b>
Income taxes	2,464	12,895	(10,431)	-81%
<b>Net loss for the year</b> <i>Margin</i>	<b>(8,142)</b> -6%	<b>(55,642)</b> -53%	<b>47,500</b> 47.19%	<b>-85%</b>

Production revenues (€ 139.3 million) increased by € 34.4 million on the previous year (€ 104.9 million). This item mainly includes the consideration for works approved by customers, production up to 31 December 2019 and claims submitted for additional costs.

Operating costs (€ 133.8 million) decreased by € 16.1 million on 2018 (- 11%), resulting in a significant improvement in EBITDA, which went from € -44.9 million to € 5.5 million. EBITDA (€ 5.5 million) is now positive and benefits from the considerable increase in production revenues (+33%) and the reduction in operating costs (-11%).

Furthermore, in addition to recording a positive balance compared to the loss of the previous year, EBITDA also reflects the losses of the Polish branch which recorded a gross operating loss (EBITDA) of € 10.6 million in 2019. Net of the loss incurred by the Polish branch, EBITDA would amount to € 16.1 million.

Net financial charges amount to € 8.8 million, up by € 1.3 million on 2019. The following had a significant effect: (i) interest expense to the parent TH (€ 1.7 million), (ii) the charges related to the advance received in the previous year following the securitisation of technical provisions (€ 2.3 million) and (iii) interest on arrears and deferred payments (€ 2.2 million).

The operating loss (EBIT) amounts to € 10.6 million and improved by € 57.9 million.

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

Balance Sheet <i>In thousands of euro</i>	31/12/2019	31/12/2018	Change	% Change
Intangible fixed assets	66	121	(55)	-45%
Tangible fixed assets	63,983	64,376	(393)	-1%
Financial fixed assets	10,979	21,780	(10,801)	-50%
<b>Total fixed assets</b>	<b>75,028</b>	<b>86,277</b>	<b>(11,249)</b>	<b>-13%</b>
<b>NWC</b>	<b>7,712</b>	<b>(4,690)</b>	<b>12,402</b>	<b>-264%</b>
<b>NIC</b>	<b>82,740</b>	<b>81,587</b>	<b>1,153</b>	<b>1%</b>
Provisions	(7,610)	(7,326)	(284)	4%
Employees' leaving entitlement	(462)	(657)	195	-30%
<b>Invested capital</b>	<b>74,668</b>	<b>73,604</b>	<b>1,064</b>	<b>1%</b>
<b>Net equity</b>	<b>27,062</b>	<b>15,770</b>	<b>11,292</b>	<b>72%</b>
Self-liquidating loans	23,141	29,132	(5,991)	-21%
Intercompany payables	5	0	5	N.A.
Asset finance	10,230	14,283	(4,053)	-28%
Project finance	0	0	0	n.a.
Corporate debts	14,899	17,066	(2,167)	-13%
Bond loan	0	0	0	n.a.
Factoring	17,391	15,000	2,391	16%
Intercompany receivables	(14,460)	(5,636)	(8,824)	157%
Liquid funds	(3,601)	(12,011)	8,410	-70%
<b>Net financial indebtedness</b>	<b>47,606</b>	<b>57,834</b>	<b>(10,229)</b>	<b>-18%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial indebtedness</b>	<b>47,606</b>	<b>57,834</b>	<b>(10,228)</b>	<b>-18%</b>
<b>Total coverage</b>	<b>74,668</b>	<b>73,604</b>	<b>1,064</b>	<b>1%</b>

Fixed assets (€ 75.0 million) decreased by € 11.2 million on 31 December 2018. The reduction is mainly due to financial receivables and, specifically, the loans with Radimero Scarl, offset in 2019 against the payables and the consideration paid by SELI to acquire the rights to manage the RADIMERO contract.

NWC (€ 7.7 million) rose by € 12.4 million.

Net equity (€ 27.1 million) increased by € 11.3 million following the net effect of the 2019 losses and TH's capital injection of € 20 million.

NFI improved considerably from € 57.8 million to € 47.6 million or by 18% mainly as a result of the amounts repaid to banks during the year.

NIC (€ 82.7 million) is essentially in line with the previous year end. Indeed, the increase in NWC offsets the decrease in NIC while, with respect to hedges, the reduction in indebtedness is offset against the increase in net equity.

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

Profit and Loss Account <i>In thousands of euro</i>	2019	2018	Change	% Change
Production revenues	224,455	208,784	15,671	8%
Operating costs	100,850	98,142	2,708	3%
<b>EBITDA</b> <i>EBITDA Margin</i>	<b>123,605</b> <i>55%</i>	<b>110,642</b> <i>53%</i>	<b>12,963</b> <i>2.08%</i>	<b>12%</b>
D&A	50,233	46,073	4,160	9%
<b>EBIT</b> <i>EBIT Margin</i>	<b>73,372</b> <i>33%</i>	<b>64,569</b> <i>31%</i>	<b>8,803</b> <i>1.76%</i>	<b>14%</b>
Net financial charges	(62,505)	(66,396)	3,891	-6%
<b>EBT</b> <i>Margin</i>	<b>10,867</b> <i>5%</i>	<b>(1,827)</b> <i>-1%</i>	<b>12,694</b> <i>5.72%</i>	<b>-695%</b>
Income taxes	(1,838)	(4,364)	2,526	-58%
<b>Net profit (loss) for the year</b> <i>Margin</i>	<b>9,029</b> <i>4%</i>	<b>(6,191)</b> <i>-3%</i>	<b>15,220</b> <i>6.99%</i>	<b>-246%</b>

In 2019, toll revenues included in production revenues decreased by 8.0% on the previous year. Despite the positive impact of the increase in traffic volumes (+1.0% on 2018), net tolls are affected by the legally-established suspension of the toll increases for 2018 and 2019. Consequently, the tolls applied in 2019 are those for 2017.

Other revenues from core business include lost revenues due to the toll suspension set out in article 9 trices semel of Law decree no. 123 of 24 October 2019, amounting to € 31.2 million (€ 4.9 million in 2018, when the suspension covered only the last quarter of the year), recognised on an accruals basis. Other revenues rose considerably thanks to the positive effects of a transaction with a sub-operator related to the legal proceedings concerning the maintenance obligations of the operated service stations and royalty receivables.

Operating costs increased by € 2.7 million on the previous year, mainly as a consequence of the rise in motorway maintenance works. Maintenance costs exceeded the commitment set out in the Single Agreement by € 9 million, confirming the fact that infrastructure's and users' safety is a top priority for the company.

EBITDA rose by approximately 12%, from € 110.6 million in 2018 to € 123.6 million in 2019.

Amortisation and depreciation increased by € 9.6 million, essentially as a result of the start-up of the work carried out to prevent the shifting of viaduct decks and the application of the increasing depreciation rate. During the year, excluding the release of an excess provision, € 2.0 million was accrued to provisions for risks and charges or provisions adjusting current asset items.

Financial charges decreased since part of the principal had already been repaid and as a result of low variable interest rates to which part of the total financing cost is pegged. Capitalised financial charges amount to € 2.9 million and relate to assets under construction.

Income taxes amount to € 1.8 million, down on the previous year. The taxes reflect the effect of the revaluation of deferred tax assets following the 3.5% increase in the ordinary IRES tax rate as per the 2019 Budget Law and applicable to 2019, 2020 and 2021.

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

Balance sheet <i>In thousands of euro</i>	31/12/2019	31/12/2018	Change	% Change
Intangible fixed assets	8,467	9,473	(1,006)	-11%
Tangible fixed assets	1,122,205	1,144,024	(21,820)	-2%
Financial fixed assets	59	60	(1)	-2%
<b>Total fixed assets</b>	<b>1,130,730</b>	<b>1,153,557</b>	<b>(22,827)</b>	<b>-2%</b>
<b>NWC</b>	<b>20,377</b>	<b>6,044</b>	<b>14,333</b>	<b>237%</b>
<b>NIC</b>	<b>1,151,107</b>	<b>1,159,601</b>	<b>(8,494)</b>	<b>-1%</b>
Provisions	(81,841)	(91,835)	9,994	-11%
Employees' leaving entitlement	(7,113)	(7,683)	570	-7%
<b>Invested capital</b>	<b>1,062,153</b>	<b>1,060,083</b>	<b>2,070</b>	<b>0%</b>
<b>Net equity</b>	<b>(14,613)</b>	<b>(34,449)</b>	<b>19,836</b>	<b>-58%</b>
Self-liquidating loans	14,479	0	14,479	N.A.
Intercompany payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	437,045	464,534	(27,490)	-6%
Corporate debts	0	0	0	n.a.
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	0	0	0	n.a.
Liquid funds	(112,226)	(77,536)	(34,690)	45%
<b>Net financial indebtedness</b>	<b>339,297</b>	<b>386,998</b>	<b>(47,701)</b>	<b>-12%</b>
Payable to the grantor	737,469	707,534	29,935	4%
<b>"Adjusted" net financial indebtedness</b>	<b>1,076,766</b>	<b>1,094,532</b>	<b>(17,766)</b>	<b>-2%</b>
<b>Total coverage</b>	<b>1,062,153</b>	<b>1,060,083</b>	<b>2,070</b>	<b>0%</b>

Fixed assets decreased mainly as a result of the amortisation/depreciation of the year. Investments are shown net of the grants related to plant received during the year. NWC increased mainly as a consequence of the increase in the receivables from the grantor. NIC amounts to € 1,151 million, down by approximately € 8.4 million on 2018.

The "adjusted" net financial indebtedness went from € 1,094 million in 2018 to € 1,076 million in 2019. This is due to the net effect of the rise in the financial payables to ANAS for the interest accrued during the year on the concession Instalment not yet paid, the project finance repayments of the year, the use of self-liquidating loans for € 14.4 million and the use of cash for € 34.6 million.

The net deficit improved following the combined effect of the increase in the hedging reserve and the recognition of the net profit for the year.

Thanks to the net profit for 2019, the cumulated losses are now below the threshold set out by the Italian Civil Code pursuant to article 2446 (one third of share capital), above which the provisions on share capital set out in the same article would apply. The losses exceeding the threshold set out in article 2446 of the Italian Civil Code had been acknowledged by the shareholders called in an ordinary meeting based on the interim accounts at 31 October 2018. During this meeting, the shareholders resolved to defer the calculation of the ratio between share capital and cumulated losses to the date of approval of the financial statements for the following year (31 December 2019) and to adopt the actions provided for by article 2446 of the Italian Civil Code in the event that, at such date, the losses had not decreased to below one third of share capital.

#### *SDP take-over amount*

In the event of early termination, the Operator SDP is also responsible for settling the notional items. In accordance with said Agreement, which implements the provisions of CIPE resolution no. 39/2007, in order to ensure the progressive development of the toll, the BP may provide for the inclusion of "notional items" which, based on the principles of legitimate expectation and financial neutrality, generate regulatory receivables (Receivables related to notional items), any time the fee due to the operator is postponed following a time deferral in toll increases under the Single Agreement.

These regulatory receivables, which are "off-balance sheet", are to all intents and purposes an asset of the company. Indeed, under the principle of legitimate expectation set out in the Single Agreement, when it is not possible to "recover" the notional items prior to the expiry date of the concession, the Operator is entitled to receiving from the incoming party (Grantor or new Operator) an amount equal to that of the residual regulatory receivables. At 31 December 2019, SDP figurative receivables amount to approximately € 677 million, as per the appraisal of a leading independent auditor.

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

Profit and Loss Account <i>In thousands of euro</i>	2019	2018	Change	% Change
Production revenues	776	726	50	7%
Operating costs	4,506	8,795	(4,289)	-49%
<b>EBITDA</b>	<b>(3,730)</b>	<b>(8,069)</b>	<b>4,339</b>	<b>-54%</b>
<i>EBITDA Margin</i>	<i>-481%</i>	<i>-1111%</i>	<i>630.76%</i>	
D&A	1,255	2,286	(1,031)	-45%
<b>EBIT</b>	<b>(4,985)</b>	<b>(10,355)</b>	<b>5,370</b>	<b>-52%</b>
<i>EBIT Margin</i>	<i>-642%</i>	<i>-1426%</i>	<i>783.91%</i>	
Net financial income	15,122	107,680	(92,558)	-86%
<b>EBT</b>	<b>10,137</b>	<b>97,325</b>	<b>(87,188)</b>	<b>-90%</b>
<i>Margin</i>	<i>1306%</i>	<i>13406%</i>	<i>-12099.33%</i>	
Income taxes	(484)	(402)	(82)	20%
<b>Net profit for the year</b>	<b>9,653</b>	<b>96,923</b>	<b>(87,270)</b>	<b>-90%</b>
<i>Margin</i>	<i>1244%</i>	<i>13350%</i>	<i>-12106.33%</i>	

2019 ended with a net profit of € 9.6 million. Revenues (€ 776 thousand), net of external costs (€ 3.0 million) and personnel expenses (€ 1.5 thousand), generated a gross operating loss (EBITDA) of approximately € 3.7 million. External costs mainly refer to services (€ 1.7 million). Revenues are substantially in line with those for 2018 and refer to services provided to subsidiaries.

External costs decreased considerably mainly as a consequence of the different impact of the withholding taxes paid in the US through the subsidiary US Wind Inc., upon dividend distribution in the two years. Indeed, in 2018, the WT amounted to approximately € 4.9 million (calculated on a dividend of € 105 million), while, in 2019, it was € 631 thousand (calculated on a dividend of € 13 million).

Equity investments, included under "D&A", have a negative balance of € 1,209 thousand due to:

- the write-down of the investment in the Tunisian subsidiary Medwind Sarl (€ 530) in order to adjust its carrying amount to the estimated realisable value after receiving offers for the sale of the subsidiary from investors;
- the write-down of the investments in the subsidiaries Indaco S.r.l. and Volere Volare S.r.l. totalling € 679 thousand following the legislative changes of the year, which essentially amended the profitability conditions of the mini wind project under development. For additional information reference should be made to the notes to the consolidated financial statements ("Equity investments").

Given the company's business object, the gross operating loss (EBIT) of € 4.9 million underwent a significant trend reversal due to the impact of net financial income.

Net financial income amounts to € 15.1 million and includes:

- the dividend received from the US subsidiary US Wind Inc. (€ 13,3 million);
- the net effect of financial income (€ 1.7 million), mainly related to the interest (income and expense) accrued in respect of subsidiaries under the intercompany current account contract;
- the net exchange rate gains of the year of € 137 thousand.

Based on the above, the profit before taxes amounts to € 10.1 million. After deducting taxes (for € 484 thousand), the net profit for the year amounts to € 9.6 million.

**Table 12 – Renexia S.p.A. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2019	31/12/2018	Change	% Change
Intangible fixed assets	284	26	258	1011%
Tangible fixed assets	74	44	29	66%
Financial fixed assets	32,280	33,428	(1,148)	-3%
<b>Total fixed assets</b>	<b>32,638</b>	<b>33,498</b>	<b>(860)</b>	<b>-3%</b>
<b>NWC</b>	<b>(9,725)</b>	<b>1,489</b>	<b>(11,214)</b>	<b>-753%</b>
<b>NIC</b>	<b>22,913</b>	<b>34,987</b>	<b>(12,074)</b>	<b>-35%</b>
Provisions	(3,472)	(3,413)	(59)	2%
Employees' leaving entitlement	(136)	(90)	(46)	51%
<b>Invested capital</b>	<b>19,305</b>	<b>31,484</b>	<b>(12,179)</b>	<b>-39%</b>
<b>Net equity</b>	<b>38,170</b>	<b>103,517</b>	<b>(65,347)</b>	<b>-63%</b>
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	34,030	15,386	18,644	121%
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	9	15	(6)	-40%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(51,849)	(72,992)	21,143	-29%
Liquid funds	(1,055)	(14,442)	13,387	-93%
<b>Net financial position</b>	<b>(18,865)</b>	<b>(72,033)</b>	<b>53,168</b>	<b>-74%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position</b>	<b>(18,865)</b>	<b>(72,033)</b>	<b>53,168</b>	<b>-74%</b>
<b>Total coverage</b>	<b>19,305</b>	<b>31,484</b>	<b>(12,179)</b>	<b>-39%</b>

Fixed assets decreased by € 0.8 million mainly as a consequence of the change in equity investments. The decrease reflects the reclassification of the investment in Intersun S.r.l. to "*Current financial assets*" following the signing, on 3 April 2019, of the agreement for the sale of 100% of the investment therein. Indeed, under the contract to acquire Beleolico S.r.l., which was completed on 21 May 2018 with a notary deed recording the quota transfer, Renexia S.p.A. through the subsidiary Renexia Wind Offshore S.p.A., reached an agreement with the previous owners on a deferred payment plan which also includes the option to pay part of the price of the investment in Beleolico S.r.l. by transferring the entire investment in Intersun S.r.l. The transaction, which is,

however, subject to some conditions precedent, is expected to be completed as part of the contract to acquire Beleolico S.r.l..

The € 11.2 million decrease in NWC essentially reflects the rise in "Other payables" related to the dividend approved on 30 April 2019 in favour of natural persons, net of the payments already made in 2019 (€ 2.4 million).

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 & Technical Services S.r.l. ("ETS"), as described in the paragraph "Risk factors and uncertainties – Renexia S.p.A.".

Net equity decreased by € 65.3 million due to the combined effect of the decrease resulting from the dividend distribution approved on 30 April 2019 (€ 75 million) and the increase due to the net profit for the year (€ 9.6 million).

The NFP amounts to € 18.8 million. The € 53.1 million decrease is due to the use of liquid funds (€ 13.3 million), the rise in financial payables to subsidiaries (€ 18.6 million) and the reduction in intercompany financial receivables (€ 21.1 million).

**Table 13 – Infraengineering S.r.l. reclassified profit and loss account**

Profit and Loss Account <i>In thousands of euro</i>	2019	2018	Change	% Change
Production revenues	10,323	12,078	(1,755)	-15%
Operating costs	8,263	7,866	397	5%
<b>EBITDA</b>	<b>2,060</b>	<b>4,212</b>	<b>(2,152)</b>	<b>-51%</b>
<i>EBITDA Margin</i>	<i>20%</i>	<i>35%</i>	<i>-14.92%</i>	
D&A	61	60	1	2%
<b>EBIT</b>	<b>1,999</b>	<b>4,152</b>	<b>(2,153)</b>	<b>-52%</b>
<i>EBIT Margin</i>	<i>19%</i>	<i>34%</i>	<i>-15.01%</i>	
Net financial income (charges)	(88)	1	(89)	-8900%
<b>EBT</b>	<b>1,911</b>	<b>4,153</b>	<b>(2,242)</b>	<b>-54%</b>
<i>Margin</i>	<i>19%</i>	<i>34%</i>	<i>-15.87%</i>	
Income taxes	(618)	(1,403)	785	-56%
<b>Net profit for the year</b>	<b>1,293</b>	<b>2,750</b>	<b>(1,457)</b>	<b>-53%</b>
<i>Margin</i>	<i>13%</i>	<i>23%</i>	<i>-10.24%</i>	

The company's financial statements show a net profit of € 1.2 million. Revenues of € 10.3 million resulted in EBITDA of approximately € 2.0 million. Operating costs amount to € 8.2 million and mainly comprise services (€ 2.5 million), personnel expenses (€ 4.7 million) and use of third-party assets (€ 0.7 million). The latter mainly relates to office leases.

The € 2.1 million decrease in EBITDA (-51%) is due to the combined effect of the reduction in revenues (€ 1.7 million or 15%) and the rise in personnel expenses (approximately € 0.4 million or 11%). Indeed, the company's strategy was to continue hiring new resources in order to promptly manage the upcoming needs associated with the increase in design and development activities, mainly with respect to SDP.

Because of the nature of the business, which is extremely streamlined being an engineering company, amortisation and depreciation have a reduced impact (€ 0.6 million). 2019 EBIT amounts to € 1.9 million. Net financial charges had no significant effect (€ 0.88 million).

The pre-tax profit amounts to € 1.9 million. Taxes have a negative effect of € 0.6 million, generating a net profit for the year of € 1.2 million.

**Table 14 – Infraengineering S.r.l. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2019	31/12/2018	Change	% Change
Intangible fixed assets	15	42	(28)	-66%
Tangible fixed assets	101	67	34	51%
Financial fixed assets	0	0	0	N.A.
<b>Total fixed assets</b>	<b>116</b>	<b>110</b>	<b>6</b>	<b>5%</b>
<b>NWC</b>	<b>17,866</b>	<b>14,481</b>	<b>3,385</b>	<b>23%</b>
<b>NIC</b>	<b>17,982</b>	<b>14,591</b>	<b>3,391</b>	<b>23%</b>
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(341)	(266)	(75)	28%
<b>Invested capital</b>	<b>17,641</b>	<b>14,325</b>	<b>3,316</b>	<b>23%</b>
<b>Net equity</b>	<b>18,728</b>	<b>19,935</b>	<b>(1,207)</b>	<b>-6%</b>
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	638	881	(243)	-28%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(1,387)	(6,399)	5,012	-78%
Liquid funds	(338)	(92)	(246)	268%
<b>Net financial position</b>	<b>(1,087)</b>	<b>(5,610)</b>	<b>4,523</b>	<b>-81%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position</b>	<b>(1,087)</b>	<b>(5,610)</b>	<b>4,523</b>	<b>-81%</b>
<b>Total coverage</b>	<b>17,641</b>	<b>14,325</b>	<b>3,316</b>	<b>23%</b>

NIC increased by € 3.3 million on the previous year end. The rise is mainly due to the performance of NWC which reflects the increase in inventory and trade payables.

Net equity decreased by € 1.2 million due to the net profit for the year (€ 1.2 million) against the dividends paid in 2019 (€ 2.5 million).

The net financial position amounts to € 1.8 million, down by € 4.5 million. The decrease is essentially due to the reduction in the financial receivables from the parent.

**Table 15 - Parchi Global Services S.p.A. reclassified profit and loss account**

Profit and Loss Account <i>In thousands of euro</i>	2019	2018	Change	% Change
Production revenues	25,603	23,834	1,769	7%
Operating costs	17,025	15,657	1,368	9%
<b>EBITDA</b>	<b>8,578</b>	<b>8,177</b>	<b>401</b>	<b>5%</b>
<i>EBITDA Margin</i>	<i>34%</i>	<i>34%</i>	<i>-0.80%</i>	
D&A	192	206	(14)	-7%
<b>EBIT</b>	<b>8,386</b>	<b>7,971</b>	<b>415</b>	<b>5%</b>
<i>EBIT Margin</i>	<i>33%</i>	<i>33%</i>	<i>-0.69%</i>	
Net financial income	155	237	(82)	-35%
<b>EBT</b>	<b>8,541</b>	<b>8,208</b>	<b>333</b>	<b>4%</b>
<i>Margin</i>	<i>33%</i>	<i>34%</i>	<i>-1.08%</i>	
Income taxes	(2,608)	(2,512)	(96)	4%
<b>Net profit for the year</b>	<b>5,933</b>	<b>5,696</b>	<b>237</b>	<b>4%</b>
<i>Margin</i>	<i>23%</i>	<i>24%</i>	<i>-0.73%</i>	

In 2019, production revenues amount to € 25.6 million, up by € 1.8 million or 7% on the previous year (€ 23.8 million). Operating costs show the same trend as production revenues and rose by € 1.4 million (+9%).

Core business generated EBITDA of € 8.6 million, equal to 34% of production revenues. 2019 EBITDA is substantially in line with the previous year.

The net profit for year is in line with the previous year.

The main profitability indicators show a constant trend over time, mainly due to the characteristics of the business which shows a substantial regularity of maintenance activities.

**Table 16 – Parchi Global Services S.p.A. reclassified balance sheet**

Balance sheet <i>In thousands of euro</i>	31/12/2019	31/12/2018	Change	% Change
Intangible fixed assets	38	44	(7)	-15%
Tangible fixed assets	798	331	468	141%
Financial fixed assets	0	0	0	N.A.
<b>Total fixed assets</b>	<b>836</b>	<b>375</b>	<b>461</b>	<b>123%</b>
<b>NWC</b>	<b>(22,464)</b>	<b>(646)</b>	<b>(21,818)</b>	<b>3377%</b>
<b>NIC</b>	<b>(21,628)</b>	<b>(271)</b>	<b>(21,357)</b>	<b>7881%</b>
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(578)	(486)	(92)	19%
<b>Invested capital</b>	<b>(22,206)</b>	<b>(757)</b>	<b>(21,449)</b>	<b>2833%</b>
<b>Net equity</b>	<b>9,729</b>	<b>9,295</b>	<b>434</b>	<b>5%</b>
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	424	423	0	0%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(30,799)	(9,507)	(21,291)	224%
Liquid funds	(1,560)	(968)	(592)	61%
<b>Net financial position</b>	<b>(31,935)</b>	<b>(10,052)</b>	<b>(21,883)</b>	<b>218%</b>
Payable to the grantor	0	0	0	N.A.
<b>"Adjusted" net financial position</b>	<b>(31,935)</b>	<b>(10,052)</b>	<b>(21,883)</b>	<b>218%</b>
<b>Total coverage</b>	<b>(22,206)</b>	<b>(757)</b>	<b>(21,449)</b>	<b>2833%</b>

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

NWC is negative by € 22.5 million and comprises payables of € 35.5 million and current assets of € 15.1 million.

Payables mainly relate to trade payables (€ 11.2 million) and payables to related companies (€ 17.3 million).

NIC is negative by € 22.2 million and essentially reflects the balance of NWC, described earlier.

With respect to hedges, the NFP amounts to € 31.9 million and essentially relates to PGS' financial receivable from the parent TH and liquid funds of € 1.6 million. Net equity amounts to € 9.7 million.

## Risks and uncertainties

As part of its ordinary activities, the group is exposed to:

- liquidity risk, meaning the risk of not being able to continue operations or meet financial obligations due to inadequacy of liquid assets;
- the credit risk, related to both ordinary trade transactions and the possibility that a financial counterparty may default;
- market risk, which primarily reflects exposure to changes in interest and exchange rates related to financial assets and liabilities.
- operational risk, meaning the risks related to the performance of works.

In this respect and in accordance with the objectives set out in the 2020-2026 business plan, the group aims to create a financial structure which, in line with its business objectives, guarantees adequate liquidity while minimising the related opportunity cost, and ensures the achievement of positive profit margins on contracts in the portfolio with concrete effects in terms of cash flows. Accordingly, 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 and medium/long-term commitments.

However, in the financial statements at 31 December 2019, the risks which although of an operational and financial nature, are linked to the spread of the COVID-19 pandemic, are to be reported separately.

### *Liquidity risk*

As commented in the notes in the section "Going concern" and in the section "Business outlook" of this document, the main risks and uncertainties arising also from the regulatory restrictions adopted as a result of the spread of the Covid-19 pandemic, which had consequences never before seen worldwide and nationwide, have also been assessed for the purposes of assessing the group's ability to continue as a going concern for the preparation of the consolidated financial statements at 31 December 2019, and which also affected the group's ordinary operations with significant impacts on production and revenue levels, impacting the ability to generate adequate cash flows to support the group's investment programme and debt servicing.

With respect to investments, this situation also caused the postponement of important financial transactions that the group was completing.

TH's commitments concern essentially the tax area and the repayment of the payable to CAI due, as described earlier, to the signing of various agreements with the counterparty (the Agreement, the First Agreement, the Second Agreement and the Third Agreement). These commitments were met and/or managed in compliance with the law (as regards taxes) until the pandemic's effects became visible. As mentioned above, due to the reduction in liquid funds, TH had to undertake a number of extraordinary initiatives to address the following situations:

1. with respect to tax and contributions, exercising all available regulatory instruments such as those introduced by the "Cura Italia" law decree and the subsequent Liquidity decree (converted into law on 6 June), by which the Italian government suspended a wide range of withholding, tax and contribution payments. Indeed, it postponed the deadlines and the suspension of tax and contributions payments;
2. with respect to the relations with CAI, the company requested and obtained suspension of payment of the instalments scheduled for March and April.

To date, the company chose to use the available liquidity to pay wages and salaries and meet other necessary and urgent obligations, also by paying in advance the government-sponsored lay-off scheme it applied in accordance with the provisions of the Cura Italia decree (Law decree no. 18 of 17 March 2020 published in Official Journal no. 70 of 17 March 2020).

With respect to TH's financial risks, as a result of the above, some debt positions, of a commercial and financial nature, include clauses which, if applied, could lead to the enforcement of the parent guarantees. Until the preparation date of this document, these relationships have been managed with the counterparties and it is reasonably unlikely that the scenarios will change in the short term.

In view of the peculiarities of the group's main operating segments, for each of them, information regarding the liquidity risks generated by the Covid-19 pandemic and the actions taken by the directors is summarised below.

#### **Concession BU - SDP**

According to the contract, SDP must make ANAS an annual payment of the concession price and meet the financial commitments set forth in the financial plan. The latter, which are almost all completed, are covered by available loans as well as public contributions.

With regard to the annual payment of the concession price, provisions have been made, starting from 2011, to bank accounts that are specifically used for this purpose.

The regulatory restrictions on mobility due to the spread of Covid-19 had an impact on revenues and, at the same time, on SDP's ability to generate adequate cash flows to support operations and service this debt. In this context, the directors urged ANAS and the MIT to definitively implement the preliminary agreement signed between the operator and ANAS to postpone payment of the 2019 instalment (due by 31 March 2020) at the end of the concession, subject to payment of interest on the additional extension. Article 11.6 of the Single Agreement also provides for the operator's right to require the grantor to rebalance the BP in the case of extraordinary events that have upset the economic and financial balance. From an economic and regulatory point of view, clearly there is a cause of *force majeure* which would allow the company to find economic and financial relief. In this respect, it is noted that the administrative process of rebalancing the BP is already underway. This would enable the company to offset the negative impact on cash generation from the lock-down period. The above actions which support the company's financial needs lead to the conclusion that the above risk factors are not reasonably probable, also considering the waiver granted by the lending banks for the release of the liquidity set aside under the loan agreement to be used to cover current operations.

### **Construction BU - TOTO CG**

The regulatory restrictions resulting from the spread of the Covid-19 led to the closure of construction sites and the ceasing of all operations. This situation had a significant impact on production and, at the same time, on the company's ability to generate adequate cash flows to support operations and service debt.

Commitments in the construction sector mainly concern taxes, the repayment of trade payables and the financial requirements necessary to resume construction site activities. The directors launched a series of extraordinary initiatives aimed at addressing the various situations:

1. with respect to tax and contributions, exercising all available regulatory instruments such as those introduced by the "Cura Italia" law decree and the subsequent Liquidity decree by which the Italian government suspended a wide range of withholding, tax and contribution payments (postponing deadlines and suspending tax and contributions payments);
2. managing relations with suppliers, where necessary, in such a way as to deal with the cash flow difficulties that emerged during the period;
3. using the measures set out in the provisions for the liquidity of contractors included in article 207 of Law decree no. 34 of 19 May 2020 ("Relaunch decree"). In particular, paragraph 2 of the above article provides that the entities awarding the contract may grant, under the procedures and with the guarantees provided for by article 35.18 of Legislative decree no. 50 of 18 April 2016, an advance of up to 30% of the amount of the services still to be performed, even where the contractor has already benefited from the contractually-provided advance.

### **Energy BU**

The commitments concerning the energy sector essentially consist of the tax area, the repayment of trade payables (mainly the operating company Renexia Services) and the Renexia Pech and Renexia Wind Offshore bondholders. These commitments were met and/or managed in compliance with the law (as regards taxes) until the pandemic's effects became visible. As mentioned above, due to the reduction in liquid funds, the company had to undertake a number of extraordinary initiatives to address the following situations:

1. with respect to tax and contributions, exercising all available regulatory instruments such as those introduced by the "Cura Italia" law decree and the subsequent Liquidity decree by which the Italian government suspended a wide range of withholding, tax and contribution payments (postponing deadlines and suspending tax and contributions payments);
2. managing relations with suppliers, where necessary, in such a way as to deal with the cash flow difficulties that emerged during the period;
3. as far as bonds are concerned, the next maturities relate to year end. Indeed, the group met its annual commitments at 31 December 2019.

In this context, in order to mitigate liquidity requirements to cover current debt and finance current investments, the group is committed to evaluating all available options, also following the issue of the recent Law decree no. 23 of 8 April 2020, converted into Law no. 40/2020 of 6 June 2020 published in the Italian Official journal no. 143, concerning liquidity support measures for businesses. In this respect, discussions have begun with a leading Italian bank to obtain in the short term a group loan of up to € 167 million with SACE guarantee of 90% and a six-year term, of which an interest-only period of three years and three years of repayment in the forms and methods provided for by the above Liquidity decree. Of a total of € 167 million, approximately € 64.2 million will be financed directly for the SDP.

The group also monitors the possibility of benefiting from the schemes offered by the Relaunch decree no. 34 of 19 May 2020, published in Italian Official journal no. 128 of 19 May 2020, with the aim of overcoming this particular period as soon as possible.

In this scenario, the actions taken to support the company's financial needs lead to the conclusion that the above risk factors are not reasonably probable.

### *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.

### *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.

The exposure to the currency risk is limited to transactions in foreign currencies which refer to the contracts in Poland and the Czech Republic, as well as the translation of the financial statements of the branches in Poland, the Czech Republic and the UAE, drawn up in the respective foreign currencies. Accordingly, TOTO CG does not have any exchange rate hedges in place given the insignificance of its foreign currency transactions. Should business in foreign markets increase in future, management may consider the use of adequate hedging instruments.

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

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

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

## 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.

## Operational risk

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

## Other risks

### SDP

#### *Ordinary Civil Proceedings*

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 the company to the competent body. The expert appraisals carried out by the appointed technical expert were filed in November 2018. At the hearing in July 2019, after hearing the parties, the judge held the case in judgment and granted the time limits for closing and replies.

Dispute pending before the Civil Court of Rome concerning the assessment of FIVEP's contractual breach relating to the non-conformity of the lighting fixtures supplied with respect to the contractual provisions, with reference to the components and materials used for their assembly, with the consequent request for an order to replace all the lighting fixtures and compensation for damages. On 10 August 2019, by judgment no. 17419/19, the Court, in settlement of the dispute, ordered FIVEP to replace the entire supply.

Dispute pending before the Civil Court of Rome with which SDP has filed a lawsuit before the Civil Court of Rome against Industrie CBI S.p.A., in view of the issues identified in relation to the electric fans inside the San Rocco tunnel, referred to in the 2008 supply contract. The Judge in the Chamber of Council of 8 January 2019 with sentence no. 1020/2019 ordered Industrie CBI to pay the company € 157,436.00 plus legal interest.

Judgment opposing the estimate of the expropriation (Complanari - slip roads).

The case was adjourned for clarification by the technical expert on 19 November 2019, in which it was confirmed that the land belonging to Mr. Vinci and the other plaintiffs had been a right-of-way since before the occupation, regardless of the public utility works.

After a brief discussion and the necessary clarifications, the decision was postponed.

*Ordinary Administrative Proceedings*

SDP vs ART. The case initiated by SDP refers to the reversal of Resolution no. 16/2019 sent for consultation by the ART and concerning the "Toll system regarding the concessions referred to in article 43 of Legislative decree no. 201/2011 as referred to in art. 37 of the same decree". According to SDP, ART's intervention was detrimental both because it had interfered with the rules governing the concession, assuming that it could distort its conventionally-defined structure of interests, and because it had in any case led to the interruption of the procedure for updating the PB, which was already suffering a serious delay in the contractual and legal deadlines. The discussion hearing has not been fixed yet.

SDP (the claimant) vs Regione Abruzzo (the defendant); Ministry of Infrastructure and Transport; Anas S.p.A., Ruzzo Reti S.p.A., INFN - Istituto Nazionale di Fisica Nucleare (other parties). SDP is seeking the annulment of Resolution no. 33 of 25 January 2019 of the Abruzzo Regional Council, relating to "risk management in the Gran Sasso water system", in the section which identifies SDP as one of the parties responsible for carrying out "the additional investigations necessary to complete the knowledge framework required for subsequent planning levels. The appeal was filed on 19 April 2019, the Ministry, Anas S.p.A. and the Abruzzo Region were all summoned to appear before the court on 23 April 2019, while the hearing for discussion has not yet been scheduled.

*Criminal Proceedings*

Public prosecutor's office at the Court of Teramo. Following the summons issued by the Public Prosecutor's Office at the Court of Teramo on 25 April 2019, a series of crimes were ascribed to certain representatives of the company, accused of serious negligence (therefore, negligence and inexperience) and resulting in the alleged contamination of the Gran Sasso groundwater resources. The criminal charge was also followed by the summons of the company, pursuant to article 25-undecies.1 letter c) of Legislative decree no. 231/2001. According to the Public prosecutor, the company's liability is based on alleged omissions, by the administrative body, in the adoption and implementation of appropriate protocols for the prevention of crimes that are deemed to have occurred in the interest or advantage of the company. As part of the defence activities against liability 231, Strada dei Parchi appointed external experts as technical consultants to support the defence in order to submit in court an assessment of technical and specialist aspects of suitability pursuant to article 6 of Legislative decree no. 231/2001 of its Model 231. In order to prove the exempting effect in terms of environmental protection, the company's Model 231 has been constantly inspired by the criteria set out in Legislative decree no. 231/2001,

through appropriate measures managing both the environmental issues arising from routine maintenance and the issues arising from environmental emergencies for which the company is responsible. The Public prosecutor's objections charge the company with unlawful conduct that is not based on a legal obligation to "make" the company liable, in accordance with its nature as operator. This results in the absence of any interest/advantage/savings attributable to the latter in order to configure its corporate administrative liability. From an environmental point of view, the company's Model 231 has been renewed, also thanks to the support of the Supervisory Body, adjusting it to the requirements of the environmental crimes reform, through a system of operating protocols which mitigate the performance of environmental crimes related to the company's ordinary business activities and extensive on site interventions and widespread staff training. With respect to the company's nature and size and the type of activity carried out, the company's Model 231 provides suitable measures to ensure that activities are carried out in compliance with the law and to promptly eliminate cases of risk to the environment.

#### [Renexia S.p.A.](#)

There have been no further developments with respect to the information provided in the 2018 financial statements; however, for the sake of completeness, such information is provided again here.

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 Renexia considers the requests of ETS to be groundless, in view of the negative outcome of the first instance ruling, it has 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 the Company 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 14 January 2020, subject to suspension. The L'Aquila Court of Appeal subsequently referred the conclusions first to 26 May 2020 and then to 24 November 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.

### Organisational model pursuant to Legislative decree no. 231/2001

In implementation of the provisions of Legislative decree no. 231/2001, for the main companies, the group adopts an Organisational, management, control and anti-corruption model aligned with the latest regulatory updates.

Toto Holding S.p.A. set up an Internal audit department (on top management staff) and a Supervisory Board made up of external specialists.

The Internal audit department carries out systematic and structured control and monitoring of the company's main risks and acts as the operating arm of the Body.

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

In addition to its governance and internal control system and for the purposes of its regulation, the company adopted a Code of Ethics, integrated with the Organisational model. Together, they ensure efficient and transparent process management and the effectiveness of risk control and monitoring activities.

The effective implementation of the Model is ensured by the Supervisory Body's ongoing monitoring activities and the application of disciplinary measures, which promptly and effectively punish any type of unlawful conduct.

## **Business outlook**

Pursuant to article 2428. 3.6 of the Italian Civil Code concerning "business outlook", the relevant information is provided in the notes to the consolidated financial statements, to which reference should be made, introducing a specific paragraph after that concerning the "Significant events after the reporting date". This approach promotes clarity and effectiveness in the reading of the consolidated financial statements and related documents.

Chairman of the Board of Directors

Paolo TOTO

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# Consolidated financial statements

## Balance sheet

BALANCE SHEET (in thousands of €)	31.12.2019	31.12.2018
<b>ASSETS</b>		
<b>A) Share capital proceeds to be received</b>	<b>6</b>	<b>23</b>
I) Share capital proceeds to be received	6	23
<b>B) Fixed assets</b>	<b>1,324,025</b>	<b>1,348,789</b>
<b>I) Intangible fixed assets</b>	<b>40,101</b>	<b>44,626</b>
1) Start-up and capital costs	29	29
3) Industrial patents and intellectual property rights	629	750
4) Concessions, licences, trademarks and similar rights	31,523	34,772
5) Goodwill	0	0
6) Assets under development and payments on account	276	6
7) Other	7,644	9,069
<b>II) Tangible fixed assets</b>	<b>1,248,695</b>	<b>1,267,518</b>
1) Land and buildings	83,036	84,006
2) Plant and machinery	9,335	10,823
3) Industrial and commercial equipment	1,258	1,537
4) Other assets	3,647	3,747
5) Freely transferable assets	1,038,924	977,909
6) Assets under construction and payments on account	112,495	189,496
<b>III) Financial fixed assets</b>	<b>35,229</b>	<b>36,645</b>
<b>1) Equity investments:</b>	<b>2,801</b>	<b>3,489</b>
a) Subsidiaries	10	0
b) Associates	2,744	3,436
d-bis) Other companies	47	53
<b>2) Financial receivables</b>	<b>31,625</b>	<b>31,909</b>
a) From subsidiaries	26,607	25,304
b) From associates	4,935	5,132
d-bis) From others	83	1,473
<b>3) Other securities</b>	<b>803</b>	<b>1,247</b>
<b>C) Current assets</b>	<b>610,250</b>	<b>621,809</b>
<b>I) Inventory</b>	<b>163,707</b>	<b>137,016</b>
1) Raw materials, consumables and supplies	16,131	14,538
3) Contract work in progress	130,348	110,937
4) Finished goods	3,370	6,378
5) Payments on account	13,858	5,163
<b>II) Receivables</b>	<b>250,989</b>	<b>227,102</b>
1) Trade receivables	20,800	34,908
2) From subsidiaries	115	0
3) From associates	214	1,188
5-bis) Tax receivables	26,004	33,158
5-ter) Deferred tax assets	80,112	73,212
5-quater) From others	123,744	84,636
<b>III) Current financial assets</b>	<b>26,574</b>	<b>25,927</b>
1) Investments in subsidiaries	26,574	25,677
6) Other securities	0	250
<b>IV) Liquid funds</b>	<b>124,682</b>	<b>184,685</b>
1) Bank and postal accounts	123,959	184,008
3) Cash-in-hand and cash equivalents	723	677
<b>V) Assets held for sale</b>	<b>44,298</b>	<b>47,079</b>
<b>D) Prepayments and accrued income</b>	<b>15,244</b>	<b>12,105</b>
<b>TOTAL ASSETS</b>	<b>1,949,525</b>	<b>1,982,726</b>

BALANCE SHEET (in thousands of €)	31.12.2019	31.12.2018
<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	2,399
VI) Other reserves	252,238	247,867
1) Extraordinary reserve	242,486	242,486
2) Translation reserve	9,752	5,381
VII) Hedging reserve	(50,416)	(61,264)
VIII) Losses carried forward	(141,679)	(164,167)
IX) Net profit (loss) for the year, including the portion attributable to minority interests	(21,809)	52,975
Minority interests in the net profit (loss) for the year	1,876	27,541
<b>Net equity, excluding the portion attributable to minority interests</b>	<b>156,418</b>	<b>167,830</b>
Sub-total (Share capital and reserves attributable to minority interests)	21,475	36,283
<b>A) Net equity</b>	<b>177,893</b>	<b>204,113</b>
<b>B) Provisions for risks and charges</b>	<b>94,485</b>	<b>110,327</b>
2) Tax provision	417	6,820
3) Derivatives	69,539	80,610
4) Other provisions	24,529	22,897
<b>C) Employees' leaving entitlement</b>	<b>9,097</b>	<b>9,665</b>
<b>D) Payables</b>	<b>1,665,440</b>	<b>1,656,444</b>
<b>1) Bonds</b>	<b>36,751</b>	<b>24,488</b>
1) Due within one year	0	0
2) Due after one year	36,751	24,488
<b>3) Shareholder loans</b>	<b>1,923</b>	<b>2,421</b>
2) Due after one year	1,923	2,421
<b>4) Bank loans and borrowings</b>	<b>491,962</b>	<b>536,980</b>
1) Due within one year	67,420	71,098
2) Due after one year	424,542	465,882
<b>5) Loans and borrowings from other financial backers</b>	<b>776,141</b>	<b>728,149</b>
1) Due within one year	101,960	120,256
2) Due after one year	674,181	607,893
<b>6) Payments on account</b>	<b>30,090</b>	<b>21,592</b>
1) Due within one year	30,090	7,488
2) Due after one year	0	14,104
<b>7) Trade payables</b>	<b>150,080</b>	<b>129,121</b>
1) Due within one year	128,918	119,156
2) Due after one year	21,162	9,965
<b>9) Payables to subsidiaries</b>	<b>26,768</b>	<b>16,200</b>
<b>10) Payables to associates</b>	<b>34</b>	<b>1,198</b>
<b>11) Tax payables</b>	<b>86,924</b>	<b>130,062</b>
1) Due within one year	58,591	93,919
2) Due after one year	28,333	36,143
<b>13) Social security charges payable</b>	<b>13,395</b>	<b>11,419</b>
1) Due within one year	11,254	11,130
2) Due after one year	2,141	289
<b>14) Other payables</b>	<b>51,372</b>	<b>54,814</b>
1) Due within one year	51,372	54,814
2) Due after one year	0	0
<b>E) Accrued expenses and deferred income</b>	<b>2,610</b>	<b>2,177</b>
<b>TOTAL LIABILITIES</b>	<b>1,949,525</b>	<b>1,982,726</b>

## Profit and Loss Account

PROFIT AND LOSS ACCOUNT (in thousands of €)	2019	2018
<b>A) Production revenues</b>	<b>378,256</b>	<b>507,909</b>
1) Turnover from sales and services	266,670	287,339
2) Change in work in progress	(3,008)	(286)
3) Change in contract work in progress	20,077	(36,360)
4) Internal work capitalised	77,455	70,869
5) Other revenues and income	17,062	186,347
<b>B) Production cost</b>	<b>333,367</b>	<b>342,786</b>
<b>6) Raw materials, consumables, supplies and goods</b>	<b>51,470</b>	<b>29,231</b>
<b>7) Services</b>	<b>68,261</b>	<b>95,655</b>
<b>8) Use of third party assets</b>	<b>21,363</b>	<b>21,977</b>
<b>9) Personnel expenses</b>	<b>87,031</b>	<b>84,186</b>
a) Wages and salaries	61,723	59,504
b) Social security contributions	20,894	19,903
c) Employees' leaving entitlement	3,821	3,908
e) Other costs	593	871
<b>10) Amortisation, depreciation and write-downs</b>	<b>60,750</b>	<b>62,682</b>
a) Amortisation of intangible fixed assets	3,945	5,393
b) Depreciation of tangible fixed assets	51,881	42,072
c) Other write-downs	3,858	8,085
d) Write-downs of current receivables	1,066	7,132
<b>11) Change in raw materials, consumables, supplies and goods</b>	<b>(2,370)</b>	<b>3,983</b>
<b>12) Provisions for risks</b>	<b>350</b>	<b>11,237</b>
<b>13) Other provisions</b>	<b>1,159</b>	<b>984</b>
<b>14) Other operating costs</b>	<b>45,353</b>	<b>32,851</b>
<b>Operating profit (A-B)</b>	<b>44,889</b>	<b>165,123</b>
<b>C) Financial income and charges</b>	<b>(69,561)</b>	<b>(69,406)</b>
15) Income from equity investments	143	0
16) Other financial income	1,877	629
17) Interest and other financial charges	(71,560)	(72,278)
17-bis) Net exchange rate gains (losses)	(21)	2,243
<b>D) Adjustments to financial assets and liabilities</b>	<b>(887)</b>	<b>(1,887)</b>
18) Write-backs	97	0
19) Write-downs	(984)	(1,887)
<b>PROFIT (LOSS) BEFORE INCOME TAXES</b>	<b>(25,559)</b>	<b>93,830</b>
<b>20) Income taxes</b>	<b>(3,750)</b>	<b>40,855</b>
a) Current	2,618	50,100
b) Deferred and prior year taxes	(6,368)	(9,245)
<b>21) Net profit (loss) for the year, including the portion attributable to minority interests</b>	<b>(21,809)</b>	<b>52,975</b>
Minority interests in the net profit (loss) for the year	1,876	27,541
<b>22) Net profit (loss) for the year attributable to TOTO Group</b>	<b>(23,685)</b>	<b>25,434</b>

Chairman of the Board of Directors

Paolo TOTO

## Cash flow statement for 2019 (indirect method)

(in thousands of €)	2019	2018
<b>A. Cash flows from operating activities (indirect method)</b>		
<b>Net profit (loss) for the year</b>	<b>(21,809)</b>	<b>52,975</b>
Income taxes	(3,750)	40,855
Net interest expense	69,561	69,406
<b>1. Profit for the year before income taxes, interest, dividends and gains/losses on sales</b>	<b>44,002</b>	<b>163,236</b>
<i>Adjustments for non-monetary items with no balancing entry in NWC</i>		
Accruals to provisions	1,509	12,221
Accrual to employees' leaving entitlement	3,821	3,908
Amortisation/depreciation	55,826	47,465
Write-downs for impairment losses	4,842	9,972
<b>2. Cash flows before changes in NWC</b>	<b>110,000</b>	<b>236,802</b>
<i>Changes in NWC</i>		
Decrease/(increase) in inventory	(26,691)	36,418
Decrease/(increase) in trade receivables	14,108	(5,444)
Increase in trade payables	20,959	3,359
Decrease/(increase) in prepayments and accrued income	(3,139)	4,652
Increase/(decrease) in accrued expenses and deferred income	433	(162)
Other changes in NWC	(54,689)	(20,799)
<b>3. Cash flows after changes in NWC</b>	<b>60,981</b>	<b>254,826</b>
<i>Other adjustments</i>		
Interest paid	(69,561)	(69,406)
Income taxes paid	0	0
Non-monetary effect of reserves (e.g., translation reserve)	(4,411)	7,742
Use of provisions	(21,740)	(14,486)
<b>4. Cash flows after other adjustments</b>	<b>(34,731)</b>	<b>178,676</b>
<b>Cash flows from operating activities (A)</b>	<b>(34,731)</b>	<b>178,676</b>
<b>B. Cash flows from investing activities</b>		
<i>Tangible fixed assets</i>		
Increases	(38,222)	(26,054)
Decreases	5,164	253
<i>Intangible fixed assets</i>		
Increases	(662)	(3,332)
Decreases	1,242	4,898
<i>Financial fixed assets</i>		
(Investments)	(3,426)	(33,981)
<i>Current financial assets</i>		
(Investments)	(897)	(22,615)
Proceeds from disinvestments	250	562
<b>Cash flows used in investing activities (B)</b>	<b>(36,551)</b>	<b>(80,269)</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	15,237	20,256
<i>of which: Loans taken out (including the changes in ANAS' concession fee)</i>	<i>66,288</i>	<i>73,826</i>
<i>Loans repaid</i>	<i>(51,051)</i>	<i>(53,570)</i>
<i>Own funds</i>		
Dividends paid	(3,460)	(4,108)
Increase (decrease) in shareholder loans	(498)	1,276
<b>Cash flows from financing activities (C)</b>	<b>11,279</b>	<b>17,424</b>
Increase (decrease) in liquid funds (A + B + C)	(60,003)	115,831
<b>Opening liquid funds</b>	<b>184,685</b>	<b>68,854</b>
<b>Closing liquid funds</b>	<b>124,682</b>	<b>184,685</b>

Chairman of the Board of Directors

Paolo TOTO

## Notes to the consolidated financial statements

Dear Shareholders,

The consolidated financial statements at 31 December 2019 show a net loss of € 23,685 thousand, after the positive effect of income taxes for € 3,750 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.

### Going concern

#### Pre-Covid-19 situation

At 31 December 2019, the going concern assumption was based on the group's ability to maintain economic and financial balance as envisaged in the 2020-2023 business plan (the Pre-Covid-19 Plan) and the 2020 budget. The plan provides for investment objectives that are also covered through the agreement of a structured financing operation (the "**Loan**") with an international private equity fund investing through the Energy BU through two

separate lines: (i) the issue of a listed bond by the subsidiary Renexia S.p.A. and (ii) the disbursement of a loan to the US indirect subsidiary US Wind Inc.. The Loan will amount to € 225 million and includes a set of guarantees provided by the group to the investor (or its special purpose entities) through pledges of shares and corporate guarantees of the various companies. As mentioned above, it will support the performance of the main transactions included in the Plan, of which those related to the energy sector are one of the key drivers, together with the concessions sector. The Plan was drawn up prior to the outbreak of the pandemic caused by Covid-19. Consequently, in the original version, the scenario considered was unaffected by the effects of the virus and the expected timeframe was from 2020 to 2023.

Due to the pandemic, the finalisation of the Loan agreement slowed down precisely when the parties were close to signing.

#### Covid-19 effect and mitigating actions

The consequences caused by the outbreak of the Covid-19 pandemic forced the group to examine the possibility of using the mechanisms put in place by the Italian Government to help companies in this period of national and international crisis. For this reason and in order to benefit from these mechanisms, the group reviewed and integrated the business plan, extending it and covering the 2020 - 2026 period.

At the preparation date of this document, there were some significant uncertainties resulting from the regulatory restrictions adopted by the Government following the spread of the Covid-19 pandemic, which had a significant impact on the revenue levels of the group's main companies, generating certain liquidity and financial risks for the parent and its main subsidiaries. In relation to the ability to generate adequate cash flows to support the investment programme and to service debt.

With respect to the financial risks of the construction sector, the restrictions led to the halting of construction sites with a significant reduction in revenues, generating clear repercussions for the company. In relation to the Renewable energy sector, the rescheduling of the various projects led to the loss of cash flows planned and available to the group.

With respect to the parent's financial risks, as a result of the above, some trade and financial payables of the subsidiaries include clauses which, if applied, could lead to the enforcement of the company guarantees. Until the preparation date of this document, these relationships have been managed with the counterparties and it is reasonably unlikely that the scenarios will change in the short term.

Finally, following the regulatory restrictions on mobility resulting from the spread of the Covid-19 pandemic, the operator SDP recorded a significant reduction in motorway traffic from the last week of February 2020, with significant impacts in terms of lower toll revenues (almost 80% down on the same days of the previous year) and revenues from service areas. This situation is also having a clear impact on SDP's ability to generate sufficient cash flows to support investments, operating costs and debt service.

In this context, the company's and the subsidiaries' directors prepared additional measures to safeguard cash availability. For additional information, reference should be made to the "Significant events after the reporting date" paragraph.

In particular, the group decided to take advantage of the measures introduced by the Law decree of 8 April 2020 (the "Liquidity decree") converted into Law no. 40/2020 on 6 June 2020 published in Official Journal no. 143, on measures to support the liquidity of Italian companies. Specifically, discussions have begun with a leading Italian bank to obtain in the short term a loan with SACE guarantee of 90% and a six-year term, of which an interest-only period of three years and three years of repayment in the forms and methods provided for by the above Liquidity decree;

The group assessed the impact of the pandemic on planned operations, drawing the necessary conclusions on the basis of possible future scenarios that are still difficult to predict at present.

Based on *(i)* the events, *(ii)* the information currently available, *(iii)* the foreseeable evolution of events in relation to the future effects of Covid-19, *(iv)* and the intervention measures taken by Governments, the use of the going concern assumption is deemed appropriate taking into account the 2020-2026 Business Plan. Despite these major uncertainties, which may cast significant doubts as to the company's ability to continue as a going concern, it is believed that it meets requirements for the preparation of the 2019 consolidated financial statements on a going concern basis, based on the information currently available, the examination and assessment of the impacts of possible alternative scenarios and the actions taken by the directors.

In preparing the consolidated financial statements at 31 December 2019, the company availed itself of the waiver provided for in article 7 of Law decree no. 23 of 8 April 2020 (see the "Waivers" paragraph). Therefore, the going concern assumption is assessed at the reporting date, without considering the events after 31 December 2019 and, therefore, without taking into account the effects that could arise from the significant uncertainties regarding the evolution of the COVID-19 pandemic in the 12 months following 31 December 2019.

However, the group owns assets that are currently not fully reflected in the financial statements, as their market value is significantly above their carrying amount (see US WIND project), as confirmed by the interest from third party investors which are ready to carry out major transactions based on their value and their potential in terms of guarantees.

Although they were carried out after a careful and weighted analysis of the current situation, the above valuations are based on forecast future events that may differ even significantly from the actual scenarios that will follow in the short or medium term due to events that today may not be reasonably foreseeable. In monitoring the situation, the directors will take all the necessary corrective actions to adjust those currently planned.

Again with the aim of overcoming this particular period as soon as possible, the group monitors the possibility of benefiting from the schemes offered by the Relaunch decree no. 34 of 19 May 2020, published in Italian Official journal no. 128 of 19 May 2020, in order to identify any interesting opportunities, in addition to those already described for each sector.

## Format and content of the consolidated financial statements

The consolidated financial statements at 31 December 2019, drawn up on the basis of the parent and the consolidated companies being a going concern and as per the 2020 - 2026 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.

## 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 2019 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 2019, 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.

Infragroup 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.

Infragroup 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 2019 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 2020 - 2026 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

As described in the "Going concern" paragraph, at the reporting date and at the reporting date of the previous financial statements, the company met the going concern assumption in accordance with OIC 11.21. Therefore, following the events connected with the spread of the Covid-19 pandemic, the company prepared the 2019 financial statements using the waiver set out in article 2423-bis.1 of the Italian Civil Code in application of article 7 of Law decree no. 23 of 8 April 2020 converted into Law no. 40/2020 on 6 June 2020 published in Official Journal no. 143. Accordingly, the financial statements at 31 December 2019 have been prepared in accordance with all the reporting standards in force, except for paragraphs 23 and 24 of OIC 11 and paragraph 59 c) of OIC 29.

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 2019 no discretionary or voluntary revaluations of assets were carried out.

In accordance with OIC 9, tangible fixed assets were tested for impairment. This related, in particular, to the carrying amount of the complex owned by Alitec S.p.A.. The impairment test was conducted by the directors who checked the recoverability of the related carrying amounts.

Based on the timing of the spread communicated by the World Health Organization, the Covid-19 pandemic was considered a subsequent non-adjusting event and, as such, did not represent an impairment loss at the reporting date. Accordingly, the financial projections and discount rates used for impairment tests are based on the conditions and information in place at 31 December 2019. In addition, as described in the note to "Land and Buildings", sensitivity analyses were carried out which were deemed to provide useful information to assess the potential impacts of this health emergency.

### ***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 being updated and provides for rates that vary according to trend in traffic revenues, net of directly attributable costs and expenses.

The rates applied are as follows:

Year	Rate
2019	4.27%
2020	4.82%
2021	5.45%
2022	6.12%
2023	6.84%
2024	7.62%
2025	8.39%
2026	9.20%
2027	10.17%
2028	11.21%
2029	12.35%
2030	13.56%
	<b>100.00%</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*

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

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

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:

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

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

In the Energy BU (Renexia Services S.r.l.), the percentage of completion was calculated using the cost-to-cost method which better presents the results of the specific type of contract.

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

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

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

#### *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., from 2017, Toto Tech S.r.l., from 2018, Concessioni Autostradali S.p.A. and, from 2019, Beleolico S.r.l., Parco Eolico Casalduni House S.r.l., Renexia Pech S.p.A. and Renexia Wind Offshore S.p.A., 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/ 2019		2018	
	2019	Average exchange rate 2019	2018	Average exchange rate 2018
Euro/US Dollar	1.1234	1.1195	1.145	1.171
Euro/Tunisian Dinar	3.139	3.2803	3.4302	3.1106

The scope of consolidation underwent a change from 31 December 2018 as a result of:

- the consolidation of Cefalù Scarl. This consortium company was set up in 2018 by TOTO CG (77.99%) and ICI S.p.A. (22.01%) to perform part of the works related to the contract awarded by ITALFERR for the performance of civil works for the new railway line doubling the Cefalù Ogliastrillo - Castelbuono section of the Palermo-Messina line, with a length of approximately 12.3 km, entirely on double tracks, including the construction of the Cefalù, S. Ambrogio and Malpertugio tunnels and related works;
- the deconsolidation 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". On 29 March 2019, Toto S.p.A. Costruzioni Generali and Seli Overseas S.p.A. signed an agreement concerning the withdrawal of TOTO CG from the contract and from the JV as from 1 February 2019. The agreement acknowledged the entitlement of TOTO CG to receive a consideration in exchange for its transfer of the rights and obligations in connection with the performance of the contract and in exchange for its interest in Radimero S.c.a r.l., for an amount equal to the nominal value of the quotas initially subscribed;
- the deconsolidation of Intersun S.r.l. as it is held for sale. On 3 April 2019, the parent Renexia S.p.A. signed a preliminary agreement for the sale of the company's quotas as part of the purchase of Beleolico S.r.l.;
- the consolidation of Renexia Pech S.p.A. which was set up on 12 June 2019 by the parent Renexia S.p.A. as part of the development of the wind project headed by Parco Eolico Casalduni House S.r.l..

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 or the reporting packages prepared for the consolidation of the individual companies at 31 December 2019 were used for consolidation purposes.

## Workforce

The following table shows the changes in the group's headcount broken down by category at 31 December 2019.

Description	31/12/ 2019	31/12/ 2018	Changes
Senior managers	38.25	40.00	(1.75)
White collars and junior managers	462.60	481.90	(19.30)
Blue collars/Toll Team	745.80	783.10	(37.30)
Others	6.00	8.00	(2.00)
<b>Total</b>	<b>1,252.65</b>	<b>1,313.00</b>	<b>(60.35)</b>

## Balance sheet

### Intangible fixed assets

In 2019, intangible fixed assets changed as follows:

Description (amounts in €/000)	31/12/ 2018	Increase s	Decrease s	Reclass./ Contr.	Deconsoli d.	Amor t.	Dec. 2019	Chang e
Start-up and capital costs	29	7	0	0	0	7	29	0
Development costs	0	0	0	0	0	0	0	0
Industrial patents and intellectual property rights	750	271	0	0	0	392	629	(121)
Concessions, licences and trademarks	34,772	15	672	0	0	2,592	31,523	(3,249)
Goodwill	0	0	0	0	0	0	0	0
Assets under development and payments on account	6	270	0	0	0	0	276	270
Other	9,069	99	570	0	0	954	7,644	(1,425)
Goodwill arising on consolidation	0	0	0	0	0	0	0	0
								<b>(4,525)</b>
<b>Total</b>	<b>44,626</b>	<b>662</b>	<b>1,242</b>	<b>0</b>	<b>0</b>	<b>3,945</b>	<b>40,101</b>	<b>)</b>

### START-UP AND CAPITAL COSTS

The breakdown of this item is as follows:

(€/000)	31/12/ 2019	31/12/ 2018	Changes
Start-up and capital costs	29	29	0
<b>Total</b>	<b>29</b>	<b>29</b>	<b>0</b>

Description (amounts in €/000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2019	Change
Start-up and capital costs	29	7	0	0	0	7	29	0
<b>Total</b>	<b>29</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>29</b>	<b>0</b>

This item includes the start-up and capital costs of the group companies. The residual value represents the costs incurred mainly to set-up new companies in the renewable energy sector.

Amortisation amounts to € 7 thousand.

## INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Software	629	750	(121)
<b>Total</b>	<b>629</b>	<b>750</b>	<b>(121)</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsoli d.	Amort.	Change	Changes
Industrial patents and intellectual property rights	750	271	0	0	0	392	629	(121)
<b>Total</b>	<b>750</b>	<b>271</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>392</b>	<b>629</b>	<b>(121)</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:

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Concessions (Allocation of goodwill arising on consolidation - Strada dei Parchi S.p.A.)	27,788	30,314	(2,526)
Parco Eolico Casalduni House S.r.l. authorisation	2,737	2,737	0
Mini wind turbines authorisation	301	973	(672)
Other	697	748	(51)
<b>Total</b>	<b>31,523</b>	<b>34,772</b>	<b>(3,249)</b>

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

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 concession right. Indeed, during 2011, the TOTO Group became the majority shareholder of Strada dei Parchi S.p.A. and the greater price paid to acquire the controlling interest (€ 50,524 thousand) was allocated to Concessions.
- the decrease of € 672 thousand related to the write-down of the investments in INDACO (€ 340 thousand) and VOLERE VOLARE (€ 332 thousand) due to the reasons described in the section on the "Melfi projects".

### **Melfi projects**

INDACO and VOLERE VOLARE were acquired in 2017, after signing a preliminary purchase agreement in the year. The two subsidiaries are developing many projects for the installation of small wind turbines initially planned in the Municipality of Melfi (PZ). The original project provided for the installation of five 200 kW wind turbines for each company. During the year, the analyses and activities necessary to continue the project continued.

However, the analysis of the regional regulations (Regional law no. 54/2015, subsequently amended and supplemented by Regional law no. 11/2017; Regional law no. 38/2018 and the Basilicata Region's Regional Environmental Energy Plan) identified new limits to the projects that can be authorised with the Simplified Authorisation Procedure, including a minimum distance of 1 km from existing plants and a minimum production of 2000 Heq/year with an average wind speed of 6 m/s. In its Circ. no. 0147979 of 12 September 2019, the Basilicata Region identified the wind farms authorised and currently being authorised (pursuant to article 12 of Legislative decree no. 387/2003), providing an updated map of the existing or under construction wind farms in the municipalities of Melfi, Lavello, Venosa and Rapolla (all in the Potenza province), useful for the identification of new locations which meet the above distance requirements. The first analysis of the maps revealed the need to shift the original positions of the two companies' projects due to the congestion of the existing plants, in compliance with the distance requirements and the conditions imposed by the GSE to confirm the autonomy of the individual installations. Furthermore, based on the municipal regulations, further to various municipal council resolutions (DGCC), the areas that could potentially host wind power installations were further restricted, revealing the Municipality of Melfi's substantial total closure to new wind power installations.

Given the limitations imposed in Melfi, checks were carried out to find new areas in the neighbouring municipality of Lavello (PZ), again considering the provisions of national regulations (see paragraph "Focus on the mini-wind sector - Analysis of national regulations"), regional regulations and in compliance with binding regulations. The municipality of Lavello also showed an excess of installations in the area. However, potentially suitable areas were identified up to six new positions.

At the end of February 2020, meetings were held with the owners of the land affected by the installations and with the technical offices of the municipality in charge of the investigation and to issue the Simplified Authorisation Procedure. Based on the initial feedback, the new projects are technically feasible. However, there are problems related to the ownership of the land and the economic demands of the owners.

Moreover, with respect to the tariffs of the two projects, the fact that they are made up of single installations of 100 kW, which could access a tariff of up to 150 €/MWh, should be considered. In the currently realistic possibility of energising the two plants after 31 December 2020 (a deadline which, due to the current Covid-19 emergency, will probably be postponed to 30 June 2021), a basic reference tariff for inclusion in the GSE Register, reduced by a certain percentage, should also be considered, as well as the opportunity to offer a discount during registration, given the saturation shown by the GSE lists due to previous calls. Therefore, for future 100kW

installations in operation in 2021, a possible tariff that is no longer remunerative compared to the previous simulations drawn up in previous business plans should be considered. Indeed, it was not possible to predict such a negative regulatory evolution for existing projects in previous years. In any case, attempts to develop the projects will continue as soon as the restrictions due to the Covid-19 pandemic are eased. However, the conditions known to date and the results of the business plans drawn up on the basis of the above assumptions, have led the directors to prudentially write-down the two investments, considering the difference between the carrying amount and the amount determined using the equity method as non-recoverable at the moment. Indeed, under the current conditions, there is evidence of permanent impairment.

## ASSETS UNDER DEVELOPMENT AND PAYMENTS ON ACCOUNT

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Assets under development and payments on account	276	6	270
<b>Total</b>	<b>276</b>	<b>6</b>	<b>270</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Change
Assets under development and payments on account	6	270	0	0	0	0	276
<b>Total</b>	<b>6</b>	<b>270</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>276</b>

The increases of the year refer to the costs incurred to develop projects aimed at obtaining single authorisations (i.e., the acquisition of companies holding authorisations) in Morocco and Italy, specifically, in the province of Benevento. These amounts will be re-invoiced to the SPV (special purpose vehicle) if already constructed or will be transferred to the SPV when the company obtains the necessary construction authorisations. These costs pertain to several years and will be recovered once the construction permit is obtained for the plant.

## OTHER

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Other	7,644	9,069	(1,425)
<b>Total</b>	<b>7,644</b>	<b>9,069</b>	<b>(1,425)</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Change
Other	9,069	99	570	0	0	954	7,644
<b>Total</b>	<b>9,069</b>	<b>99</b>	<b>570</b>	<b>0</b>	<b>0</b>	<b>954</b>	<b>7,644</b>

This item fell from € 9,096 thousand at 31 December 2018 to € 7,644 thousand at the reporting date.

Amortisation (€ 954 thousand) is essentially attributable to SDP (€ 938 thousand) and refers to the project financing costs capitalised in 2011, including agency, origination, structuring and up-front fees and due diligence costs.

The decreases relate to the deconsolidation of Intersun S.r.l. which had accessory charges on the loan used to finance its photovoltaic field.

## Tangible fixed assets

The table below shows the balances of tangible fixed assets at 31 December 2019 and their changes from the previous year end.

(amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Land and buildings	84,006	79	0	0	0	1,049	83,036	(970)
Plant and machinery	10,823	4,757	3,485	0	0	2,760	9,335	(1,488)
Industrial and commercial equipment	1,537	610	10	0	0	879	1,258	(279)
Other assets	3,747	804	18	0	0	886	3,647	(100)
Freely transferable assets	977,909	300	0	107,022	0	46,307	1,038,924	61,015
Assets under construction	189,496	31,672	1,651	(107,022)	0	0	112,495	(77,001)
<b>Total</b>	<b>1,267,518</b>	<b>38,222</b>	<b>5,164</b>	<b>0</b>	<b>0</b>	<b>51,881</b>	<b>1,248,695</b>	<b>(18,823)</b>

## LAND AND BUILDINGS

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Land	55,122	55,122	0
Buildings	27,914	28,884	(970)
<b>Total</b>	<b>83,036</b>	<b>84,006</b>	<b>(970)</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Land and buildings	84,006	79	0	0	0	1,049	83,036	(970)
<b>Total</b>	<b>84,006</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,049</b>	<b>83,036</b>	<b>(970)</b>

This item (€ 83,036 thousand) decreased by € 970 thousand on the corresponding balance at 31 December 2018 (€ 84,006 thousand). The decrease is mainly due to the depreciation of the year (€ 1,049 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.

In accordance with OIC 9, the complex owned by Alitec S.p.A. was tested for impairment.

The recoverability of the carrying amount of the complex was checked by estimating the value in use using the long-term plan drawn up by the company which incorporates the projections in terms of investment, costs and revenues for the construction period and the subsequent marketing of the project.

The impairment test was carried out using a plan with a time horizon equal to that of the project whose flows were discounted at a 10% rate. The impairment test confirmed the recoverability of the carrying amount of the recognised complex.

In addition to the above test, some sensitivity analyses were carried out on the recoverable amount, increasing the relevant discount rate by 1% and confirming the full recoverability of the asset.

#### PLANT AND MACHINERY

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Plant and machinery	9,335	10,823	(1,488)
<b>Total</b>	<b>9,335</b>	<b>10,823</b>	<b>(1,488)</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Plant and machinery	10,823	4,757	0	0	3,485	2,760	9,335	(1,488)
<b>Total</b>	<b>10,823</b>	<b>4,757</b>	<b>0</b>	<b>0</b>	<b>3,485</b>	<b>2,760</b>	<b>9,335</b>	<b>(1,488)</b>

This item (€ 9,335 thousand) decreased by € 1,488 thousand compared to its balance at 31 December 2018 (€ 10,823 thousand). The deconsolidation (€ 3,485 thousand) relates to Intersun S.r.l. which owns the photovoltaic plant located in the municipality of Manoppello (PE).

The depreciation of the year totalled € 2,760 thousand.

Leases are recognised using the financial method as set out in IAS 17. Plant and machinery include leased assets related to 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

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Industrial and commercial equipment	1,258	1,537	(279)
<b>Total</b>	<b>1,258</b>	<b>1,537</b>	<b>(279)</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Industrial and commercial equipment	1,537	610	10	0	0	879	1,258	(279)
<b>Total</b>	<b>1,537</b>	<b>610</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>879</b>	<b>1,258</b>	<b>(279)</b>

This item decreased by a net € 279 thousand and essentially reflects the combined effect of:

- increases of € 610 thousand relating to the investments of the year carried out mainly by TOTO CG and its subsidiaries in the construction sector (€ 419 thousand), Parchi Global Services S.p.A. (€ 19 thousand) and SDP (€ 155 thousand);
- depreciation of the year (€ 879 thousand).

## OTHER ASSETS

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Other assets	3,647	3,747	(100)
<b>Total</b>	<b>3,647</b>	<b>3,747</b>	<b>(100)</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Other assets	3,747	804	18	0	0	886	3,647	(100)
<b>Total</b>	<b>3,747</b>	<b>804</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>886</b>	<b>3,647</b>	<b>(100)</b>

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

## FREELY TRANSFERABLE ASSETS

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Freely transferable assets	1,038,924	977,909	61,015
<b>Total</b>	<b>1,038,924</b>	<b>977,909</b>	<b>61,015</b>

Description (amounts in €'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Freely transferable assets	977,909	300	0	107,022	0	46,307	1,038,924	61,015
<b>Total</b>	<b>977,909</b>	<b>300</b>	<b>0</b>	<b>107,022</b>	<b>0</b>	<b>46,307</b>	<b>1,038,924</b>	<b>61,015</b>

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.

#### ASSETS UNDER CONSTRUCTION

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Assets under construction	112,495	189,496	(77,001)
<b>Total</b>	<b>112,495</b>	<b>189,496</b>	<b>(77,001)</b>

Description (amounts in €/'000)	31/12/ 2018	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Deprec.	Dec. 2019	Change
Assets under construction	189,496	31,672	1,651	(107,022)	0	0	112,495	(77,001)
<b>Total</b>	<b>189,496</b>	<b>31,672</b>	<b>1,651</b>	<b>(107,022)</b>	<b>0</b>	<b>0</b>	<b>112,495</b>	<b>(77,001)</b>

In 2019, assets under construction and payments on account decreased by € 107,022 thousand essentially reflecting the changes of the year. This balance reflects SDP's transfer following the start-up of the works completed by SDP related to the seismic upgrades of certain viaducts.

The € 112,495 balance includes € 81,932 thousand recognised by SDP following the investments in the construction of transferable assets which, at 31 December 2019, had not yet been placed into operation and for which final testing had not yet been obtained from the MIT.

Furthermore, this item also includes € 40,512 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 business plan has been approved, these ancillary charges will be capitalised pro-quota on the investments made.

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

A list is provided below of the tangible fixed assets recognised at 31 December 2019 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.

(€'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

(in €'000)	31/12/ 2019	31/12/ 2018	Changes
Equity investments	2,801	3,489	(688)
Receivables	31,625	31,909	(284)
Other securities	803	1,247	(444)
<b>Total</b>	<b>35,229</b>	<b>36,645</b>	<b>(1,416)</b>

### EQUITY INVESTMENTS

Equity investments amount to € 2,801 thousand (31 December 2018: € 3,489 thousand) and comprise:

- investments in Renexia S.p.A.'s subsidiaries (€ 10 thousand) related to Renexia Recharge S.r.l.. This company was set up in December 2020; consequently, its first year of operations will end on 31 December 2020;
- investments in the associates of TOTO S.p.A. Costruzioni Generali for € 2,744 thousand (€ 3,436 thousand at 31 December 2018);
- investments in other companies for € 47 thousand (€ 53 thousand at 31 December 2018).

### ASSOCIATES

(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%	5,324	(570)	2,737
Novigal scarl	Cost	10	33.0%	10	-	3
<b>Total</b>					<b>(570)</b>	<b>2,744</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.

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

Net equity and the net loss for the year refer to the financial statements at 31 December 2019, which show a net loss of € 570,604.

This investment is measured using the equity method (€ 2,737 thousand).

The compensation that the grantor should pay to the operator in the event of withdrawal from the agreement will make it possible to reverse the current write-downs. Indeed, the agreement regulates the operator's withdrawal in the event of failure to agree on the rebalancing of the BP and the mechanisms for calculating the compensation which, in the event of withdrawal, would allow full recovery of the original carrying amount.

With respect to the review of the Business Plan, given the inactivity of the Abruzzo Region, in 2017 the TJV served a writ of summons before the Court of L'Aquila, requesting that its right to examine the BP related to the Agreement be ascertained and acknowledged. This would enable the TJV to immediately return to a break-even position.

The case was filed under no. RG 1309/2017.

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

In the first hearing held on 6 November 2018, INTERMODALE lawyers confirmed the reasons for the inadmissibility of the counter-claim for partial annulment and requested, should the Court allow the claim, that the pre-contractual responsibility of the Region for causing the partial annulment of the contract be checked.

The Judge set the deadlines for filing the briefs and adjourned the proceedings to examine the preliminary requests to 14 May 2019.

Once the briefs had been filed pursuant to Article 183.6 of the Italian Code of Criminal Procedure, the hearing to examine the preliminary requests was held on 28 October 2019. INTERMODALE lawyers insisted on the appointment of a technical expert and the judge reserved the right to decide. The judge must now decide on the outstanding issue.

Subsequently, putting aside the reservation, the Judge ordered the technical consultancy and scheduled a hearing for 18 May 2020 for the technical expert's appointment and oath. The hearing was postponed to 21 September 2020 due to the COVID-19 emergency.

## OTHER COMPANIES

Name (€'000)	Valuation method	Share/quota capital	%	Carrying amount (€'000)
Compagnia Aerea Italiana S.p.A. (CAI, formerly Alitalia)	Cost	373,568	0.06%	3
Mediapharma S.r.l.	Cost	117	5.00%	15
Janus Pharma S.r.l.	Cost	60	15.87%	6
Other minor investments	Cost			23
<b>Total</b>				<b>47</b>

This item is down from € 53 thousand to € 47 thousand at 31 December 2019.

## RECEIVABLES

(€'000)	31/12/ 2019	31/12/ 2018	Changes
From subsidiaries	26,607	25,304	1,303
From associates	4,935	5,132	(197)
Receivables from others	83	1,473	(1,390)
<b>Total</b>	<b>31,625</b>	<b>31,909</b>	<b>(284)</b>

### FROM SUBSIDIARIES

They amount to € 26,607 thousand and relate to the financial receivable due to Renexia Wind Offshore S.p.A. from its subsidiary Beleolico S.r.l.. 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 paragraph "Significant events - Energy BU".

### FROM ASSOCIATES

They amount to € 4,935 thousand and mainly relate to the interest-bearing loan from Intermodale S.r.l. (€ 4,932 thousand).

### FROM OTHERS

The item is described below:

(€'000)	31/12/ 2018	Increases	Reclassifications	Decreases / Repayments	31/12/ 2019
Receivables from others	1,473	48	395	(1,833)	83
<b>Total</b>	<b>1,473</b>	<b>48</b>	<b>395</b>	<b>(1,833)</b>	<b>83</b>

The decreases of the year (€ 1,833 thousand) mainly refer to:

- to the cash collateral paid by Renexia S.p.A. In 2018 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. The application was unsuccessful and the amount was repaid;
- the write-down (€ 1,492 thousand) of the financial receivable from INIZIATIVE IMMOBILIARI due to TOTO CG.

The bad debt provision changed as follows during the year:

(€'000)	31/12/ 2018	Accruals	Reclassifications	31/12/ 2019
Bad debt provision	89		1,492	1,581
<b>Total</b>	<b>89</b>	<b>0</b>	<b>1,492</b>	<b>1,581</b>

The bad debt provision essentially relates to TOTO CG which, during the year, improved the allocations compared to prior years.

#### OTHER SECURITIES

(in €'000)	31/12/ 2019	31/12/ 2018	Changes
Other securities	803	1,247	(444)
<b>Total</b>	<b>803</b>	<b>1,247</b>	<b>(444)</b>

At 31 December 2019, other securities comprised the bonds of Banca Popolare di Bari which represent a long-term investment. The € 444 thousand decrease relates to the write-down of the Banca Popolare di Bari shares held by TH following the recent events which affected the bank.

## Inventory

At 31 December 2019, inventory amounts to € 163,707 thousand (31 December 2018: € 137,016 thousand). This item is broken down as follows:

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Raw materials, consumables and supplies	16,131	14,538	1,593
Contract work in progress	130,348	110,937	19,411
Finished goods	3,370	6,378	(3,008)
Payments on account	13,858	5,163	8,695
<b>Total</b>	<b>163,707</b>	<b>137,016</b>	<b>26,691</b>

**Raw materials, consumables and supplies** include the materials which will be used in production held at the group's construction sites and warehouses at the reporting date. This item increased by € 1,593 thousand.

**Contract work in progress** (€ 130,348 thousand, compared with € 110,937 thousand at 31 December 2018) mainly refers to TOTO S.p.A. Costruzioni Generali for € 116,893 thousand (31 December 2018: € 100,140 thousand) and Renexia Services S.r.l. for € 8,470 thousand (31 December 2018: € 3,029 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:

(€'000)	31/12/ 2018	Increases	Decreases	31/12/ 2019
Toto S.p.A. Costruzioni Generali	100,140	117,583	(100,830)	116,893
Renexia Services S.r.l.	3,029	8,470	(3,029)	8,470
Parco Eolico Casalduni House S.r.l.	7,711		(7,711)	0
Other companies	57	4,984	(56)	4,985
<b>Total</b>	<b>110,937</b>	<b>131,037</b>	<b>(111,626)</b>	<b>130,348</b>

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

Contract work in progress amounts to € 116,893 thousand and includes the contracts in portfolio, calculated as the difference between actual production and the latest payment certificates approved by the respective customers for each contract at 31 December 2019 (€ 8,472 thousand), pre-operating costs (€ 14,941 thousand) and claims totalling € 93,480 thousand.

Part of the claims were factored. This transaction was completed in 2018 and resulted in the recognition of a liability to the operator equal to the advance received (€ 15,000 thousand), pending the settlement of disputes with customers. Claims are measured considering the estimates prepared by the specific company areas (based on the type of each claim, including assessments of the legal grounds and financial capacity). According to the directors, the disputes underway will have a positive outcome and therefore these amounts will be recoverable,

based on past experience and taking into account the assessments and opinions issued by independent professionals.

RENEXIA SERVICES S.R.L.

Contract work in progress (€ 8,470 thousand compared to € 3,029 thousand at 31 December 2018) reflects the percentage progress of the following contracts:

- the Castelpagano-Pontelandolfo sub-station for which Cogein has the construction permit and which will be purchased by Terna once construction is completed;
- the construction of Beleolico S.r.l.'s wind farm.

**"Finished goods"** amount to € 3,370 thousand (31 December 2018: € 6,378 thousand) and include:

Description (amounts in €/000)	31/12/ 2018	Increases	Decreases	31/12/ 2019
Finished goods (TOTO S.p.A. Costruzioni Generali)	6,378	0	(3,008)	3,370
<b>Total</b>	<b>6,378</b>	<b>0</b>	<b>(6,378)</b>	<b>3,370</b>

As shown in the table, this item decreased by € 3,008 thousand, reflecting the amounts recognised in the financial statements of the Construction BU and in connection with Ambra S.r.l. which, during the year, adjusted the carrying amount of the real estate units on sale (which make up the Agorà complex it owns) to market value.

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

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Payments on account	13,858	5,163	8,695
<b>Total</b>	<b>13,858</b>	<b>5,163</b>	<b>8,695</b>

The increase is mainly due to Renexia Services S.r.l. (€ 8,452 thousand) and includes the advances paid to suppliers in 2019 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 is as follows:

(€'000)	Due within one year	Due after one year	Due after 5 years	31/12/ 2019	31/12/ 2018	Changes
Trade receivables	20,800	0		20,800	34,908	(14,108)
From subsidiaries	115			115	0	115
From associates	214			214	1,188	(974)
Tax receivables	26,004			26,004	33,158	(7,154)
Deferred tax assets	80,112			80,112	73,212	6,900
From others	120,437	3,307		123,744	84,636	39,108
<b>Total</b>	<b>247,682</b>	<b>3,307</b>	<b>0</b>	<b>250,989</b>	<b>227,102</b>	<b>23,887</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	20,146	115	214	26,004	80,112	123,744	250,335
EU	654						654
Non-EU	0						0
<b>Total</b>	<b>20,800</b>	<b>115</b>	<b>214</b>	<b>26,004</b>	<b>80,112</b>	<b>123,744</b>	<b>250,989</b>

### TRADE RECEIVABLES

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Trade receivables	20,800	34,908	(14,108)
<b>Total</b>	<b>20,800</b>	<b>34,908</b>	<b>(14,108)</b>

At 31 December 2019, this item (€ 20,800 thousand compared to € 34,908 in 2018) is mainly comprised of the receivables of:

- TOTO CG and its subsidiaries (€ 8,560 thousand compared to € 23,397 thousand at 31 December 2018), net of the provision for bad debts, and
- SDP (€ 9,705 compared to € 7,898 thousand at 31 December 2018).

The significant decrease in the 2019 balance is mainly due to the Construction BU which, in addition to the ordinary collection of working capital, made some reclassifications to improve the allocation of items. The residual balance (€ 2,534 thousand) essentially includes Renexia S.p.A.'s receivable (€ 2,120 thousand).

The nominal amounts of trade receivables are adjusted to their estimated realisable value through the bad debt provision which, at 31 December 2019, amounted to € 1,761 thousand.

The bad debt provision changed as follows during the year:

(in €'000)	31/12/ 2018	Accruals	Utilisation	31/12/ 2019
Bad debt provision	5,501	58	(3,798)	1,761
<b>Total</b>	<b>5,501</b>	<b>58</b>	<b>(3,798)</b>	<b>1,761</b>

During the year, the provision was used by € 3,798 thousand. Of this amount, € 3,440 thousand relates to the changes recorded by APFL when it was put into liquidation.

#### RECEIVABLES FROM ASSOCIATES

They amount to € 214 thousand, down by € 974 thousand compared to € 1,188 thousand at 31 December 2018. The balance mainly relates to the receivable from Intermodale S.r.l..

#### TAX RECEIVABLES

(€'000)	31/12/ 2019	31/12/ 2018	Changes
VAT credits	21,634	30,077	(8,443)
IRES claimed for reimbursement	1,820	758	1,062
Other tax receivables	2,550	2,323	227
<b>Total</b>	<b>26,004</b>	<b>33,158</b>	<b>(7,154)</b>

The above breakdown shows the considerable decrease in VAT credits (€ 8,443 thousand) recorded mainly by SDP (€ 6,114 thousand).

#### DEFERRED TAX ASSETS

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Deferred tax assets	80,112	73,212	6,900
<b>Total</b>	<b>80,112</b>	<b>73,212</b>	<b>6,900</b>

This item amounts to € 80,112 thousand at 31 December 2019, compared to € 73,212 thousand at 31 December 2018.

The € 6,900 thousand increase is due to the amounts recognised in the financial statements of the Construction BU (€ 2,621 thousand), TH (€ 1,246 thousand) and SDP (€ 1,388 thousand).

They were recognised since, based on the estimated operating performance set out in the 2020 – 2026 business plan, approved by the group, 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

(€'000)	31/12/ 2019	31/12/ 2018	Changes
From others	123,744	84,636	39,108
<b>Total</b>	<b>123,744</b>	<b>84,636</b>	<b>39,108</b>

This item amounts to € 123,744 thousand (31 December 2018: € 84,636 thousand). The € 39,108 thousand increase is essentially attributable to two events:

- i. the increase related to SDP (€ 40,230 thousand), mainly due to the recognition of the receivables from the MIT for the recovery of omitted tariff adjustments as described below;
- ii. the decrease related to TH (€ 13,330 thousand) essentially due to the write-off of the receivable recognised in prior years because all the initiatives carried out, even in court or similar, did not allow its recovery. In accordance with the OIC, the write-off of the receivable has a balancing entry under "Other operating costs".

Furthermore, this item includes receivables from related parties (€ 6,375 thousand) arising from transactions carried out on an arm's length basis.

SDP's receivables from others amount to € 103,139 thousand and may be analysed as follows:

(€'000)	31/12/2019	31/12/2018	Change
Receivables from interrelated companies	33,988	29,367	4,621
Sundry receivables	390	430	(40)
Advances to suppliers	441	103	338
Receivables due to unpaid tolls	1,628	2,482	(854)
Receivables from the Grantor	66,692	30,527	36,165
<b>Total receivables from others</b>	<b>103,139</b>	<b>62,909</b>	<b>40,230</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 refer mainly to the recognition of the amounts due to SDP for toll recovery, as described in the directors' report paragraph "significant events of the year". 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

## Current financial assets

Description (amounts in €/000)	31/12/ 2019	31/12/ 2018	Changes
Investments in subsidiaries	26,574	25,677	897
Other equity investments	0	0	0
Other securities	0	250	(250)
<b>Total</b>	<b>26,574</b>	<b>25,927</b>	<b>647</b>

"Investments in subsidiaries" include the 100% investment in Beleolico S.r.l. (€ 25,672 thousand) acquired on 18 May 2018 and inclusive of transaction costs (notary deed) which will be sold within 12 months.

During the year, the investment in Intersun S.r.l. was adjusted following the signing of the preliminary sale agreement on 3 April 2019 (reference should be made to the paragraph "Significant events - Energy BU").

## Liquid funds

This item, totalling € 124,682 thousand, includes bank and postal accounts of € 123,959 thousand and cash-in-hand and cash equivalents of € 723 thousand.

Furthermore, as part of the MLT loan agreement entered into by SDP, current account positive balances were given as a pledge to lending banks. At 31 December 2019, these current accounts amount to € 112,226 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

(€/000)	31/12/ 2019	31/12/ 2018	Changes
Assets held for sale	44,298	47,079	(2,781)
<b>Total</b>	<b>44,298</b>	<b>47,079</b>	<b>(2,781)</b>

Description (amounts in €/000)	31/12/ 2018	Increases	Decreases	31/12/ 2019
Assets held for sale	47,079	0	(2,781)	44,298
<b>Total</b>	<b>47,079</b>	<b>0</b>	<b>(2,781)</b>	<b>44,298</b>

This item comprises the assets held for sale recognised in TOTO CG's financial statements, specifically properties, land and dismissed industrial areas totalling € 15,681 thousand and machinery and equipment of € 28,617 thousand.

Industrial machinery held for sale includes the HERRENKNECHT S-574 TBM (€ 28,133 thousand), also known as the Martina TBM.

TOTO CG acquired the MARTINA TBM in 2010 to excavate the Sparvo tunnel as part of the project to upgrade the Milan – Naples A1 motorway in the Apennines stretch between Sasso Marconi and Barberino del Mugello.

The Martina TBM is currently unused and held for sale. It is therefore measured at the lower of the carrying amount and the estimated realisable amount based on market trends to determine its fair value less costs to sell (recoverable amount).

The decrease in “assets held for sale” (€ 2,781 thousand) is entirely due to the write-down of the year of the Martina TBM.

#### 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 € 15,244 thousand (31 December 2018: € 12,105 thousand), includes accrued income of € 428 thousand and prepayments of € 14,816 thousand.

Prepayments mainly refer to:

- US Wind Inc. for € 6,585 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 € 6,043 thousand.
- TOTO S.p.A. Costruzioni Generali, for € 5,312 thousand;
- Strada dei Parchi S.p.A. for € 2,562 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 SDP).

## Net equity

Net equity amounts to € 177,893 thousand (€ 204,113 thousand at 31 December 2018): it decreased by € 26,220 thousand on the previous year end. Details are provided in the tables in annexes 4 and 5 to these consolidated financial statements. The decrease is essentially due to the effect of the net loss for the year of € 21,809 thousand (including minority interests) and the change in the hedging reserve recognised by SDP.

The group's net equity decreased considerably following the recognition of the hedging reserves at fair value, negative by € 50,416 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:

(in €'000)	31/12/ 2019	31/12/ 2018	Changes
Tax provision	417	6,820	(6,403)
Derivatives	69,539	80,610	(11,071)
Other provisions	24,529	22,897	1,632
<b>Total</b>	<b>94,485</b>	<b>110,327</b>	<b>(15,842)</b>

### TAX PROVISION

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

The decrease of the year is essentially related to the accrual recognised by TH (€ 6,160 thousand) related to the "Pex Cityliner". Indeed, in 2018, TH considered the possibility of settling the tax 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 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.

### 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". The € 69,539 thousand balance relates to the provision recognised by SDP.

#### OTHER PROVISIONS

Other provisions amount to € 24,529 thousand compared to € 22,897 thousand at 31 December 2018. The € 1,632 thousand increase is mainly due to the accruals recognised by the Construction BU, SDP and APFL.

This item is broken down below for each company:

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

The balance is unchanged from the previous year end. It includes probable charges related to prior year events which will be incurred in the future.

#### **TOTO S.p.A. Costruzioni Generali (€ 7,195 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 (€ 240 thousand);
- accruals for ten-year post-completion policies (€ 2,749 thousand);
- future charges of € 3,864 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;
- work site disposal costs for € 342 thousand.

#### **APFL (€ 288 thousand)**

This provision was accrued for the liquidation of the Irish subsidiary.

#### **Strada dei Parchi S.p.A. (€ 12,302 thousand)**

- *Provision for ANAS release of liability (€ 4,082 thousand - 31 December 2018: € 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. During the year, it decreased by € 11 thousand after it was used for payments due in performance of the obligations under the Single Agreement.

- *Provision for restoring and replacing freely transferable assets (€ 7,540 thousand - 31 December 2018: € 6,802 thousand)*

At 31 December 2019, the provision includes costs for non-recurring scheduled maintenance works related to facilities.

- *Provision for risks for fines and penalties arising from the Single Agreement (€ 681 thousand - 31 December 2018: € 385 thousand)*

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. (€ 3,469 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 & Tecnical Services S.r.l. ("ETS").

**US Wind Inc (€ 534 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:

(€'000)	31/12/ 2019	31/12/ 2018	Changes
TOTO Holding S.p.A.	405	392	13
TOTO S.p.A. Costruzioni Generali	462	657	(195)
Infraengineering S.r.l.	341	266	75
Parchi Global Services S.p.A.	578	486	92
Strada dei Parchi S.p.A.	7,113	7,683	(570)
Toto Real Estate S.p.A.	26	27	(1)
Az. Aviagricola Abr. S.r.l.	6	4	2
Renexia S.p.A.	136	90	46
Renexia Services S.r.l.	30	60	(30)
<b>Total</b>	<b>9,097</b>	<b>9,665</b>	<b>(568)</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:

(in €'000)	Due within one year	Due after one year	Due after 5 years	31/12/ 2019	31/12/ 2018	Changes
Bonds	0	10,598	26,153	36,751	24,488	12,263
Shareholder loans	0	1,923	0	1,923	2,421	(498)
Bank loans and borrowings	67,420	201,620	222,922	491,962	536,980	(45,018)
Loans and borrowings from other financial backers	101,960	136,510	537,671	776,141	728,149	47,992
Payments on account	30,090	0	0	30,090	21,592	8,498
Trade payables	128,918	21,162	0	150,080	129,121	20,959
Payables to subsidiaries	26,768	0	0	26,768	16,200	10,568
Payables to associates	34	0	0	34	1,198	(1,164)
Tax payables	58,591	28,333	0	86,924	130,062	(43,138)
Social security charges payable	11,254	2,141	0	13,395	11,419	1,976
Other payables	51,372	0	0	51,372	54,814	(3,442)
<b>Total</b>	<b>476,407</b>	<b>402,287</b>	<b>786,746</b>	<b>1,665,440</b>	<b>1,656,444</b>	<b>8,996</b>

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		1,923	482,333	773,916	15,470	145,399	26,768	34	86,828	13,353	51,254	1,597,278
EU	36,751		9,629		14,620	3,911			96	42	96	65,145
Non-EU				2,225		770					22	3,017
	<b>36,75</b>											
<b>Total</b>	<b>1</b>	<b>1,923</b>	<b>491,962</b>	<b>776,141</b>	<b>30,090</b>	<b>150,080</b>	<b>26,768</b>	<b>34</b>	<b>86,924</b>	<b>13,395</b>	<b>51,372</b>	<b>1,665,440</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 € 491,692 thousand (31 December 2018: € 536,979 thousand) and decreased significantly by € 45,018 thousand with respect to 31 December 2018.

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

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Asset finance	7,666	12,118	(4,452)
Project finance	437,045	469,353	(32,308)
Self-liquidating loans	31,700	37,537	(5,837)
Corporate debts	15,551	17,972	(2,421)
<b>Total</b>	<b>491,962</b>	<b>536,980</b>	<b>(45,018)</b>

#### ASSET FINANCE

"Asset finance" consists of the loans taken out with collateral on owned assets and decreased by € 4,452 thousand; the decrease was due to:

- TOTO CG (and its subsidiaries belonging to the Construction BU) for € 4,266 thousand;
- TOTO RE for € 186 thousand.

Part of the loans are assisted by collateral on properties.

#### PROJECT FINANCE

"Project finance" loans decreased by € 32,308 thousand as a result of (i) the repayment (€ 27,490 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 deconsolidation of Intersun S.r.l. (a € 4,818 thousand) discussed earlier and in the directors' report.

#### SELF-LIQUIDATING LOANS

"Self-liquidating loans" decreased by € 5,837 thousand from € 37,537 thousand at 31 December 2018 to € 31,700 thousand at 31 December 2019. The decrease is due to:

- the increases recognised by Renexia Services S.r.l. (€ 153 thousand);
- the decreases in the loans used by Toto S.p.A. Costruzioni Generali (advances on work progress reports/internal situation reports and contract advances) (€ 5,991 thousand).

#### CORPORATE

"Corporate" loans decreased by € 2,421 thousand from € 17,972 thousand at 31 December 2018 to € 15,551 thousand at 31 December 2019. During the year, the main changes in this item relate to the loans repaid by TOTO S.p.A. Costruzioni Generali (€ 2,167 thousand).

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

This item, amounting to € 776,141 thousand (31 December 2018: € 728,149 thousand) increased by € 17,209 thousand on the previous year end.

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

(€'000)	31/12/ 2019	31/12/ 2018	Changes
Asset finance (leased assets)	4,577	3,432	1,145
Securitisation (TOTO CG)	17,391	15,000	2,391
Corporate (US Wind wind farm)	2,225	2,183	42
Advances	14,478	0	14,478
Payable to the grantor	737,470	707,534	29,936
<b>Total</b>	<b>776,141</b>	<b>728,149</b>	<b>47,992</b>

#### LEASED ASSETS

Lease liabilities, amounting to € 4,577 thousand, are attributable to TOTO CG (€ 3,059 thousand), SDP (€ 233 thousand), TH (€ 172 thousand), Renexia S.p.A. (€ 136 thousand) and PGS (€ 977 thousand). Finance leases are recognised using the financial method as set out in IAS 17, in accordance with OIC 17.105.

#### SECURITISATION (TOTO CG)

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

#### CORPORATE (US WIND WIND FARM)

This item amounts to € 2,225 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 € 737,470 thousand refers to SDP and consists of:

- the payable due to the grantor (€ 722,260 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/ 2018	Decreases	Increases	31/12/ 2019
Residual amount due for Concession Fee deferment	519,214	(111,719)	0	407,495
Interest on the Concession Fee	60,824		28,099	88,923
Suspension under article 52 quinquies of Law decree no. 50/17	111,719		0	111,719
Suspension under Law decree no. 123 of 24 October 2019	0		111,719	111,719
Legal interest on the suspension under article 52 quinquies of Law decree no. 50/17	566		1,837	2,403
Guarantee fund	15,211			15,211
<b>Total</b>	<b>707,534</b>	<b>(111,719)</b>	<b>141,655</b>	<b>737,470</b>

Reference should be made to the directors' report for information about the payment and due date of concession instalments (ANAS S.p.A. or MIT).

## **TRADE PAYABLES**

Trade payables amount to € 150,080 thousand (31 December 2018: € 129,121 thousand) and increased by € 20,959 thousand on the previous year end.

## **PAYMENTS ON ACCOUNT**

"Payments on account" (€ 30,090 thousand) mainly include contract advances billed to TOTO CG customers (€ 22,452 thousand) in respect of contracts underway. This item also includes the advances paid by Beleolico S.r.l.'s future buyer (€ 7,613 thousand) on the sale consideration discussed in the directors' report paragraph "Significant events - Energy BU" to which reference should be made. Additional information is provided in the paragraph "Significant events after the reporting date - Events unrelated to Covid 19".

## **PAYABLES TO SUBSIDIARIES**

Payables to subsidiaries amount to € 26,768 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 "Significant events - Energy BU" and the paragraph "Significant events after the reporting date - Events unrelated to Covid 19".

## **PAYABLES TO ASSOCIATES**

They amount to € 34 thousand.

## **TAX PAYABLES**

This item amounts to € 86,924 thousand (€ 130,062 thousand at 31 December 2018). The € 43,138 thousand is essentially due to the taxes paid in the US by US Wind following the sale to EDF which characterised the previous year.

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 2019, this item decreased from € 54,814 thousand at 31 December 2018 to Euro 51,372 thousand.

It 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.

This item also comprises TH's payable to CAI (€ 114,033 thousand related to the dispute settled 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. As described in the directors' report paragraph "Significant events" to which reference should be made, during the year, two agreements were signed (CAI Second Agreement and CAI Third Agreement) whereby the parties settled the existing credit and debit relations setting a repayment plan. The table below shows the changes in the amount due to CAI compared to the previous year end:

Amount due to CAI	(€/000)
<b>Balance at 31/12/2018</b>	<b>18,586</b>
CAI Second Agreement	4,845
CAI Third Agreement	4,750
Payments of the year	(14,148)
<b>Balance at 31/12/2019</b>	<b>14,033</b>

The residual balance of this item mainly relates to the following companies:

- SDP for € 16,949 thousand;
- Renexia S.p.A. for € 12,732 thousand;
- Construction BU for € 3,532 thousand.

#### Accrued expenses and deferred income

(€/000)	31/12/ 2019	31/12/ 2018	Changes
Accrued expenses and deferred income	2,610	2,177	433
<b>Total</b>	<b>2,610</b>	<b>2,177</b>	<b>433</b>

These are recognised on an accruals basis.

## Notes to the profit and loss account

### Production revenues

The breakdown of production revenues for 2019 is as follows:

(€'000)	2019	2018	Changes
Turnover from sales and services	266,670	287,339	(20,669)
Change in work in progress	(3,008)	(286)	(2,722)
Change in contract work in progress	20,077	(36,360)	56,437
Internal work capitalised	77,455	70,869	6,586
Other revenues and income	17,062	186,347	(169,285)
<b>Total</b>	<b>378,256</b>	<b>507,909</b>	<b>(129,653)</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:

(€'000)	Dic. 2019	Dic. 2018	Changes
Work tender and design services (**)	112,090	95,821	16,269
Motorway concession revenues	209,204	198,867	10,337
Revenues for engineering services (**)	3,449	9,826	(6,377)
Revenues from the energy sector (**)	11,064	44,645	(33,581)
Other (**)	1,563	1,406	157
<b>Sub-total</b>	<b>337,370</b>	<b>350,565</b>	<b>(13,195)</b>
(**) of which Work tender services provided to group companies	(70,700)	(63,226)	(7,474)
<b>Total turnover from sales and services</b>	<b>266,670</b>	<b>287,339</b>	<b>(20,669)</b>

As shown in the table, € 70,700 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 area	Turnover from sales and services	Total
Italy	103,195	<b>103,195</b>
EU	8,895	<b>8,895</b>
Non-EU	0	<b>0</b>
<b>Total</b>	<b>112,090</b>	<b>112,090</b>

The turnover of the year related to the EU is almost entirely generated by TOTO CG in connection with the contract in progress in Poland.

### Production cost

The breakdown of Production cost for 2019 is as follows:

Description (amounts in €/000)	Dic. 2019	Dic. 2018	Changes
Raw materials, consumables, supplies and goods	51,470	29,231	22,239
Services	68,261	95,655	(27,394)
Use of third party assets	21,363	21,977	(614)
Personnel expenses	87,031	84,186	2,845
Amortisation/depreciation and write-downs	60,750	62,682	(1,932)
Change in raw materials, consumables, supplies and goods	(2,370)	3,983	(6,353)
Provisions for risks	350	11,237	(10,887)
Other provisions	1,159	984	175
Other operating costs	45,353	32,851	12,502
<b>Total</b>	<b>333,367</b>	<b>342,786</b>	<b>(9,419)</b>

### Raw materials, consumables, supplies and goods

This item amounts to € 51,470 thousand and increased by € 22,239 thousand compared to the previous year.

The following purchases had a particular impact:

- raw materials for € 33,247 thousand;
- consumables for € 7,882 thousand;
- maintenance materials for € 2,145 thousand;
- fuel and lubricants for € 4,657 thousand.

### Services

These amount to € 68,261 thousand. This item includes external processing costs (€ 21,664 thousand), technical consultancy costs (€ 8,682 thousand), electricity costs (€ 3,536 thousand), sundry insurance costs (€ 3,726 thousand) and consultancy and legal fees (€ 7,171 thousand).

### Use of third party assets

This item amounts to € 21,363 thousand and comprises lease payments for administrative offices, software rental fees for and user licences and miscellaneous fees.

### Personnel expenses

This item amounts to € 87,031 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 (€ 55,826 thousand)

This item rose from € 47,465 thousand in 2018 to € 55,826 thousand in 2019

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 € 1,566 thousand (for assets used by TOTO CG, SDP, TH, Renexia S.p.A. and PGS).

### Write-downs (€ 4,924 thousand)

These comprise:

*Other write-downs (item B10c)* - € 3,858 thousand related to the write-downs recognised

- in the financial statements of the Construction BU (€ 3,186 thousand) and the write-down of the Martina TBM;
- € 672 thousand related to the write-down of the Energy BU's projects in the Melfi municipality as described in the note to "Equity investments".

*Write-downs of current receivables (item B10d)* – € 1,066 thousand: the main accrual is that recognised by SDP (€ 945 thousand) in a specific bad debt provision, netting the receivable from the grantor recognised under current assets.

## Provisions for risks

This item amounts to € 350 thousand

### Other provisions

This item amounts to € 1,159 thousand and comprises:

- TOTO CG's accruals of € 311 thousand. Of this amount, € 46 thousand relates to the adjustment of the provision to cover costs for dismantling work sites and € 265 thousand to the adjustment of the provision accrued in respect of the disputes in place in the Czech Republic;
- SDP's accrual of € 832 thousand, entirely related to the provision for restoration and replacement;
- Renexia S.p.A.'s accruals of € 16 thousand.

## Financial income and charges

The item is broken down as follows:

(in €'000)	Dic. 2019	Dic. 2018	Changes
Income from equity investments	143	0	143
Other financial income	1,877	629	1,248
Interest and other financial charges	(71,560)	(72,278)	718
Net exchange rate gains (losses)	(21)	2,243	(2,264)
<b>Total</b>	<b>(69,561)</b>	<b>(69,406)</b>	<b>(155)</b>

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

Interest and other financial charges totalling € 71,560 thousand relate to:

(€'000)	Dic. 2019	Dic. 2018	Changes
Banks	(32,048)	(32,579)	531
Others	(39,512)	(39,699)	187
<b>Total</b>	<b>(71,560)</b>	<b>(72,278)</b>	<b>718</b>

Interest and charges 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 € 28,500 thousand);

## Adjustments to financial assets

(€'000)	Dic. 2019	Dic. 2018	Changes
Write-backs	97	0	97
Write-downs	(984)	(1,887)	903
<b>Total</b>	<b>(887)</b>	<b>(1,887)</b>	<b>1,000</b>

"Write-downs" (€ 984 thousand) include the write-downs recognised by TH and TOTO CG (€ 698 thousand) related to the shares held in Banca Popolare di Bari and the € 286 thousand write-down recognised in the financial statements of the Construction BU after measuring the investment in INTERMODALE using the equity method.

## Income taxes for the year

(in €'000)	Dic. 2019	Dic. 2018	Changes
<i>Current taxes:</i>	2,618	50,100	(47,482)
IRES (corporate income tax) (including US tax)	(1,609)	45,535	(47,144)
IRAP (regional tax on production)	4,227	4,565	(338)
<i>Change in deferred tax assets and prior year taxes:</i>	(6,542)	(9,033)	2,491
IRES (corporate income tax)	(6,032)	(9,036)	3,004
IRAP (regional tax on production)	(510)	3	(513)
<i>Net income (expense) due to tax consolidation</i>	174	(212)	386
<b>Total</b>	<b>(3,750)</b>	<b>40,855</b>	<b>(44,605)</b>

## Other information

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

(amounts in €'000)	31/12/ 2019	31/12/ 2018	Changes
Commitments	559,738	627,769	(68,031)
Risks	57,706	48,941	8,765
Other	170,161	174,630	(4,469)
<b>Total</b>	<b>787,605</b>	<b>851,340</b>	<b>(63,735)</b>

The breakdown by company is as follows:

Descrizione (importi in €/000)	TOTO Holding	TOTO CG	Renexia	SDP	Renexia Services	TOTAL
Commitments	3,799	514,684		0	41,255	559,738
Risks	27,057		10,649	20,000		57,706
Other	40,000	130,161		0		170,161
<b>Total</b>	<b>70,856</b>	<b>644,845</b>	<b>10,649</b>	<b>20,000</b>	<b>41,255</b>	<b>787,605</b>

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

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

##### Commitments (€ 3,799 thousand - € 3,702 thousand at 31 December 2018)

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 (€ 27,057 thousand – € 27, 852 thousand at 31 December 2018)

They include the guarantees given by TH to third parties. The balance consists of those granted to the buyer of Monteboli S.p.A. (€ 27,057 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 SDP are terminated earlier. This guarantee expired in February 2020. Consequently, TH's commitment is no longer valid.

#### *TOTO S.p.A. Costruzioni Generali*

##### Commitments (€ 514,684 thousand - 31 December 2018: € 567,628 thousand)

These are the contractual commitments to customers related to work not yet performed at the reporting date ("Order book").

Other (€ 130,161 thousand - 31 December 2018: € 134,630 thousand)

- Insurance sureties (€ 120,066 thousand) (final) and bank sureties ( € 3,441 thousand) (performance bond) given to customers to guarantee the performance of works.
- Insurance sureties provided to customers as release of guarantee withholdings on work totalling € 2,975 thousand.
- Insurance sureties as a guarantee for various contractual commitments totalling € 3,679 thousand.

*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 (€ 10,649 thousand - 31 December 2018: € 1,089 thousand)

Renexia S.p.A. issued the following guarantees:

- € 4,560 thousand, equal to the residual amount at 31 December 2019 of the surety issued by the company in favour of the subsidiary Intersun S.r.l. as a guarantee for the loan granted to said subsidiary by Banca Popolare di Bari for the construction of the photovoltaic field;
- € 5 million for the guarantee requested of the company by the buyer for the sale of Ponte Albanito S.r.l. as the "*maximum liability*" for violation of contractual representations and warranties;
- € 1,089 thousand related to the counter-surety given in favour of E.T.S. as part of the arbitration procedure commenced by E.T.S. against C.V.A. S.p.A. as reported in the paragraph "Other risks".

*Renexia Services S.r.l.*

Commitments (€ 41,255 thousand - 31 December 2018: € 55,376 thousand)

This item includes the main contractual commitments agreed for the provision of goods and services related to the design and construction of the off-shore wind farm in the Taranto port area comprising 10 wind turbines producing a total of 30 MW.

#### 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 there is nothing to report in this respect.

### 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)	(€'000)
Directors	1,971
Board of Statutory Auditors	475
<b>Total</b>	<b>2,446</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:

(€'000)	31/12/ 2019	Due within one year	Due after one year
Shareholder loans	1,923	0	1,923

### Financial instruments issued by the group

#### *Renexia Wind Offshore S.p.A.*

Through Renexia Wind Offshore S.p.A., in 2018, 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.

#### *Renexia Pech S.p.A.*

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 € 12.5 million, privately placed with a foreign qualified investment fund. 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 the first half of 2021 for an annual amount equal to € 1 million up to 31 December 2025 and the remaining balance will be paid in one tranche at maturity (31 December 2026). The securities will pay coupons at an annual 8.5% rate in arrears, starting from 31 December 2019.

The bond was issued in one tranche on 4 July 2019 for the full nominal amount.

#### *Fair value of derivatives*

At the reporting date, the group companies held the following financial instruments:

#### *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 June 2015
- c. contract end date: 31 December 2027
- d. purpose: hedging;
- e. notional amount: € 20,000,000
- f. underlying financial risk: interest rate risk (libor);
- g. fair value of the derivative: € (69,539 thousand);
- h. liability hedged: bank debt.

#### *Beleolico S.r.l.*

The derivatives listed below were entered into in order to hedge the interest rates applied to loans acquired in 2019.

##### 1) Contract: INTEREST RATE SWAP

- i. type of derivative contract: unlisted financial derivative;
- j. contract start date: 22 January 2019
- k. contract end date: 31 December 2035
- l. purpose: hedging;
- m. notional amount at 31 December 2019: € 5,846,908;
- n. underlying financial risk: interest rate risk;
- o. fair value of the derivative: € (1,516,401.88);

p. liability hedged: bank debt.

Beleolico has not been consolidated as it is held for sale. Consequently, the effects of the above derivative are not reflected in the group's balance sheet.

At 31 December 2019, 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

#### Events unrelated to Covid 19

Before the limitations imposed by the Italian Government following the spread of the pandemic by Covid-19, the group prepared a long-term plan which was the 2020-2023 business plan. TH, acting as the parent, continued to coordinate the group's actions in order to facilitate discussions with the financial market and support the investments in the various BUs.

The agreements relating to the signing of a structured financing operation (the "**Loan**") with an international private equity fund directly involving the Energy BU through the two following separate credit lines are being completed: (i) the issue of a listed bond by the subsidiary Renexia S.p.A. and (ii) the disbursement of a loan to the US indirect subsidiary US Wind Inc.. The Loan will amount to € 225 million and includes a set of guarantees provided by the group to the investor (or its special purpose entities) through pledges of shares and corporate guarantees of the various companies. As mentioned above, it will support the performance of the main transactions included in the Plan, of which those related to the energy sector are one of the key drivers. The Plan was drawn up prior to the outbreak of the pandemic caused by Covid-19. Consequently, in the original version, the scenario considered was unaffected by the effects of the virus.

Due to the pandemic, the finalisation of the Loan agreement slowed down precisely when the parties were close to signing.

As part of the renewable energy sector and pandemic-independent information, the following should be noted:

**Parco Eolico Casalduni House S.r.l. Project**

As discussed in directors' report paragraph "Significant events - Energy BU," the construction of the wind farm requires the use of a structured financing facility in the form of a 10-year bond issue totalling about € 38 million. The parties have already substantially agreed to all the terms of the contract, including those relating to interest rates and guarantees that are typical of a project financing facility such as this one.

The closing of the loan was initially scheduled for March 2020. However, also as a result of the expansion of the pandemic, it slowed down and was postponed. The construction of the wind farm will begin once the loan agreement is signed.

### **Beleolico Wind Farm Project**

As discussed in the section "Significant events", the management of the various open contacts caused a significant delay compared to the original time schedule of the project.

However, on 24 April 2020, the GSE notified Beleolico S.r.l. of the extension of the deadline for the plant to start operation (and therefore of the incentives), setting it at 22 July 2022. This step was fundamental to continue the project which, at this point, only requires to finalise the agreements with the turbine suppliers and, consequently, adjust the loan already in place to pursue its implementation.

### **Sale of the investment in Beleolico S.r.l.**

The delay in the contract for the construction of Beleolico S.r.l. wind farm effectively slowed and subsequently cooled down the negotiations for the sale of the investment, as discussed in the directors' report section "Significant events - Energy BU". In fact, the longer time necessary mainly to obtain the extension of the plant's energisation deadlines and the acknowledgement of the related tariff from the GSE, led the parties to postpone the possibility of confirming their willingness to continue the operation agreed in 2019 until July 2020. Should no agreement not be reached, RENEXIA WIND will return the down payment received of approximately € 7.6 million, together with interest accrued in 2020 (in this respect, a guarantee was issued by a leading insurer for which the company, in co-obligation with TH, issued the necessary indemnity). In this case, however, the Beleolico project will remain in the group's portfolio and will be part of the future MW basket, which will represent a key element to balance the BU's cash flow.

With respect to the Construction BU, the following should be noted:

### **Ritiro Viaduct contract**

With reference to the requests for additional fees made by TOTO CG to CAS, during 2019, the amicable settlement procedure provided for by article 240 of Legislative decree no. 240 was activated to define of the claims recorded by TOTO CG, which amounted to € 28,604 thousand for SAL 23 at 26 November 2019. Subsequently, on 11 September 2019, the current Inter-regional manager for Sicily and Calabria public works was appointed as president, completing the Commission in accordance with article 240 of the Legislative decree no. 163/06, for the definition of the claims recorded by TOTO CG.

On 6 March 2020, the Commission submitted the proposal for an amicable settlement amounting to € 6,890 thousand. In its note dated 17 March 2019, TOTO CG expressed its support and subsequently the entity awarding the contract confirmed its willingness to proceed by accepting the contents of the Commission's proposal for an amicable settlement.

The procedures to define and sign the minutes of the amicable settlement are currently underway pursuant to article 240 of Legislative decree no. 163/06.

### Events related to Covid 19

At the preparation date of this document, there were some significant uncertainties due to the effects caused by the spread of the Covid-19 pandemic, which generated liquidity risks and had a negative impact on the interim results (2020) of certain operating companies (e.g., SDP and TOTO CG).

Therefore, following the spread of the Covid-19 pandemic, the group had to cope with:

- 1) a significant reduction in liquidity due to the halting of operating activities, mainly in the construction and concessions sector, with an impact in terms of turnover, which will be discussed below;
- 2) the reshaping of the group's planned investments as envisaged in the initial 2020 - 2023 BP, mainly for the Renewable energy BU, and which led to an extension of the plan period until 2026, also in order to take advantage of the schemes made available by the Italian Government;
- 3) for the construction sector, the decrease in revenues for the first four months of 2020 to € 14,974 thousand, down by € 26,688 (-64%) on the same period of the previous year (€ 41,662 thousand) and € 32,105 (-68%) on the 2020 budget. The profit and loss account for the first four months of 2020 shows a net loss of € 14,824 thousand. The 2020 budget foresaw a net loss of € 8,555 thousand for the first four months. Therefore, the net loss for the period ended 30 April 2020 worsened significantly compared to the budget (€ 6,269 thousand or -73%).
- 4) for the concessions sector, since the beginning of March 2020, following the restrictions imposed by the Government on non-core business activities and the mobility of people to help contain the spread of the Covid-19 virus, the significant decrease in traffic recorded on the network managed by SDP (down by almost 80% compared with the same days of the previous year), resulting in the reduction of the daily flow of toll revenues.

From a cash point of view, the reduction in traffic clearly had a directly proportional impact. Based on this scenario, SDP carried out a sensitivity analysis of the forecasts included in the 2020 budget, estimating a reduction in toll revenues and seeking to identify actions to address the reduction in revenues and liquidity. In particular, the cash flow forecast assumes a 50% average traffic reduction for the period March-June and a 10% reduction for the second half of the year. The decrease in toll revenues collected in 2020 could range between € 35 and € 40 million. Also the figures for the period ended 30 April 2020 show a net loss of approximately € 13 million, confirming the scenario described above with regard to the negative impact of the lock down on traffic performance. Because of this loss and the previous losses, SDP falls within the scope of article 2446 of the Italian Civil Code, whose effects are not applicable until 31 December 2020 as per Law decree no. 23 of 8 April 2020 (Liquidity decree), converted into Law no. 40/2020 on 6 June 2020 published in Official Journal no. 143, issued as an urgent measure to ensure the continuity of the businesses affected by the COVID-19 emergency.

In this context, the directors immediately prepared compensatory measures to minimise the physiological effects of the pandemic from an organisational and also financial point of view:

- all the necessary measures were taken to protect the health of employees, such as the adoption of a specific "COVID-19 SAFETY PROTOCOL";
- the remote working tool was implemented;
- digital infrastructures were used to enable the remote provision of services;
- social shock absorbers (CIGO - government-sponsored lay-off scheme) were used for nine weeks starting from April;
- with respect to taxes, all available regulatory tools were used, including those introduced by the "Cura Italia" Law decree and the subsequent Liquidity decree by which the Italian government suspended a wide range of withholding, tax and contribution payments (postponing deadlines and suspending tax and contributions payments);
- the group worked to take advantage of the measures introduced by the Law decree dated 8 April 2020 ("Liquidity decree"), converted into Law no. 40/2020 on 6 June 2020 published in Official Journal no. 143, on measures to support the liquidity of companies in Italy; in this respect, discussions with a leading Italian bank are at advanced stage to obtain in the short term a credit line with SACE guarantee of 90% and a six-year term, of which an interest-only period of three years and three years of repayment in the forms and methods provided for by the above Liquidity decree.
- the group worked to take advantage of the measures set out in the provisions for the liquidity of contractors set out in article 207 of Law decree no. 34 of 19 May 2020 ("Relaunch decree"). In particular, paragraph 2 of the above article provides that the entities awarding the contract may grant, under the procedures and with the guarantees provided for by article 35.18 of Legislative decree no. 50 of 18 April 2016, an advance of up to 30% of the amount of the services still to be performed, even where the contractor has already benefited from the contractually-provided advance.

In addition, the directors took the following actions to mitigate the impact of the pandemic on their activities:

1. with respect to taxes, all available regulatory tools were used, including those introduced by the "Cura Italia" Law decree and the subsequent Liquidity decree by which the Italian government suspended a wide range of withholding, tax and contribution payments. Indeed, it postponed the deadlines and the suspension of tax and contributions payments;
2. with respect to the relations with CAI, as discussed in detail in the paragraph "Significant events" to which reference should be made, TH requested and obtained suspension of payment of the instalments scheduled for March and April;

3. the directors urged ANAS and the MIT to definitively implement the preliminary agreement signed between SDP and ANAS to postpone payment of the 2019 instalment (due by 31 March 2020) at the end of the concession, subject to payment of interest on the additional extension. Article 11.6 of the Single Agreement also provides for the operator's right to require the grantor to rebalance the BP in the case of extraordinary events that have upset the economic and financial balance. From an economic and regulatory point of view, clearly there is a cause of *force majeure* which would allow the company to find economic and financial relief. In this respect, as already commented in paragraph 2.9.2 of this document, it is noted that the administrative process of rebalancing the BP is already underway;
4. on 12 March 2020, an appeal was filed before the Court of Rome pursuant to article 700 of the Italian Code of Civil Procedure, requesting "*the suspension of the obligation to pay the instalment of the concession fee for 2019, pursuant to article 3.3 letter c) of the Single Agreement and the Concession fee referred to in article 12 of the Single Agreement, in accordance with the agreements reached between the Parties, or declaring the suspension of the obligation from 2019, thus until October 2021, or until the date of approval of the new BP, and in order to enable Strada dei Parchi S.p.A. to start the urgent seismic safety works on the motorway network and tunnels pursuant to Legislative decree no. 264/2006.*" The hearing for discussion was scheduled for 17 July 2020;
5. On 27 March 2020, SDP sent a note to the MIT and ANAS S.p.A.'s managing director to inform them that it would postpone payment of the Anas 2020 instalment, the Central Guarantee Fund instalment, the concession and sub-concession fees and the toll integration fees.
6. Pending the postponement of payment of the 2019 instalment, SDP requested its lending banks to release and use liquid funds of € 45.3 million, already set aside on the basis of the loan agreement and to be used to pay the 2019 instalment to ANAS (€ 55.6 million plus VAT), to mitigate liquidity requirements to cover current debt and finance current investments. This amount exceeds the estimated cash requirements as a result of the expected reduction in toll revenues and will also result in a safety buffer for any additional impacts during the restriction period.

Moreover, if necessary, SDP could also activate the levers allowed by the existing loan agreement, facilitated by recent regulatory provisions, in order to have a moratorium on the debt positions falling due.

The lending banks confirmed their availability and granted the waiver to release these funds, enabling SDP to operate and guarantee the safety of the infrastructure and users.

## Business outlook

Before the Corona virus pandemic spread, the group had drawn up the 2020 - 2023 BP. However, mainly as a result of the consequences related to the spread of Covid-19, the approval programme was significantly slowed down. The 2020-2023 BP's main assumptions are as follows:

- investments by the subsidiary SDP with the signing of the new BP. The updating of the BP of SDP, the operator of the A24 and A25 motorways, is expected to be completed in the short term, also considering the appointment of the acting commissioner by the Council of State published on 14 April 2020 with prot. no. 2413/2020. The new BP envisages an investment programme worth approximately € 3.1 billion, of which € 2,000 billion, covered by government grants, will be the subject of specific approval plans. The remaining € 1.1 billion, € 111.2 million of which referring to work already carried out ("stair-stepping"), will be included in the revised BP.
- development of the Energy BU through investments in the United States and Italy in the four-year period 2020 - 2023, entrusting the national works to the BU's EPC contractor of the BU.

The projects set out in the BP attracted a number of investors with whom fruitful discussions have begun. The Loan, as already discussed in the previous section of paragraph "Significant events after the reporting date, is about to be signed.

Due to the total closure imposed by the governments around the world, activities in general, and those of the group in particular, have undergone a series of slowdowns that affected both the sector operating activities (see traffic for the operator SDP or the closing of construction sites for the subsidiary TOTO CG), but also the coordination activities that characterise TH's core-business. In particular, as already described, this refers to the need, due to the pandemic spread, to revise the 2020 - 2023 BP, extending it until 2026, with the aim of accessing the compensatory measures introduced by the Italian Government with the Law decrees that followed over the months.

In the current national economic and financial scenario, it is not easy to predict when the situation will return to pre-pandemic "normal" levels. According to the information available today, based on forecasts made by institutional bodies and leading international experts, evolutionary scenarios for the end of the emergency can be forecast, characterised by different timing and socio-economic impacts. According to a study by the management consulting firm McKinsey & Company<sup>5</sup>, three possible alternative scenarios can be identified: (1) Quick recovery; (2) Global slowdown; (3) Global pandemic and recession. The Quick Recovery scenario now seems to be outdated, while the results of the measures implemented by national governments indicate that there is a good chance that no global pandemic and recession will occur.

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<sup>5</sup> COVID-19: Impact on Travel & Hospitality, McKinsey & Company, March 2020.

Therefore, among the scenarios envisaged, the so-called "Global slowdown" scenario seems to be the most likely. This means that the restrictions will continue throughout the second quarter and that the recovery, more or less slow depending on the sector, could take place in the second half of the year.

As described in the "Going concern" and "Significant events after the reporting date" paragraphs, the company's business has been clearly affected since March 2020, both by the effects caused by the Covid-19 pandemic and the consequent measures adopted by the Italian Government.

The company continues to monitor the evolution of the situation, assessing from time to time the efficiency improvement actions to be taken, also considering the possibility of reviewing the planned actions, including with respect to group companies' investments.

Finally, the group assessed the impact of the pandemic on its operations, making the necessary considerations on the basis of possible future scenarios that are still difficult to interpret at present, but which are summarised below for the main areas of operations (Concessions, Energy and Construction).

#### Covid 19 – Concessions BU

Since the beginning of March 2020, following the restrictions imposed by the Government on non-core business activities and the mobility of people to help contain the spread of the Covid-19 virus, the traffic recorded on the network managed by SDP decreased considerably (down by almost 80% compared with the same days of the previous year), resulting in the reduction of the daily flow of toll revenues. Based on this scenario, SDP carried out a sensitivity analysis of the forecasts included in the 2020 budget, estimating a reduction in toll revenues and seeking to identify actions to address the reduction in revenues and liquidity, which may be summarised as follows:

- use of social shock absorbers (CIGO - government-sponsored lay-off scheme);
- request a moratorium to ANAS and the MIT to definitively implement the preliminary agreement signed between SDP and ANAS to postpone payment of the 2019 instalment (due by 31 March 2020) at the end of the concession, subject to payment of interest on the additional extension;
- requested the lending banks to release and use liquid funds of € 45.3 million, already set aside on the basis of the loan agreement and to be used to pay the 2019 instalment to ANAS (€ 55.6 million plus VAT), to mitigate liquidity requirements to cover current debt and finance current investments. The lending banks confirmed their availability to release these funds, enabling SDP to operate and guarantee the safety of the infrastructure and users. On 4 June 2020, the agent bank informed SDP that the request had been accepted;
- beginning of discussions with a leading Italian bank to obtain in the short term a credit line of approximately € 64 million with SACE guarantee of 90% and a six-year term, of which an interest-only period of three years and three years of repayment in the forms and methods provided for by the above Liquidity decree, converted into Law on 6 June.

### Covid 19 – Energy BU

The business carried out by the companies making up the BU and the possibility of guaranteeing business continuity remotely have enabled the BU to avoid significant immediate impacts on its project portfolio. The pandemic wave involved the BU, substantially causing the need to remodulate investments according to a new time schedule that delayed the implementation of projects already under construction by several months (see Beleolico S.r.l.'s project at the port of Taranto for the construction of the first Italian offshore park - the project had to overcome other issues not attributable to the group that had already slowed down the process), or initiatives that were essentially ready for construction (see the construction of the wind farm in the municipality of Casalduni - BN).

As part of the measures put in place by the Italian Government, the Energy BU also applied for all the tools which support companies in this period of general economic and financial slowdown. Specifically, assisted by the group, it is requesting access to the loans provided for by the regulatory measures.

### Covid 19 – Construction BU

In accordance with the provisions of article 1.7, letter d) of the Prime minister decree dated 11 March 2020, TOTO CG, in coordination with the group, adopted specific measures to prevent the risk of contagion for its employees through the circulation of the "COVID-19 Safety Protocol" which provides for the following:

- Disseminating information from institutions.
- Introducing hygiene rules to reduce the risk of virus spread.
- Reducing the number of workers through the use of remote work, where possible from an operational and technological point of view, incentives to use paid holidays and leave and suspending activities at construction sites.
- Reorganising work areas in order to ensure social distancing.
- Sanitising work areas.

The entities awarding the contract declared the suspension of the works due to *force majeure*, also given the unavailability of personal protection equipment (PPE). In addition, it was up to the customers to decide on the resumption of work in the emergency phase and the obligation to quantify the higher costs and charges connected with the performance of said works. Based on the above, production activities at the construction sites have been suspended since the start of the emergency, which to date has not yet been completely overcome.

The COVID-19 pandemic has therefore had negative effects both in economic and liquidity terms mainly due to the fixed costs incurred without being able to generate adequate cash inflows due to the suspension of work on the construction sites.

The revenues for the first four months of 2020 amount to € 14,974 thousand, down by € 26,688 (-64%) on the same period of the previous year (€ 41,662 thousand) and € 32,105 (-68%) on the 2020 budget. The profit and loss account for the first four months of 2020 shows a net loss of € 14,824 thousand. The 2020 budget foresaw a net loss of € 8,555 thousand for the first four months. Therefore, the net loss for the period ended 30 April 2020 worsened significantly compared to the budget (€ 6,269 thousand or -73%).

Depending on the duration of the COVID-19 crisis and the continuation of its negative impact on business, the company may experience further negative results in 2020, such as a reduction in available liquidity and incur further losses. It is currently not possible to predict exactly the impact on operations in the next few months of 2020 and beyond.

## **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 lease	US dollar	12,000,000	100.00%	100.00%	-	
Azienda Aviagrica 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.
Cefalù Scarl	Chieti	Italy	Construction	€	10,000	77.99%	-	77.99%	Toto S.p.A. Costruzioni Generali
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%	-	100.00%	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%	-	
MedWind Sarl	Tunis	Tunisia	Energy sector	TND	5,000	64.08%	-	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 Pech S.p.A.
Pontepo Scarl	Chieti	Italy	Construction	€	10,000	73.73%	-	73.73%	Toto S.p.A. Costruzioni Generali
Renexia Services S.r.l.	Chieti	Italy	Energy sector	€	100,000	80.10%	56.07%	70.00%	Renexia S.p.A.
Renexia S.p.A.	Chieti	Italy	Energy sector	€	5,000,000	80.10%	80.10%	-	
Renexia Pech S.p.A.	Chieti	Italy	Energy sector	€	1,000,000	80.10%	-	100.00%	Renexia S.p.A.
Renexia Recharge S.r.l.	Chieti	Italy	Energy sector	€	10,000	80.10%	-	100.00%	Renexia S.p.A.
Renexia Wind Offshore S.p.A.	Chieti	Italy	Energy sector	€	50,000	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 Construction	Baltimore	USA	Construction	US dollar	50	100.00%	-	100.00%	Toto S.p.A. Costruzioni Generali
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>ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD</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

Chairman of the Board of Directors

Paolo TOTO

## 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%	6,637,343	30,617	6,637,343	25,672,143
Toto S.p.A. in association with Taddei S.p.A. Scarl	1,000	51.00%	29,099	2,043	23,308	5,100

Chairman of the Board of Directors

Paolo TOTO

### 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%	-	

Chairman of the Board of Directors

Paolo TOTO

#### 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 PROFIT OF TOTO HOLDING S.p.A. AT 31 DECEMBER 2019</b>	<b>334,560</b>	<b>48,993</b>
Elimination of investments	(205,756)	9,723
Goodwill arising on consolidation (SDP concession)	27,788	(2,526)
Elimination of 2018 and 2019 dividends	0	(79,810)
Other consolidation adjustments (e.g. IAS 17)	(174)	(65)
<b>NET EQUITY AND NET LOSS ATTRIBUTABLE TO THE GROUP AT 31 DECEMBER 2019</b>	<b>156,418</b>	<b>(23,685)</b>
Net equity and net profit - minority interests	21,475	1,876
<b>CONSOLIDATED NET EQUITY AND NET LOSS AT 31 DECEMBER 2019</b>	<b>177,893</b>	<b>(21,809)</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 01/01/2019</b>	<b>100,000,000</b>	<b>2,399,035</b>	<b>242,485,940</b>	<b>17,560,599</b>	<b>378</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>
<b>Changes for the year:</b>										
Opening and consolidation entries						(5,380,676)	61,263,829	(2,837,250)		53,045,903
Alloc. of prior year net loss								25,433,954	(25,433,954)	0
Effect of translating the financial statements of foreign operations						9,752,178				9,752,178
Effect of IAS 17								(108,248)		(108,248)
Hedging reserve							(50,415,535)			(50,415,535)
Net profit for the year									(23,684,867)	(23,684,867)
<b>Closing balance 31/12/2019</b>	<b>100,000,000</b>	<b>2,399,035</b>	<b>242,485,940</b>	<b>17,560,599</b>	<b>378</b>	<b>9,752,178</b>	<b>(50,415,535)</b>	<b>(141,679,143)</b>	<b>(23,684,867)</b>	<b>156,418,586</b>

Chairman of the Board of Directors

Paolo TOTO



**INDEPENDENT AUDITOR'S REPORT**

**TOTO HOLDING SPA**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2019**



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

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

To the 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 the Toto Holding Group (the Group), which comprise the balance sheet as of 31 December 2019, the income statement and statement of cash flows for the year then ended and related notes.

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

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

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

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

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

For the purpose of exercising the aforesaid power, and consistently with the instructions contained in the Interpretative Document no. 6 of the Italian Accounting Board (OIC), the

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

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. Euro 6.890.000,00 i.v., C.F. e P.IVA e Reg. Imp. Milano 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhler 23 Tel. 0303697501 - **Catania** 95129 Corso Italia 302 Tel. 0957532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 0552482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Napoli** 80121 Via dei Mille 16 Tel. 08136181 - **Padova** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 0854545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06570251 - **Torino** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311

Directors stated that, on the basis of the information available at 31 December 2019, they evaluated the existence of the going concern assumption at that date in application of paragraph 21 of the Italian Accounting Board Standard OIC 11. The Directors stated that, as part of this evaluation, they did not take into account the events occurred after 31 December 2019.

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

Our opinion is not qualified with regard to this matter.

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

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

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

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

The directors are responsible for the preparation of 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 they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are 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, the directors use the going concern basis of accounting unless they either intend to liquidate Toto Holding SpA or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in the terms prescribed by law, the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

- We identified and assessed the risks of material misstatement of the 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 the directors;
- We concluded on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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***

The directors of Toto Holding SpA are responsible for preparing a report on operations of the Toto Holding Group as of 31 December 2019, 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 2019 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

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

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

Pescara, 29 June 2020

PricewaterhouseCoopers SpA

*Signed by*

Stefano Amicone  
(Partner)

*This report has been translated into English from the Italian original solely for the convenience of international readers. We have not examined the translation of the financial statements referred to in this report.*

TOTO Holding S.p.A.

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