Consolidated Financial Statements 2020

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

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

Jonathan Swift

TOTOHolding

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Contents

Glossary 5
Company 7
Corporate Bodies 7
Directors' Report 8
Activities carried out 8
Foreword 8
Macroeconomic and System Context 9
Significant events in 2020 9
Construction Sector 10
Motorway Concessions Sector 11
Renewable Energy Sector 11
Significant events of the year 12
Concerning the Group 12
Concessions BU 15
Strada dei Parchi S.p.A. 15
Covid-19 epidemiological emergency and traffic trend 15
Tolls 17
Extraordinary checks of gallery and viaduct safety 20
Urgent safety works (MISU) 20
Updating/revision of the BP 22
Construction BU 23
Toto S.p.A. Costruzioni Generali 23
Energy BU 27
ITALY 27
ABROAD 28
Financial highlights 29
Toto Group 29
Net financial Position 33
Changes in NFP by nature 33
Analysis of NFP by due date 34
Payable to ANAS 36
SDP take-over amount 36
2020 Bond Issue 37
Performance of the main group companies 39
TOTO Holding S.p.A. 39
Construction Business Unit 42
TOTO S.p.A. Costruzioni Generali (Sub-consolidated) 42
Concessions Business Unit 44
Strada dei Parchi S.p.A. 44
Energy Business Unit 46
Renexia S.p.A. 46
Services Business Unit 48
Parchi Global Service S.p.A. 48
Risks and uncertainties 50
Other risks 52

Other Information ... 83
Research and development ... 83
Organisational model pursuant to Legislative decree no. 231/2011 ... 83
Business outlook ... 83
Consolidated financial statements ... 84
Balance sheet ... 84
Profit and Loss Account ... 86
Cash flow statement for 2020 (indirect method) ... 87
Other adjustments for non-monetary items ... 87
(Acquisition) sale of subsidiaries or business units, net of liquid funds ... 87
Notes tothe consolidated financial statements ... 88
General information ... 88
Description of the main group companies ... 88
Going concern ... 88
Format and content of the consolidated financial statements ... 92
Accounting policies and measurement criteria ... 92
Accounting policies ... 92
Consolidation ... 92
Measurement criteria ... 93
Waivers ... 94
Scope of consolidation ... 105
Workforce ... 105
Balance sheet ... 106
Intangible fixed assets ... 106
Tangible fixed assets ... 109
Financial fixed assets ... 113
Inventory ... 116
Financial receivables ... 118
Current financial assets ... 120
Liquid funds ... 120
Assets held for sale ... 121
Prepayments and accrued income ... 121
Net equity ... 122
Provisions for risks and charges ... 122
Employees' leaving entitlement ... 124
Payables ... 125
Accrued expenses and deferred income ... 129
Notes to the profit and loss account ... 130
Production revenues ... 130
Production cost ... 131
Raw materials, consumables, supplies and goods ... 131
Services ... 131
Use of third party assets ... 131
Personnel expenses ... 131
Amortisation/depreciation and write-downs ... 131
Provisions for risks ... 132

Other provisions 132
Financial income and charges 133
Adjustments to financial assets 133
Income taxes for the year 134
Other information 134
Off-balance sheet commitments, guarantees and contingent liabilities 134
Revenue or cost components of a significant amount 136
Directors' and statutory auditors' fees 136
Independent auditors' fees 136
Related-party transactions 136
Financial instruments issued by the group 137
Fair value of derivatives 137
Off-balance sheet transactions 140
Significant events after the reporting date 140
Concessions BU 140
Energy BU - US WIND 142
Business outlook 143
Annexes to the consolidated financial statements 143
Annexes to the consolidated financial statements 144
ANNEX 1 - LIST OF CONSOLIDATED INVESTMENTS 145
ANNEX 2 – LIST OF OTHER INVESTMENTS IN EXCLUDED SUBSIDIARY COMPANIES 147
ANNEX 3 - LIST OF OTHER INVESTMENTS RECOGNISED AT COST 148
ANNEX 4 – RECONCILIATION BETWEEN NET EQUITY AND THE NET LOSS OF TOTO HOLDING S.p.A WITH CONSOLIDATED NET EQUITY AND NET PROFIT 149
ANNEX 5 - STATEMENT OF CHANGES IN THE GROUP'S CONSOLIDATED SHAREHOLDERS' EQUITY 149

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

AVISUN – Avisun S.r.l. (ex AVIAGRICOLA- ex Azienda Aviagricola Abruzzese S.r.l.)

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.

CEFALU' – Cefalù Scarl

NIC – Net Invested Capital

COGEIN – Compagnia Generale Investimenti S.r.l.

CONCESSIONI AUTOSTRADALI – Concessioni Autostradali S.p.A.

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

MIMS – Ministry of Sustainable Infrastructure and Mobility (ex MIT)

MLT – Medium-/Long-term

OREC - Offshorewind Renewable Energy Credit

PAC – Provisional Acceptance Certificate

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

BP – Business Plan

BUSINESS PLAN – 2021 – 2027 Business Plan approved by the Group in August 2021

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 – Renexia S.p.A.

RENEXIA SERVICES – Renexia Services S.r.l.

RENEXIA PECH – Renexia Pech S.p.A.

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.

TOTO TECH – Toto Tech S.r.l.

US WIND – US Wind Inc.

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[1]

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

BOARD OF STATUTORY AUDITORS[2]

Giovanni Smargiassi	Chairman
Vito Ramundo	Standing auditor
Francesco Cancelli	Standing auditor
Paolo Palumbo	Substitute auditor
Giovanni D'Aquino	Substitute auditor

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.[3]	Independent auditors

SUPERVISORY BODY[4]

Salvatore Ricci	Chairman
Francesco Cancelli	Member
Roberto Milia	Member

[1] 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.

[2] 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.

[3] Engagement assigned to PWC S.p.A. for the 2019-2021 period by TOTO Holding's Shareholders in their meeting of 30 April 2019.

[4] The Supervisory body was appointed on 15 June 2020 by the Board of Directors. It has a one-year term of office (currently in *prorogation*).

Directors' Report

Activities carried out

TOTO Holding S.p.A. (TH) is the holding company that 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:

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

Foreword

TOTO Holding S.p.A.'s consolidated financial statements have been prepared in accordance with the Italian accounting standards and comprise, in addition to the consolidated financial statements of the parent TOTO Holding S.p.A., the financial reports for 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, Avisun S.r.l. (ex 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., Renexia Pech S.p.A., Renexia Recharge S.r.l., Spartivento S.r.l., Good Wind S.r.l., Calabria Energia S.r.l., Indaco S.r.l., Volere Volare S.r.l., Parco Eolico Casalduni House S.r.l., AP FLEET Ltd, Concessioni Autostradali S.p.A., and the financial statements for the Construction BU or 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, Pontepo Scarl, and Cefalù Scarl.

Compared to 31 December 2019, the scope of consolidation underwent a change due to the consolidation of Renexia Recharge S.r.l., founded on 2 December 2019, in the context of a project for developing electric vehicle charging stations.

Graph 1 – Group structure (Main business sectors)

Macroeconomic and System Context

Significant events in 2020

The World Economy

Global economic activity continued to expand in the first months of 2021. The continuation of the vaccination campaigns and strong monetary and tax policy support are reflected in a decisive improvement of the medium-term prospects, but the fresh wave of the pandemic is weighing in the short term, especially in the services sector. According to current assessments, global production could return to pre-pandemic levels at the end of the year.

The medium-term prospects for the global economy have markedly improved thanks to the vaccination campaigns, which are moving forward on a vast scale, even though with significantly different trends between different regions: more rapidly in the United States and in the United Kingdom, more slowly in the European Union, and with a large delay in developing countries. In any case, in the first months of the year, the spread of virus variants caused an increase in infections that keeps uncertainty regarding short-term developments high.

In the fourth quarter of 2020, the resumption of economic activity was considerable and is supposed to continue in the first quarter of 2021, but in a heterogeneous manner between countries and sectors. In March, the purchasing managers' index (PMI) in manufacturing remained above the expansion threshold in all the main, advanced economies. In the services sector, which was hit harder by the pandemic, the indicators still signal weak prospects in the Euro area and in Japan; they are, in contrast, consistent with an expansion in the United States and the United Kingdom.

At the end of the year, in the United States, in Japan, and in the United Kingdom, the GDP was still below the levels prior to the pandemic. In China, the pre-crisis levels had already recovered in the third quarter.

According to the base scenario of the IMF published in April, global production should grow by 6 per cent in 2021, overtaking the levels before the pandemic by the end of the year. Compared to January, the IMF revised the forecasts for global economic activity upwards by 0.5 percentage points in 2021, due to the new budget stimulus in the United States and the vaccination campaigns under way. The global recovery will, however, depend on the evolution of the pandemic, economic policy actions, and the trend in financial conditions.

Oil prices are up again: oil prices have risen, reflecting better global growth prospects. On the supply side, prices were maintained both by the fall in production in the United States, thanks to the exceptionally rigid climate, and to a lower recovery than expected in OPEC country production.

Monetary policy remains expansive: the Federal Reserve, the Bank of Japan, and the Bank of England confirmed their expansive direction in their respective monetary policies. Expectations regarding short-term interest rates have remained, more or less, stable and rises are not expected before the end of the year in the main advanced economies. In China, the central bank left their reference rates unchanged adopting, in any case, from the start of the current year, a more restrictive direction that has translated into a significant slow down in financing of the economy. *(source: Banca d'Italia - Economic Bulletin – April 2021)*

The Italian Economy

Following the worsening of the pandemic, economic activity fell in the fourth quarter of last year, though to a degree below expectations. According to available indicators, production remained more or less stable in the first three months of 2021 with a recovery of industry, but with weakness persisting in the services sector. In the

fourth quarter of 2020, the GDP fell by 1.9 per cent compared to the previous period, after the strong recovery during the summer. The fall in production, owing to the worsening of the pandemic, was, in any case, less sharp than expected thanks to sustained investments. Added value decreased slightly in manufacturing, and in a more marked way in the services sector.
According to the indicators available, during the second wave of the pandemic, the nature of the restrictions was more targeted and this translated into a reduction in mobility that, while significant, was more limited than that observed in the spring of 2020. Based on the most recent indicators, the GDP could remain almost stable in the first months of the year: the recovery in industry may be accompanied by a still weak trend in the tertiary sector. The qualitative indicators of the situation provide signals for the strengthening of the recovery in manufacturing and an improvement in prospects for the services sector, which, however, remain weak. *(source: Banca d'Italia - Economic Bulletin – April 2021)*

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

2020 ended with data that, in overall terms, constitute the natural result of the fluctuating traffic levels recorded during the year following the alternation of periods with free circulation with others in which movement across the national region was banned to cope with the COVID-19 emergency.

Total vehicle kilometres travelled in the twelve months on the network almost reached 61 and a half billion, with a decrease of 27.5 percentage points if compared with the actual figure recorded in 2019, although any comparison is obviously invalidated based on the exceptional nature of the historical phase concerned.

As far as regards monthly data, the latter have maintained the trend begun last October with the advent of the second pandemic wave, which saw a notable decrease in the light vehicle category (though decidedly more limited compared to that which occurred in the first lock down between March and May) in contrast to a performance in the heavy vehicle sector that, largely exempt from the emergency restrictions, almost managed to stay at the break-even point.

Passing, finally, to the road safety indicators, the cumulative data from the start of the financial year show a fall in all the rates concerned, from those concerning events occurred (-16.5%) to those relating to harm to passengers, which stand at -23.5% for injuries and -14.2% for deaths.

Here too, we must remember that the data do not lend themselves to meaningful comparisons with the previous year, considering the substantial decrease in traffic that occurred for the large part of the year. The monthly results are also positive, with an accident rate of -9% and the number of injured falling more than 22%: as far as regards mortalities, the slight increase this underwent must be interpreted in light of the negligible absolute values examined, which give apparently high percentages even in the light of minimal differences. *(Source: Aiscat note no. 12- December 2020)*

Renewable Energy Sector

The health emergency did not slow down investments in renewables in Italy. According to IREX 2021, the study by the non-profit organisation of the same name that, since 2008, has monitored the renewables sector, in 2020 operations reached 10.9 Gigawatt (GW) - 7% up on 2019 - equal to € 9.1 billion. This all goes to confirm that the green transition - as well as being one of the linchpins of the European recovery plans and at the centre of Italy's National Recovery and Resilience Plan - will increasingly push investments towards renewables, intelligent energy, and hydrogen. IREX's 2021 annual report analyses the trend in the electricity sector and investments in renewables in Italy and also assesses the suitability of the Italian electricity system, paying special attention to decarbonisation.

The renewable energy sector in Italy has proven to be very dynamic, despite difficulties. Last year, 254 transactions were recorded in mapping by IREX, which considers investments made in our country (the so-called "utility scale") and those made overseas by Italian companies. Compared to 2019, the transactions grew in number (+20%) and power (+7%), while they decreased in value (-4.4%), thanks to the continued fall in the cost of technologies.

A large part of the transactions (57%) were finalised in Italy and the internationalization process slowed down slightly, though remaining significant, with 4.7 GW and € 4.6 billion in investments. North America and Latin America remain the principal goal, with 58% of power compared to 31% in Europe, which is, on the other hand, leading in number of transactions. Half of purchases in 2020 concerned photovoltaic (50%), a sector that continues to consolidate, with the ten biggest operators holding 54% of the industrial-sized capacity. Despite the

decrease compared to 2019, wind - which is worth 27% of transactions - continues to be first in terms of power with 5.1 GW and value with 4 billion.

Biomass, especially biomethane (from 4% to 7%) and intelligent energy (from 6% to 9%) are growing. *(source: Rinnovabili.it: "IREX 2021: Great resilience of renewables in Italy")*

Significant events of the year

Concerning the Group

Covid-19 effect and mitigating actions

As required by article 1.7(d) of the Prime Ministerial Decree dated 11 March 2020, the Group introduced specific measures to prevent the risk of the virus spreading among its employees. These measures are set out in the "COVID-19, anti-infection safety protocol" and include, in particular:

- 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.

Financial transactions

A structured finance transaction (part equity and part bond issue in the United States - the "**Transaction**") was finalised on 13 August 2020. This marks the Group's collaboration with the US Private Equity fund Apollo Global Management ("**Apollo**").

Indeed, the subsidiary Renexia S.p.A. completed a financial transaction totalling USD 265 million with some funds managed by Apollo. This agreement further strengthens both the subsidiary US Wind Inc. and the Group which, for the first time, has entered into an agreement with an external partner with a very high international standing.

The transaction consists in:

- US Wind's issuing of the bond loan through the issue, in several tranches, of securities up to a total of USD 165 million (at 31 December 2020, the disbursements amount to USD 40 million);
- the sale by Renexia to Apollo of 20% of US Wind shares at the price of USD 100 million (the "**Sale**"). In addition to collecting the agreed price, the signing of the contract generated a gain of approximately € 78 million for Renexia;
- in issuing a series of representations and warranties, obligations to act or to refrain from certain action and disclosure requirements issued by the Group, in addition to pledges on ownership interests in Group companies, in line with common practice for transactions of this kind;
- in issuing a "call option" in favour of Apollo, that will allow Apollo to convert the bond loan into shares in US Wind when certain events occur;
- in the possibility for US Wind to block Apollo's call option by exercising a "blocking option", subject to payment of extra interest on the debt;

- to the extent of the Sale, a put option in favour of Apollo which may be exercised, in whole or in part, in certain agreed scenarios; similarly, Renexia will have a call option on the 20% sold to be exercised at any time, paying the price of the investment, increased by an agreed multiplier.

The transaction will support (and has supported) the implementation of the main strategic guidelines set out in the group business plan, of which those related to the energy sector are one of the key drivers thereof. For more information on the transaction, specifics for US WIND, please refer to the "2020 Bond Issue - US Wind Inc." section.

Again in the context of the renewable sector BU, in addition, we note that Parco Eolico Casalduni House S.r.l. ("**PECH**"), owner of the Single Authorisation for constructing a wind farm in Casalduni (BN), has finalised the structured loan in the form of a debt security issued pursuant to art. 2483 of the Italian Civil Code for a total of around € 49.1 million. The parties (PECH and the financial backers) signed the contract on 23 December 2020 with the immediate disbursement of the amounts. Beginning in January 2021, the preliminary work for the construction and implementation of the wind farm began.

Again with respect to the Group's liquidity, in line with the information provided in the 2019 financial statements, management continued the negotiations to obtain new financing using the possibilities granted by:

(i) Decree Law dated 8 April 2020 (the "Liquidity Decree" and subsequent amendments) on measures to support the liquidity of Italian businesses through six-year loans with SACE guaranteeing 90% thereof, consisting of a three-year grace period and a three-year amortisation period;

(ii) Relaunch Decree no. 34 of 19 May 2020, published in Official Journal no. 128 of 19 May 2020 on advances to contractors.

With respect to SACE-guaranteed loans (point i), the negotiations with a leading Italian bank to obtain the required funds are nearing completion. The funds, which we expect to receive by year end, total approximately € 92.1 million for the Group (plus any additional financing possible for SDP for approximately € 67 million). It should be remembered, in this regard, that these activities, launched in 2020, were concluded for some Group companies (Renexia, PGS, and INFRA) with the underwriting of the corresponding loans for € 12.5 million overall.

Moving on to the advances under Relaunch Decree no. 34 of 19 May 2020, and subsequent amendments (point ii), related to the Construction BU, it should be noted that, in addition to the advance received from ANAS in 2020 for the Marana contract (€ 8.8 million), in the first months of 2021, the contract advance from RFI for the Cefalù contract was collected (approximately € 27.4 million). These last funds, received from RFI, represent just a part of the total advances that TOTO CG is due according to law in that, the amounts obtained represent 8.01% of what is owed compared to the overall 30% possible "*...in any case within the limits and depending on the annual funds set aside for each, individual operation available to the contracting authority...*".

Precautionary seizure

R.G.N.R. 3570/2017 - R.G. GIP 366/18 criminal proceedings are pending before the Public Prosecutor's Office at the Court of Teramo. They are against SDP's directors and some managers of the Operations department, investigated for "breach of public supply contracts" pursuant to articles 110 and 81 of the Italian Code of Civil Procedure and 355.1 and 2.1 of the Italian Criminal Code and "attack on transport safety" pursuant to articles 110 and 432.1 of the Italian Criminal Code and, against only some of them, the crime covered by articles 81 of the Italian Code of Civil Procedure and 110 and 323 of the Italian Criminal Code "continuing abuse of office",

consisting in (i) the alleged omission of maintenance of viaducts in the Teramo area, (ii) the alleged use of public funds, instead of own funds, to carry out ordinary and extraordinary maintenance work and (iii) with respect to the last alleged accusation, the awarding of in-house work in breach of the alleged limits set out in the Agreement and the laws in force.

As part of these proceedings, the Preliminary Investigation Judge ordered, against the Company, which was not investigated, but deemed a "third party not in good faith", the preventive seizure prior to the subsequent possible seizure of € 21,320,046.78 for the crime of abuse of office (i.e, the total amount of the contracts awarded by SDP to TOTO CG as of 2017 for work to be carried out in the Teramo province).

On 13 November 2020,

- a total of € 3,573,909.12 was seized from TH, comprising current account balances and owned equity and debt securities. Furthermore, the current accounts were frozen, including with seizure of the amounts that would subsequently have been paid into to them.
- a total of € 7,794,861.53, equal to the current account balances, was seized from TOTO CG. Consequently, the current accounts were frozen, with seizure also of the amounts that would have been subsequently paid into them.

However, the seizure method was in contrast with the rules governing the application of the effective precautionary measure. Therefore, each company immediately requested the competent Preliminary Investigation Judge that the seizure be limited to the amounts already seized, without freezing the current accounts. The public prosecutors immediately allowed the request, implicitly acknowledging the error and without involving the Preliminary Investigation Judge. Therefore, with an order dated 13 November, they released the TH and TOTO CG current accounts, limiting the seizure to the amounts already seized and limiting any subsequent seizure to only the amounts received from SDP as payment for contracts carried out in the Teramo province.

It should be reiterated that neither TH nor TOTO CG, nor their representatives, are under investigation.

TH and TOTO CG challenged the seizure before the competent Court of Review, and its defendant filed and illustrated a specific brief in the Council Chamber held on 23 November 2020.

Specifically, in addition to challenging the application of the preventive seizure precautionary measure to the above-mentioned crimes and the identification of the companies as a "third party not in good faith", the defence lawyers clarified that:

a) with respect to the disputed intra-group assignments, the percentage limits indicated by the Public Prosecutor's Office do not exist, given the provisions of the Single Agreement governing SDP's concession and the provisions of article 177 of the new Public Procurement Code (Legislative decree no. 50/2016): the latter expressly excludes, for operators awarded a tender, the obligation to award "downstream" a minimum number of contracts through public tenders. Therefore, it allows the possibility of awarding in-house contracts without any limit. In order to confirm this point, reference was also made to the opinion expressed by Mr. Sabino Cassese, former president of the Constitutional Court, to SDP;
b) similarly, no crime exists (for SDP representatives) with respect to SDP's use of government grants, given that these grants were disbursed in accordance with a specific law - pending approval of the new BP of the concession - in connection with specific work for which they were actually used (furthermore, the Preliminary Investigation Judge acknowledged the use of this amount in its seizure order).

Following the above-mentioned appeals by TH, TOTO CG, and SDP, discussed, as mentioned, during the hearing of 23 November 2020, the Teramo Court of Review published the ruling the following 27 November. With the ruling, the court:

i) accepted in full the appeals of TOTO CG and TH, as well as of some natural persons involved (SDP directors and managers) and arranged for the release of all the amounts sequestered from them.

ii) rejected, finally, SDP's appeal for the seizures performed against them; these amounts, therefore, remained frozen.

SDP has appealed against the part of the rulings unfavourable to them and, on their own behalf, the public prosecutor appealed against the part of the ruling that reversed the seizures.

With a ruling issued following the hearing of 10 March 2021, the Court of Cassation rejected the appeal of the public prosecutor against the decisions of the Court of Review and accepted SDP's appeal against the decisions of the Court of Review and, consequently, the seizure of the SDP amounts was also reversed. With reference to the above-mentioned order, significance was given to article 177 of Legislative Decree 50/2016; what was established with opinion no. 823 of 28 April 2020 by the State Council was reviewed, and, thus, it was highlighted that, for the operators that are not contracting authorities and that were chosen subject to a public tender, it is possible to use a subcontract rather than a tender, in compliance with the provisions referred to in art. 174 of the Public Contracts Code. This arrangement is also referred to in the ANAC resolution no. 986 of 18 November 2020. Having confirmed there is no obligation to subcontract maintenance works, hereby including those extraordinary seismic upgrades, SDP could also assign them to associated companies without observing the public tender procedures. Therefore, with reference to the charge of abuse of office and failure to fulfil public supply contracts referred to in art. 355 of the Italian Criminal Code, the validity of the grounds for grievance, alleged by the public prosecutor, was ruled out. This ruling fully reflects the positions of the Group regarding the objections raised during the investigations.

Concessions BU

Strada dei Parchi S.p.A.

Main events in 2020:

a. Covid-19 epidemiological emergency and traffic trend;
b. Tolls;
c. Extraordinary checks of gallery and viaduct safety;
d. Urgent safety works (MISU);
e. Updating/revision of the BP.

Covid-19 epidemiological emergency and traffic trend

The year just been was strongly conditioned by the Covid-19 pandemic that, beginning in February 2020, began to spread across the nation, forcing the Italian government, in order to contain the spread of the virus, to take drastic actions, such as that of limiting the freedom of movement of people and things.

The initiatives implemented by the government, and by the local bodies, were guided by the value assumed by some monitoring indices that indicated the level of the virus's spread compared to the population and to the capacity of local hospitals. The result was the implementation of a series of very short-term actions, with the inevitable effect that it was impossible for users to do any kind of planning, even in the short term, and, therefore, many journeys, even when permitted, were cancelled or deferred, with an inevitable negative impact on traffic

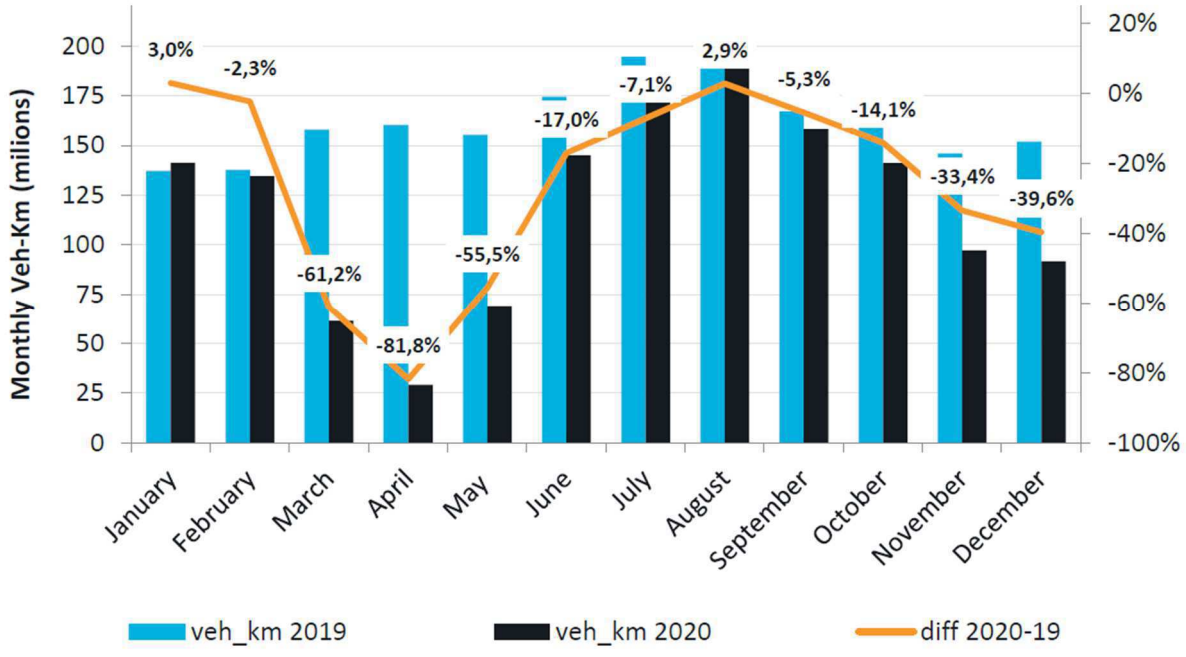
levels. The cumulative traffic (paying) recorded in 2020, due to the measures restricting the production and circulation of means and people, was less than 25.3% compared to that of the same period in the previous year, with a reduction both in light vehicles (-27.5%) and, to a smaller degree, in heavy vehicles (-13.2%).

Table 1 Traffic in 2019-2020 A24/A25 (Millions of vehicle Km)

Vehicles	2019	2020	Δ 2020- 2019
Light	1,652.46	1,198.59	-27.5%
Heavy	287.11	249.32	-13.2%
Totals	1,939.57	1,447.91	-25.3%

At the beginning of 2020, in line with the whole national sector, the traffic volumes recorded by SdP had shown a positive trend (+3.0% in January compared to the same month in 2019), but subsequently, with the expansion of the pandemic, traffic collapsed, recording, in March, a reduction of 61.2% compared to the previous year and reaching a negative peak in April, with a reduction of 81.8%. From the beginning of May, with the slowing of containment measures, traffic began to grow again: -55.5% in May and -17.0% in June compared to the same months in 2019. In the summer, thanks to the absence of restrictions on mobility, traffic reached "normal" levels; in August, it was even higher than that of the same month of the previous year. From October, thanks to the "second wave" of infections, new restrictions were imposed on mobility and traffic collapsed again. The most significant reductions were recorded in the last two months of the year: -33.4% in November and -39.6% in December.

Graph 2: Total vehicles monthly comparison 2019-2020 A24/A25 (Millions of vehicle Km)



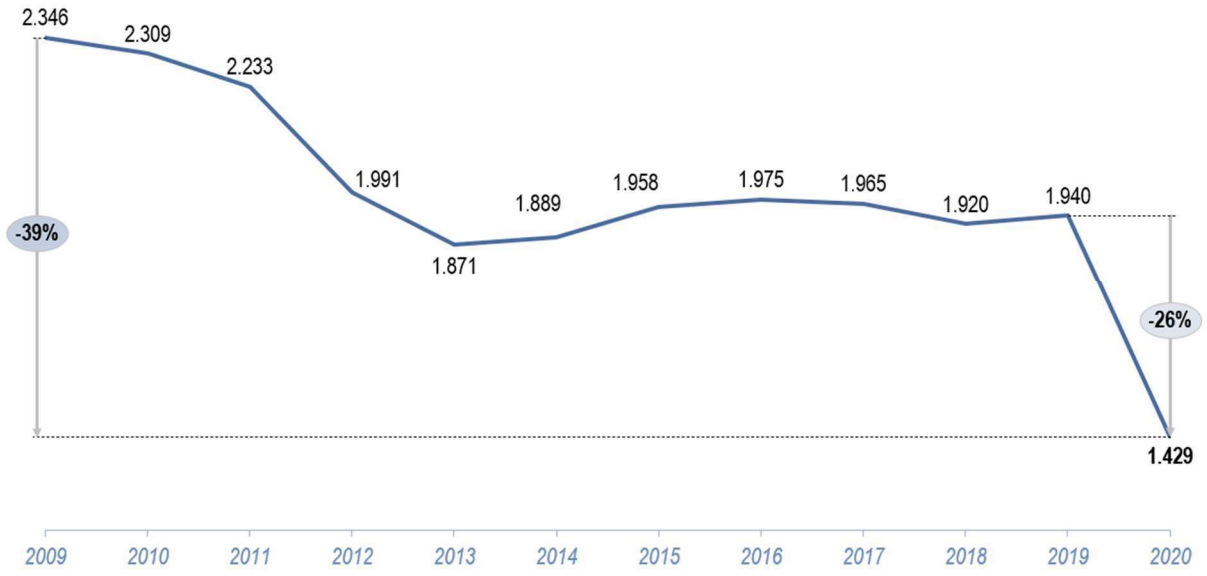
The reduction in traffic was slightly more marked in the "Open System" (urban Roman section of the A24). If, on the one hand, it recorded decreases in all the months of 2020 (including the first when the pandemic was still just a threat and in August when in all the other sections positive signs were recorded), on the other hand, it showed a certain resilience in the second part of the year when the reduction in traffic was half that of the rest of the motorway network (-40%).

Table 2 Traffic per macro sections 2019-2020 A24/A25 (Millions of vehicle Km)

	2019			2020			Δ 2020-2019		
Section	Light traffic	Heavy traffic	Total traffic	Light traffic	Heavy traffic	Total traffic	Light traffic	Heavy traffic	Total traffic
A24 Roma-Torano	752.94	108.76	861.70	555.26	91.43	646.69	-26.3%	-15.9%	-25.0%
A24 Torano-Teramo	314.12	59.24	373.36	220.80	51.79	272.60	-29.7%	-12.6%	-27.0%
A25 Torano-Pescara	436.37	99.66	536.03	319.24	89.35	408.59	-26.8%	-10.3%	-23.8%
Open system Roma	149.03	19.46	168.48	103.29	16.75	120.04	-30.7%	-13.9%	-28.8%
Total	**1,652.46**	**287.11**	**1,939.57**	**1,198.59**	**249.32**	**1,447.91**	**-27.5%**	**-13.2%**	**-25.3%**

Traffic in 2020 decreased overall by 39% compared to 2009 (peak year during the concession period), as shown by the graph below (Graph 3). After the minimum recorded in 2013, there was a slight recovery in journeys and, in recent years, a slightly fluctuating trend was observed of around 1,950 million vehicles/KM until 2020, when, beginning in March, due to the lock down, traffic drastically collapsed.

Graph 3- SDP traffic trends 2009/2020 (millions of vehicles/KM)



Tolls

In its Circ. no. 17567 of 15/10/2019, Strada dei Parchi notified the General Directorate for the Supervision of Motorway Operators at the Ministry of Infrastructure and Transport of a toll change request for the year 2020 of 5.7%.

In any case, despite the fact that the investigation undertaken by the Supervisory Structure of the MIMS had allowed an increase of 5.16% - as, moreover, found by Strada dei Parchi when accessing the documents of 24 January 2020 - with note no. 31626 of 31 December 2019, the grantor notified SDP that, having examined the outcome of the pertinent investigation and in consideration of what is set forth in art. 9-tricies semel of Law no. 156 of 12 December 2019 and art. 13 of the "Milleproroghe" Law Decree of 31 December 2019, the toll adjustment to be applied as of 1 January 2020 was fixed at 0.00 per cent.

Table 3 Comparison between toll increase requested and investigation by the DGVCA of the MIMS

	Requested	**DGVCA investigation**	**Difference**
Target inflation	1.20%	0.80%	-0.40%
X factor	2.56%	2.56%	0.00%
$K_{investments}$	0.13%	0.00%	-0.13%
$K_{validation}$	1.49%	1.49%	0.00%
ΔQ quality	0.32%	0.31%	-0.01%
Total change	**5.70%**	**5.16%**	**-0.54%**

The difference between the update requested by SdP and the one granted by the grantor's supervisory structure (though suspended) mainly refers to the percentage of planned inflation for 2020 that, with the submission of the 2020 Budget Planning Document (October 2019) was reduced from 1.2% to 0.8%. There is, in addition, a difference relating to the KINVESTIMENTI component that the grantor reduced due to some investment costs not allowed for € 2 million being above the contractual values permitted by it. This amount will, however, be included in the next requests to change the toll once the authorisation position has been settled. Due to the suspension of toll adjustments stipulated by the "Milleproroghe" Decree, SDP recorded, in 2020, a decrease in the toll revenues fora total of € 31,296 thousand, which, in line with the previous financial years, were, in any case, recorded in the financial statements among the revenues and with a balance sheet contra entry represented by a receivable from the grantor.

The 2020 receivables are added to those already recorded in the previous financial years, also owing to the suspensions in toll increases unilaterally decided upon by the grantor in contrast with the rules of the concession agreement.

In the 2020 financial statements, "Other Receivables" were, therefore, recognised for lost toll increases amounting to € 98,654 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), in 2019 (€ 31,245 thousand), and in 2020 (€ 31.296 thousand).

Included below is a table that summarises the revenues for lost toll increases and the corresponding receivables recognised by SDP since 2016:

Table 4 Revenues and receivables for lost toll increases broken down by year

SdP in €/thousand	***2016***	***2017***	***2018***	***2019***	***2020***
Revenues for toll recovery [Item A.1) c) - *Other revenues*]	16021	15,172	4,920	31,245	31,296
Receivables from the Grantor (*only "Recovery of lack of toll increases")*	**16,021**	**31,193**	**36,113**	**67,358**	**98,654**

In addition to the receivable for revenues for lost toll adjustments, the receivable from the grantor recognised in the financial statements includes the receivables for “commuter discount” and is net of a dedicated write-down fund.

(€/ thousand)	**2016**	**2017**	**2018**	**2019**	**2020**
Commuter discount	813	1,165	1,165	1,165	1,165
Toll recovery	16,021	31,193	36,112	67,358	98,654
(less) Bad debt provision	0	0	(6,750)	(1,830)	(1,830)
Receivables from the Grantor	**16,834**	**32,357**	**30,527**	**66,693**	**97,989**

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 calculated each year by applying a simple mathematical formula, i.e. the product of traffic recorded over the year and the difference between the toll increase percentage decreed and that resulting from the DGVCA investigation. 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) on 31 October 2021; 2) the conclusion of the assessment of the existence of conditions to continue the concession, procedure currently under way at the same time as the BP review.

It is, therefore, reasonable to expect that the actions aimed at protecting the economic balance of the interests between the parties will, shortly, be defined. 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.

Extraordinary checks of gallery and viaduct safety

The introduction of the new ministerial guidelines on assessing motorway tunnels, the objective of which is to regulate the performance of inspections and the planning of maintenance and safety works on tunnels, forced the SDP to plan and organise some new and onerous urgent works. The guidelines for inspecting galleries stipulate the use of new geo-radar, laser-scan, ultrasonic, seismic investigation, endoscopic investigation monitoring systems and introduce the shared management of emergencies thanks to memoranda of understanding and standing panels at the prefectures with all the partners - both institutional and operational - of the region concerned. These assessment activities, together with those being arranged relating to the viaduct monitoring guidelines have entailed a significant increase in maintenance costs compared to those laid out in the agreement. The commitment will also be significant for the upcoming financial years and it will be necessary to define, with the grantor, the form of financial coverage most appropriate within the BP being discussed, or in the form of a contribution.

It should be added that, due to the peculiar features of the Gran Sasso tunnel, in which there is a drinking water pipe, SDP has researched a new system for cleaning the roof of the tunnel, in which the washing of the walls was replaced with a system for sucking deposited dust, avoiding any impact on the environment but with a significant increase in works costs.

Urgent safety works (MISU)

Given the clear extension of the administrative procedure for the revision and update of the BP, Strada dei Parchi repeatedly highlighted the need to urgently implement some safety measures and, in October 2016, pending the definition of the BP, it submitted the MIMS 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 Strada dei Parchi had appealed in order to obtain what was necessary to complete the anti-step works, that the company received a € 58 million advance from MIMS in January 2018, paid against grants set aside by Law no. 205/17. Strada dei Parchi has repeatedly urged the grantor to promptly allocate the remaining contributions (€ 192 million) provided for by Decree Law 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 the Decree-Law 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 contributions 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). The work was promptly commissioned, in particular: the 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 signed between MIMS and Strada dei Parchi on 23 January 2019, regulates the payment and use of the public contribution for the safety upgrade of the structures for € 192 million overall (€ 50 million for the year 2018 and € 142 million for the year 2019). The above-mentioned Memorandum was subsequently amended with the Supplement dated 12 April 2019, with which it was established that the 2019 instalment of € 142 million was reduced to € 112 million and, at the same time, that the payment and use of the remaining part of the public contribution, up to the amount of € 192 million by 31 December 2019 - i.e. € 80 million - will be the subject of a subsequent supplement that will subject the payment of the contribution to the fulfilment of the following conditions: a) coherence with the progress of the works; b) "availability of cash in the relevant category of expenditure of the amount requested".

In 2020, work was carried out for a total of approximately € 27 million, which, when added to that of previous years, brings the total progress to about € 101 million as detailed in the table below:

Table 5 Detail of works MISU (excluding anti-step works)

(In thousands of Euros)

Contract	Before 2020	2020	Progress Total
Bussi junction viaduct	**1,854**	2,301	**4,155**
S. Onofrio viaduct	**6,451**	2,126	**8,577**
Popoli Viaduct	**3,279**	1,895	**5,174**
Roviano landslides	**4,442**	965	**5,407**
Arsoli landslides	**3,503**	2,661	**6,164**
Column adaptation	**6,786**	5,329	**12,115**
A24/A25 SOS stations	**1,047**	0	**1,047**
A24 Temperino	**4,641**	2,541	**7,182**
A25 Palazzo	**8,342**	5,156	**13,498**
Fornaca	**6,936**	206	**7,142**
Group 1	**10,772**	356	**11,128**
Group 3	**12,012**	2,692	**14,704**
Genzano	**3,789**	851	**4,640**
TOTAL	**73,854**	**27,078**	**100,932**

In the course of 2020, contributions for € 10.1 million were obtained and, including everything in 2020, € 66.5 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. Besides, in the same note, the grantor stated that the new design standard (Vn=100) should be used for all works on the A24 and A25 motorways. As a result, Strada dei Parchi 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. In addition, including due to greater safety costs (so-called "Covid costs"), SDP submitted variance reports during the year and in the first months of 2021 to MIMS. Despite savings deriving from the reduction in some items within amounts available to economic frameworks, overall spending increased and it will, thus, be necessary for the grantor to identify additional forms of financing to cover these.

Updating/revision of the BP

In parallel with the updating process, as described in detail in the section on legal issues, Strada dei Parchi continued to pursue legal options to have its rights acknowledged, requesting the intervention first of the Regional Administrative Court and then of the Council of State. The latter, observing the inaction of the Ministry, ordered the appointment of an acting commissioner for the purpose of completing 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, SDP filed a motion under art. 117, para. 3 of the Italian code of administrative procedure, so that the Council of State would nominate an acting commissioner to enforce judgement no. 5022/2019, which required "*the obligation for the MIT to adopt an express provision 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*". 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 art. 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 Strada dei Parchi's BP.

In parallel, on 19 May 2020, Decree Law no. 34, called the "Relaunch Decree", was published in the Official Journal. Art. 206 of this decree establishes the appointment of an extraordinary commissioner with the task of defining "*the upgrading plan for the sections of the A24 and A25 motorways, including anti-seismic safety works and compliance with the technical standards introduced*", as well as identifying "*any works to be implemented by the operator*". The extraordinary commissioner, whose appointment is expected to last until 31 December 2025, is responsible, in particular, for approving the projects agreed upon with the presidents of the regions concerned, with a document that takes into account all the agreements and authorisations, however named, except for provisions that are the purview of the administrations tasked with protecting cultural heritage and the countryside, whose procedures are, in any case, streamlined.

The extraordinary commissioner, in addition, proceeds, according to streamlined procedures, with urgent occupancy and the necessary expropriations to ensure the implementation of the works. Within thirty days of their appointment, the extraordinary commissioner defines the upgrade programme for the A24 and A25 motorways "*including anti-seismic safety works and compliance with the technical standards introduced [...] identifying any works to be implemented by the operator*", the time schedule for the works according to anti-seismic priority criteria and, once the project approval process has been completed, proceeds with commissioning the works, operating as a contracting authority "*as an exception to the legal provisions concerning public contracts, without prejudice to the provisions of the Code of Anti-Mafia Legislation and Protection Measures, included in Legislative Decree no. 159 of 6 September 2011, as well as the binding obligations deriving from membership of the European Union*".

The regulations stipulate that the operator (i) continues with the ordinary management of the infrastructure, collecting the corresponding tolls; within thirty days of the definition of the works programme by the extraordinary commissioner and (ii) submits the proposal for the supplement to the Agreement in force and the Business Plan, which takes into account the investments arranged by the extraordinary commissioner, to the grantor, "*updated according to the regulations stipulated by the Transport Regulation Authority, in line*" with the article in question "*...and with any works for which it is responsible*".

Art. 206, in question, in any case, does not abrogate, neither expressly, nor implicitly, art. 1, para. 183 of Law no. 228, of 24 December 2012, which, stipulating the urgent adoption of anti-seismic upgrade measures, mandates a review of SDP's business plan. The grantor's failure to approve the proposals for updating the BP has led the Council of State to nominate the acting commissioner, who has already launched the relevant procedural activities.

The Council of State, again, on appeal by SDP, has already clarified, with order no. 4330 of 30 July 2020, that:

- according to well established case law, "*the acting commissioner nominated in the context of judgements adverse to the confidentiality preserved by the public administration assumes powers not exercised by the latter, exercising the rights thereof and using the margin of discretion belonging to the administration*" (Council of State, Sec. IV, judgement no. 4580 of 4 April 2019);
- the acting commissioner remains confirmed in the fullness of their replacement powers for the purposes of the BP review procedure;
- there is no regulatory provision that suspends the approval process - under way - of the new BP, with reference to which each determination is referred to the acting commissioner with the necessary communication of the operator company;
- the coordination and resolution of any interference, as a result of activities of the extraordinary commissioner based on art. 206, fall within the prerogative of the acting commissioner.

Delay in updating the BP means that the amount of regulatory receivables, which are, for now, "off-the balance sheet" items, continue to grow since the actual revenue flows (deriving from traffic and tolls) are not enough to cover all the regulatory costs acknowledged. Only thanks to the update will it be possible to economically and financially rebalance the BP and, thus, the operator will be able to recover, within the agreement deadline, the regulatory receivable represented by the notional items. It should be remembered, indeed, under the principle of legitimate expectations 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 the value of residual regulatory receivables, which as of 31 December 2020, amounted to approximately € 735 million.

Lastly, it should be highlighted how the BP review will also entail the need to restructure the financial payables, given that, due to new investments to be made and new toll forecasts, the financial flows will be different from those expected at the time of the loan entered into in 2011. The company has already acted, appointing some financial advisors who started to assess all the possible opportunities offered by the market.

Construction BU

Toto S.p.A. Costruzioni Generali

Penne Order

The chronology of the order is summarised below:

- with the tender sent to the Official Journal of the European Union on 12/7/2000, ANAS S.p.A. declared a private bid concerning "*the performance of plano-altimetric upgrade works on the N.R. No. 81 "Piceno-Aprutina": the segment between Contrada Blanzano in the town of Penne and Contrada Passo Cordone in the town of Loreto Aprutina; 1st functional lot from approx. km. 102 + 100 (in the town of Fonte Nuova di Penne) at km. 112 + 100 (in the town of Passo Cordone of Loreto Aprutino)"* (hereinafter, also "**Penne Order**")

- as a result of the assessment of the offers, the tender was awarded to TOTO S.p.A. (today, Toto Holding S.p.A.);
- following this, taking effect on 1 November 2011, TOTO CG took over from Toto S.p.A. in the contract pursuant to art. 116, para. 1, of Legislative Decree no. 163/2006, as the transferee of the "Construction" Business Unit of Toto S.p.A., pursuant to a notary deed of 28 June 2011;
- pending the drafting of the agreement, on 6 April 2001, ANAS proceeded with the delivery of works under urgency and, on 31 July 2001, the tender agreement was signed with deed no. 2071 (hereinafter, the "**Agreement**"). The overall amount of the works amounted to € 16,870,695.38, corresponding to £ 32,666,221.338 (net of a 31.31% reduction offered), including the safety costs of € 413,165.52 (corresponding to £ 800,000.000);
- given the different issues that impeded the performance thereof, the works were suspended by verbal agreement on 4 February 2002, given ANAS's declared need to study a variation to the route that would make it possible to bypass the critical issues encountered from the start of the works, actually owing to the clear deficiency of the plans drawn up that form the basis of the tender.
- in this context, the Prime Ministerial Decree of 9 June 2006 was passed (a good 4 years after the suspension of works), with which a government commissioner was appointed with the aim of "facilitating the start of works" and of compensating for the clear inaction of the customer in the drafting and approval process for the variant needed for the continuation of works;
- the commissioner, therefore, re-drafted the executive plan, which was divided into two sections, of which the first, in turn, was separated into a first and a second part, with a change to the general economic framework of the order;
- in detail, with the commissioner resolutions no. 71 of 12 July 2007 and no. 80 of 30 September 2007, the new executive plan was approved, including for the purposes of public utility, to enable the necessary expropriation deeds and the restarting of work, observing the full sharing of the planning activities with ANAS, with a € 17,783,217.49 increase to the order and a revision of the time frames for completing the works in relation to the new delivery date;
- in accordance, therefore, with the above-mentioned resolution, the works were re-assigned to the company on 18 October 2007, or some five years after their suspension (4 February 2002);
- on 25 February 2008, ANAS again ordered the complete suspension of works since, following notification from the town of Penne, it emerged that part of the structure came within the boundaries of the nature reserve managed by "Lago di Penne" (Nature Reserve established with Abruzzo Regional Law no. 26/1987, and subsequent amendments and supplements) in the absence of authorisation from the reserve itself;
- The above-mentioned verbal suspension agreement was signed with reservation by the company (Claim no. 1), which proceeded to lodge objections with note no. 1590 of 6 March 2008, claiming the clear illegitimacy of the suspension;
- Following this, the claim was recorded in the accounting ledger (signed on 20 May 2008) upon the maturation of progress report no. 1 for works up to 29 February 2008 and, given the failure to restart work, still suspended today, with subsequent letter, reg. no. 1288 of 27 June 2018, the company updated its claim for the total amount of € 17,349,272.31;

- Again, at the time of signing the accounting ledgers on the issuing of the first progress report, the company also proceeded with recording claims nos. 2, 3, 4, 5, and 6, then confirmed and updated with the above-mentioned letter, reg. no. 1288 of 27 June 2018, with which TOTO CG also filed claim no. 7.

Despite the perfect validity of the agreement as per the reconstruction of events above, ANAS unexpectedly notified Toto (11 October 2017) of its wish "*to proceed with the withdrawal, by its own determination...of all the insolvency proceeding documents*" and, on 18 June 2018, formally communicated its having launched the administrative withdrawal procedure. TOTO CG, therefore, fundamentally contesting the possibility for ANAS to make use of this legal procedure, due to the agreement, out of a mere spirit of defence and loyal collaboration, participated in the procedure, submitting its own counter-arguments.

At the outcome of the investigation, ANAS, almost three years after launching the procedure and without having the minimum consideration for Toto's contribution, ordered the withdrawal, not of the agreement, though of the tender documents concerning the awarding of the contract, for the reasons included below: "*the pre-eminent public interest (of ensuring the connection of the region and public safety, ensuring the protection of the environment and maximising the yield of the resources available) can only today be implemented through a new and different planning solution that responds to the changed needs that have arisen as updated by the current consultation with the region, which does not encompass the implementation of the works as originally planned*".

TOTO CG, therefore, felt itself constrained to appeal before the Regional Administrative Court (TAR) of Abruzzo (Pescara Division, General register no. 234/2020), for the cancellation of the withdrawal order that had occurred years after the awarding of the order and while the agreement was fully in force, explaining how the ANAS order must be understood as "withdrawn", with the company's resulting right to be awarded the legal payments stipulated in the case of withdrawal (profit of 10% on an amount equal to 4/5 of the contractual amount net the works performed), as well as the amounts to be paid in relation to the claims presented above, for which it will independently launch civil proceedings.

Ritiro Viaduct Contract

To continue what was recorded in the 2019 Financial Statements, as regards the claims submitted by TOTO CG to CAS for additional payments, it should be noted that the amicable settlement procedure set forth in art. 240 of Legislative decree no. 163/06 began in 2019 to calculate the claims recognised by TOTO CG up to progress report no., at 26 November 2019, which totalled € 28,604 thousand, was launched. 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. TOTO CG endorsed the decision in a letter dated 17 March 2020. The contracting authority subsequently also confirmed its willingness to proceed and agreed to the proposed amicable settlement in the amount determined by the Committee.

The amicable settlement agreement was signed on 24 June 2020 pursuant to art. 240 of Legislative Decree no. 163/06, with which TOTO CG accepted the amount proposed of € 6,890 thousand wholly collected between 2020 and 2021, effectively ending the arguments in question.

Order book

At 31 December 2020, TOTO CG's order book amounted to € 558.3 million (€ 607.4 million at 31 December 2019).

Table 6 Order book

Contract	Customer	Contract value	Share (%) Toto CG	Order book 31 Dec. 2020	Order book 31 Dec. 2019	Difference
Cefalù	Italfer	374.5	93%	320.9	333.3	-12.4
MISU	SDP	160.7	100%	74.4	88.1	-13.7
Poland - S61(*)	Gdkkia	93.7	100%	87.8	96.2	-8.4
Ritiro viaduct	C.A.S.	52.0	100%	24.5	24.6	-0.1
Res. Bridge over Po	Province of Mantua	25.3	100%	12.5	17.7	-5.2
Marana - SS 260 Picente	Anas	46.1	100%	36.0	42.9	-6.9
MOR	SDP	22.8	100%	2.3	4.5	-2.2
Total				**558.3**	**607.3**	**-49.0**

(*) contract ended on 27/05/2021

The order book as of 31 December 2020 decreased as a result of the production carried out compared to the end of financial 2019, despite the effects determined by the spread of the COVID-19 pandemic. Indeed, most work sites ceased operations from the beginning of the emergency until the first months of the second quarter of 2020, as the contracting authorities suspended work on grounds of force majeure.

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 share transfer, Toto Group, through the Renexia Wind Offshore S.p.A. subsidiary, reached an agreement with the selling companies for 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 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 sale was, however, subject to certain conditions, all of which have been met. The notary deed transferring 95% of the interest in Intersun S.r.l. was signed on 18 September 2020. A further part of the price was paid in August; the balance remained that, as agreed upon by the parties, was settled in the month of March 2021.

2) Construction of the offshore wind farm

On 24 April 2020, GSE informed Beleolico S.r.l. of the extension for starting the facility (and thus for qualifying for the incentive) fixing it at 22 July 2022.

Obtaining the extension was crucial for the execution of the project as a result of the failure of the Senvion provider (of which we already provided notice in the 2019 Financial Statements), with the resulting necessity to identify a suitable alternative and to redefine the supplier agreements. This event, which the Group could not predict, led to a significant delay compared to the original schedule for the initiative, to which the effects of the pandemic, which have further delayed all bureaucratic business and private agreements, were added. In May 2020, permission was received for the replacement of the wind turbines, thus enabling the identification of a new partner, whose new supply contract was signed in September, and the redefinition of the contracts with the other suppliers. As far as regards the financing with which Beleolico S.r.l. would have constructed the wind farm, the same had been suspended, again due to the failure mentioned above. In any case, the lender requested that they be informed about the activities that management was carrying forward so as not to definitively stop the activities over the months and has confirmed its interest in the initiative. As a result of the drafting of the contractual agreement with the turbine supplier and the renegotiation of the other sub-contractor agreements, the lending bank - Natixis SA - resolved, in December, to reactivate the project's financing, adjusting the terms to adapt them to the new implementation schedule.

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

On 18 February 2019, Renexia Wind Offshore S.p.A. signed the contract for the sale of its shares in Beleolico S.r.l. The sale was, however, subject to the occurrence of specific events. In June 2019, Renexia Wind Offshore

S.p.A. received payment of € 7.8 million by way of an advance on the sale price.

Delays in the construction of the wind farm owned by Beleolico S.r.l. first slowed and then halted negotiations concerning the sale of the investment. Given the amount of time required, mainly for GSE to authorise an extension of the deadline for energising the facility and approving the tariff, the parties postponed any decision to confirm the project signed in 2019, until July 2020.

In July the buyer exercised the right to withdraw from the agreement and asked RENEXIA WIND to refund the payment on account plus interest accrued in 2020. The amounts requested were paid and the agreement was definitively concluded.

Parco Eolico Casalduni House Project

Parco Eolico Casalduni House S.r.l. ("PECH") owns the Single Authorisation to construct a wind power plant in the municipality of Casalduni (BN).

The construction and implementation of the wind farm envisages the use of a structured loan in the form of a debt security issued pursuant to art. 2483 of the Italian Civil Code for a total of around € 49.1 million. The parties (PECH and the financial backers) signed the contract on 23 December 2020 with the immediate disbursement of the amounts. Beginning in January 2021, the preliminary work for the construction and implementation of the wind farm began.

ABROAD

United States

In addition to what has already been illustrated in the "Significant Events - Financial Transactions" section, in the context of the project development activities for US Wind, we note that on 10 August 2020 USWIND submitted the "Construction and Operation Plan" (**COP**) to the BOEM and it is currently being verified by the American authority. This formality represents an additional, essential step towards obtaining the permit to construct the wind farm

Financial highlights

Toto Group

Below are:

1) the reclassified profit and loss account for 2020;
2) the reclassified 2020 balance sheet and
3) the 2020 NFP.

Table 7 – Reclassified Consolidated Profit and Loss Account

Profit and Loss Account *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Production revenues - Construction BU	90,840	134,032	(43,192)	-32%
Production revenues - Concessions BU	174,451	224,419	(49,968)	-22%
Production revenues - Energy BU	6,244	9,788	(3,544)	-36%
Production revenues - Engineering BU	7,429	8,402	(973)	-12%
Production revenues - Services BU	118	233	(115)	-49%
Production revenues - Holding and minor BUs	1,412	1,382	30	2%
Total production revenues	**280,494**	**378,256**	**(97,762)**	**-26%**
Operating costs	210,824	271,108	(60,284)	-22%
EBITDA	**69,670**	**107,148**	**(37,478)**	**-35%**
EBITDA Margin	*24.8%*	*28.3%*	*(3.49)*	
D&A	21,485	62,259	(40,774)	-65%
EBIT	**48,185**	**44,889**	**3,296**	**7%**
EBIT Margin	*17.2%*	*11.9%*	*5.31*	
Net financial charges	9,780	(69,561)	79,341	-114%
Equity investments and adjustments to financial assets	(527)	(887)	360	-41%
EBT	**57,438**	**(25,559)**	**82,997**	**-325%**
Margin	*20.5%*	*-6.8%*	*27.23*	
Income taxes	(971)	3,750	(4,721)	-126%
Net loss for the year including the portion attributable to minority interests	**56,467**	**(21,809)**	**78,276**	**-359%**
Minority interests in the net loss for the year	13,244	1,876	11,368	606%
TOTO group net loss for the year	**43,223**	**(23,685)**	**66,908**	**-282%**
Margin	*15.4%*	*-6.3%*	*21.67*	

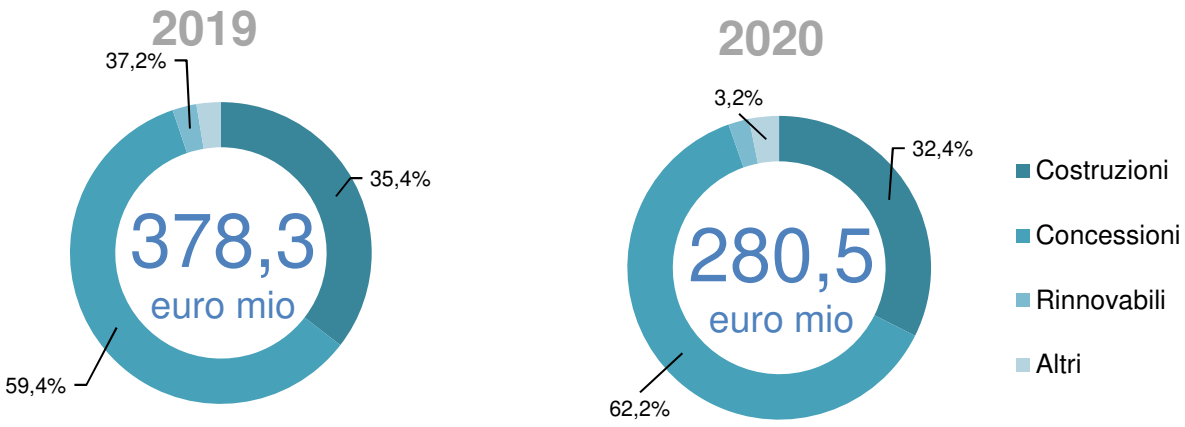
The 2020 financial year closed for the group with an income of € 43.2 million, a result which reflects the significant impact of the following:

1. The realised gains by RENEXIA as a result of the sales (i) of the minority share (20%) in US Wind Inc. and (ii) 95% of the share capital shares in Intersun S.r.l. (overall gains equal to € 80.2 million;
2. Smaller impact of the amortisation, depreciation and write-downs item that, compared to the previous financial year, decreased by € 40.8 million), basically due to the effect of the choice of some Group companies (notably TOTO CG, TOTO TECH, SDP, and CEFALU) to make use of the exception in art. 2426, first para., point 2, of the Italian Civil Code, set forth by art. 60, para. 7-bis, of Law no. 126/2020 of 13 October 2020, thus suspending the amortisation/depreciation of intangible and tangible fixed assets

for the 2020 financial year. The "D&A" item (€ 21.4 million) includes depreciations of € 15.7 million (€ 4.9 million at 31 December 2019) recorded by the Construction BU and attributable to the depreciation of activities relating to the sale of some land and buildings recorded among the fixed assets, as well as some receivables deemed irrecoverable.

As clear from the previous table, a significant effect for the result for the year is also given by the significant reduction in the EBITDA, which decreases from € 378.5 million in the 2019 financial year to € 280.5 million in the 2020 financial year. This decrease can be attributed to the significant reduction in the Construction BU revenues (€-43.1 million in 2020) and the Concessions BU revenues (€-50.0 million 2020) partially compensated by an overall reduction in operating costs (€ -60.2 million in 2020). The decrease that occurred in the financial year can, undoubtedly, be attributed to the COVID-19 pandemic that led, for a good part of the year, as extensively illustrated in the previous section, to interruptions at numerous operating work sites and the reduction in vehicular traffic with obvious consequences for the revenues of the two business units.

Graph 4 – Percentage distribution of production revenues by business unit



Having given reasons for the change in the "D&A" item (point 2 above), we can conclude that the EBIT is increasing compared to 2019, up from € 44.8 million to € 48.1 million in 2020.

As described earlier, a significant impact on the profit for the year is owed to the financial charges that enabled, thanks to what is described in point 1, a pre-tax profit of € 57.4 million. The net effect of taxes is negative for € 1.0 million. Consequently, the net profit for the year amounts to € 56.4 million. Net of the portion of minority interests, the loss attributable to the Group amounts to € 43.2 million.

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

Graph 5 – Breakdown of EBITDA margin by business unit

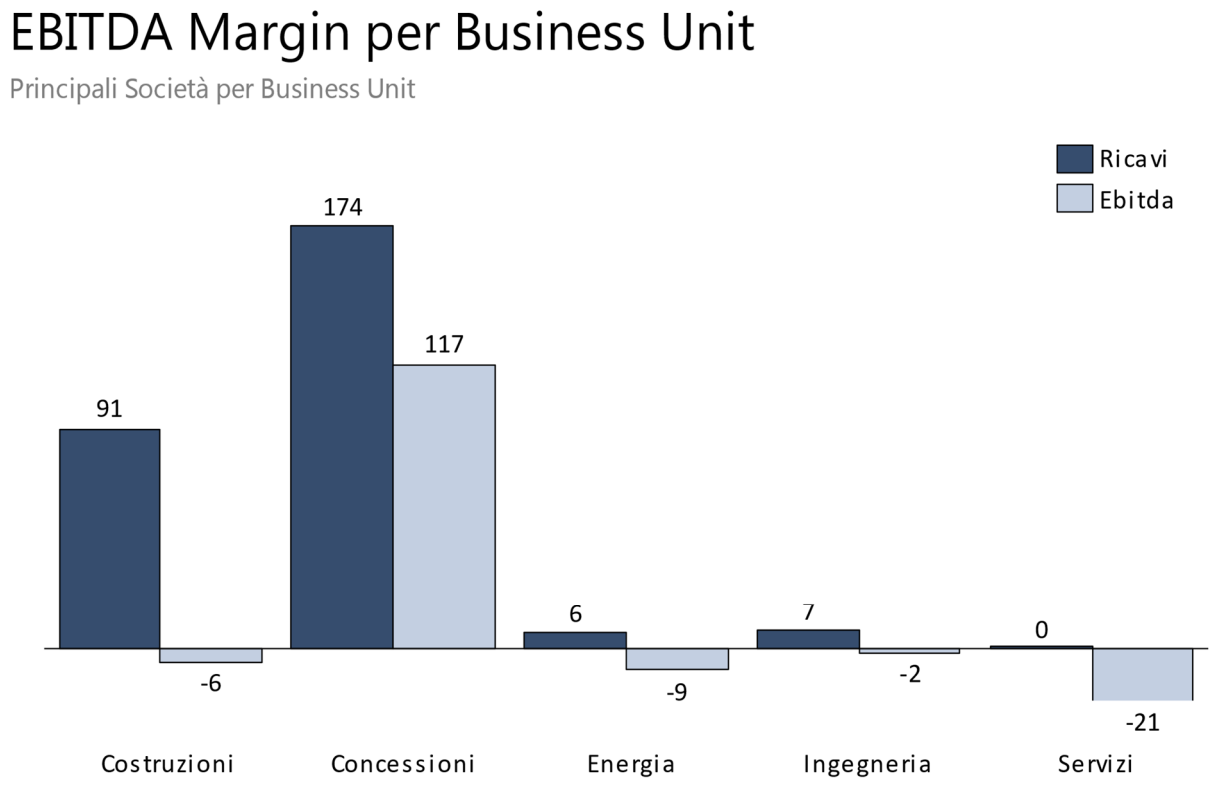


Table 8 – Reclassified consolidated balance sheet

Balance sheet *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Intangible fixed assets	40,165	40,101	64	0%
Tangible fixed assets	1,299,467	1,248,695	50,772	4%
Financial fixed assets	38,927	35,229	3,698	10%
Total fixed assets	**1,378,559**	**1,324,025**	**54,534**	**4%**
NWC	**217,017**	**137,622**	**79,395**	**58%**
CIN	**1,595,576**	**1,461,647**	**133,929**	**9%**
Provisions	(109,137)	(94,485)	(14,652)	16%
Employee termination indemnities	(8,766)	(9,097)	331	-4%
Invested capital	**1,477,673**	**1,358,065**	**119,608**	**9%**
Net equity	**236,613**	**177,893**	**58,720**	**33%**
Self-liquidating loans	36,625	46,178	(9,553)	-21%
Asset finance	6,829	12,243	(5,414)	-44%
Project finance	477,230	437,045	40,185	9%
Corporate debts	20,848	17,776	3,072	17%
Bond loan	39,945	36,751	3,194	9%
Factoring	18,914	17,391	1,523	9%
Liquid funds	(123,356)	(124,682)	1,326	-1%
Net financial Position	**477,035**	**442,702**	**34,333**	**8%**
Payable to ANAS	764,025	737,470	26,555	4%
"Adjusted" net financial position	**1,241,060**	**1,180,172**	**60,888**	**5%**
Total coverage	**1,477,673**	**1,358,065**	**119,608**	**9%**

Net invested capital increased by approximately € 119.6 million to € 1,477.7 million:

- intangible fixed assets are largely unchanged;
- tangible fixed assets increased by € 50.7 million. This increase is mainly owing to the investments under way by several group BU;
- financial fixed assets, finally, increased by € 3.6 million due to the change in fixed asset receivables.

NWC increased by € 79.4 million from € 137.6 million at 31 December 2019 to € 217.0 million. The increase is essentially due to the combined effect of (i) the rise in inventory (€ 19.1 million), trade receivables (€ 44.9 million) and trade payables (€ 10.6 million) and the increase in tax receivables (€ 4.8 million) and (ii) the reduction in other payables (€ 28.2 million).

Net equity (including minority interests), amounting to € 237.4 million, was heavily affected by SDP's recognition of hedging reserves for a negative € 44.7 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 € 59.5 million increase in net equity is essentially due to the effect of the profit for the period and the positive change, compared to 2019, in the fair value of derivatives.

Net financial position ("**NFP**") of € 477.0 million worsened by € 34.3 million on the previous year end (€ 442.7 million). For additional information, reference should be made to the next section describing net financial position.

Finally, the payable to ANAS rose by +€ 26.5 million (equal to € 764.0 million). The increase is due to the rise in the financial liabilities to ANAS related to the interest accrued during the year.

Net financial position

Net financial position (NFP) for 2020 is negative by € 477.0 million, up € 34.3 million (+8%) on December 2019.

Changes in NFP by nature

Table 9 – Financial liabilities by nature

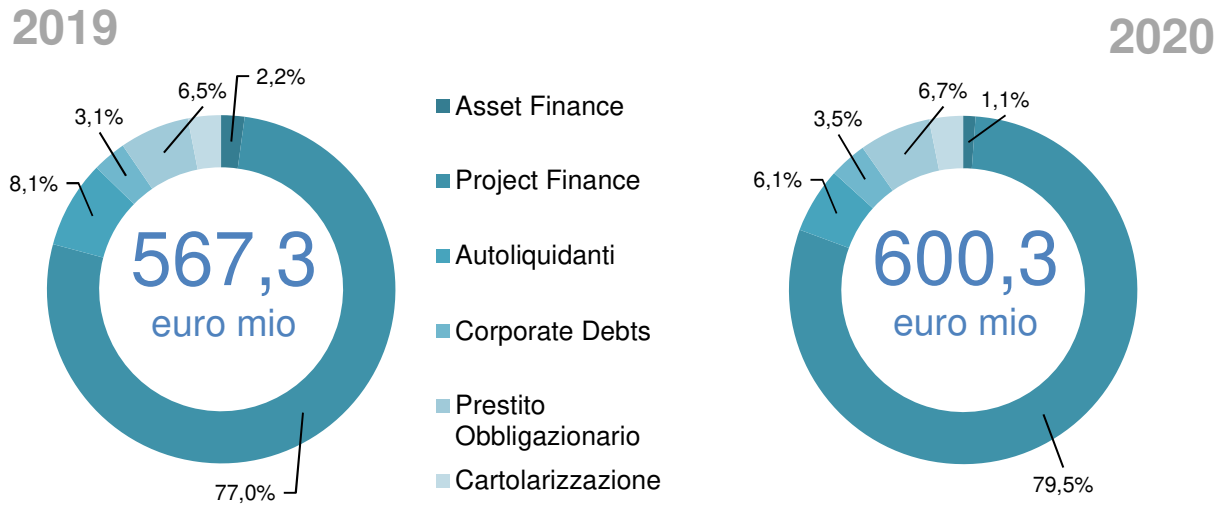
NFP by Nature *in thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Asset finance	6,829	12,243	(5,414)	-44%
Project finance	477,230	437,045	40,185	9%
Self-liquidating loans	36,625	46,178	(9,553)	-21%
Corporate debts	20,848	17,776	3,072	17%
Bond loans	39,945	36,751	3,194	9%
Factoring	18,914	17,391	1,523	9%
Total	**600,391**	**567,384**	**33,007**	**6%**
Liquid funds	(123,356)	(124,682)	1,326	-1%
Current assets	0	0	0	N.A.
Total	**(123,356)**	**(124,682)**	**1,326**	**-1%**
Net financial position	**477,035**	**442,702**	**34,333**	**8%**

Net financial position may be analysed as follows:

- The payables based on collateral on owned assets under asset finance schemes went from € 12.2 million in 2019 to € 6.8 million in 2020 with a 44% decrease due to the repayments mainly made by TOTO CG;
- The structured payables under Project Finance (without-recourse) schemes went from € 437.0 million to € 477.0 million. The increase is due to a series of opposite effects: (i) the issuing, in December 2020, of a bond loan by PECH, reserved for institutional investors and finalised with the construction of the wind farm for a total of € 49.1 million, (ii) the issuing by US WIND of a bond loan aimed at the construction of the wind farm for a total of € 28.3 million; (iii) the reimbursement by SDP of current funding for a total of € 35.0 million.
- Self-liquidating loans amount to € 36.6 million and decreased by approximately € 9.6 million compared to the previous year. This is directly due to the natural trend of the receivables related to TOTO CG contracts (the company decreased its exposure by € 1.2 million) and RENEXIA SERVICE (during the year, it repaid its debt by € 8.1 million);
- Corporate debts stand at € 20.8 million and show an increase of 17% in relation to the 2019 value owing to repayments principally made by TOTO CG for € 1.4 million and by new debts entered into by PGS (€ 5.0 million) and INFRA (€ 2.2 million).
- Bond Loans increased by € 3.2 million due to interest accrued over the course of the year and to be paid in the 2021 financial year;

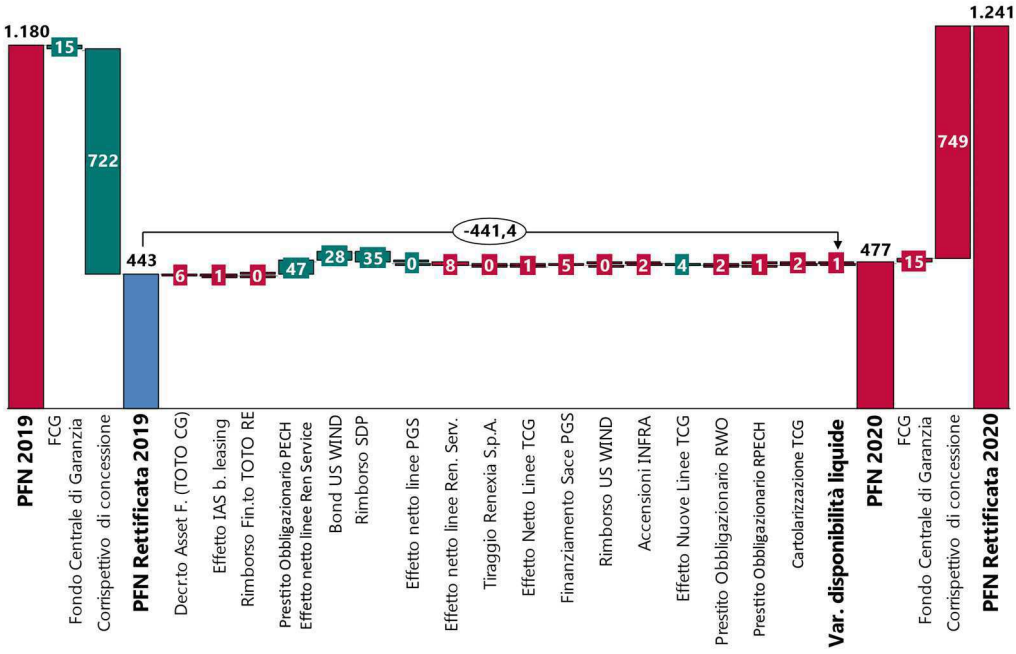
- the TOTO CG securitisation transaction involving the sale of part of its technical provisions relating to certain contracts which increased by € 1.5 million due to the interest accrued during the year.

Graph 6 – Breakdown of financial liabilities by nature



The calculation of the NFP does not take into account SDP S.p.A. payable for the concession fee (€ 748.8 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 NFP has been neutralised since they are without recourse loans. Indeed, they are automatically assumed by the grantor in the event of withdrawal, termination and/or early termination of the agreement.

Graph 7 – Bridge analysis on the development of the 2019 – 2020 NFP



Analysis of NFP by due date

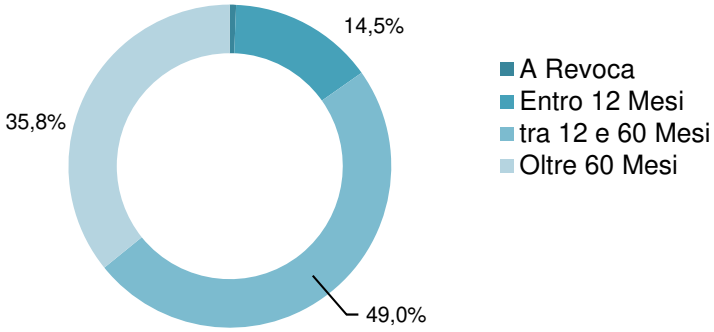
The analysis of net financial position by due date shows that 35.8 % of financial liabilities is due after 5 years. The € 6.8 million of asset financing due within 12 months include the principal to be repaid within 12 months of loans and financing on assets such as those for the Martina TBM. The € 25.0 million self-liquidating loans falling due within 12 months are instruments used to receive advances of cash flows and automatically renewed on

their expiry dates or for advances on new invoices/work progress reports/internal situation report advances and/or advances on new contracts awarded and/or claims recorded. The € 5.4 million corporate debts due within one year mainly relate to TOTO CG's bank current accounts. The € 18.9 million relating to TOTO CG securitisation transaction will be repaid when the technical provisions partly sold to third-party lenders are collected.

Table 10 – Breakdown of 2020 financial liabilities by nature and due date

NFP by due date *in thousands of euro*	Until cancellation	Within one year	Between 12 and 60 months	Over 60 months	Total
Asset finance	0	2,142	3,746	941	6,829
Project finance	0	30,529	249,623	197,078	477,230
Self-liquidating loans	0	25,044	11,581	0	36,625
Corporate debts	3,772	5,425	11,651	0	20,848
Bond loan	0	5,282	17,688	16,975	39,945
Factoring	0	18,914	0	0	18,914
Total	**3,772**	**87,336**	**294,289**	**214,994**	**600,391**
Liquid funds					(123,356)
Current assets					0
Total					**(123,356)**
Net financial position	**3,772**	**87,336**	**294,289**	**214,994**	**477,035**

Graph 8 – Breakdown of 2020 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 11 – Breakdown of payables to the grantor and former FCG

ANAS/FCG payables by due date *in thousands of euro*	Until cancellation	Within one year	Between 12 and 60 months	Over 60 months	Total
Payable to ANAS	0	126,929	136,452	500,644	764,025

SDP take-over amount

The second regulatory period (2014- 2018) of the ruling agreement expired on 31 December 2019. In accordance with said agreement, which implements the provisions of CIPE resolution no. 39/2007, in order to ensure the progressive development of the tariff, the BP may provide for the inclusion of "figurative items" which, based on the principles of legitimate expectation and financial neutrality, generate regulatory receivables (Receivables related to figurative items), any time the tariff due to the operator is postponed following a time deferral in tariff increases under the Single Agreement. These receivables, which are "off-the balance sheet", are for all purposes a company asset. Indeed, under the principle of legitimate expectation set out in the Single Agreement, when it is not possible to "recover" the figurative items prior to the expiry date of the concession, the operator is entitled to receive from the incoming party an amount equal to that of the residual regulatory receivables which would be added to the compensation based on the Regulatory Net Invested Capital mentioned above. At 31 December 2020, SDP's accrued notional receivables amount to € 734.5 million. Therefore, overall, at 31 December 2020, the take-over amount, being the sum (i) of the amount of the work performed, (ii) the concession price, net of the related amortisation/depreciation and (iii) the figurative items, is estimated at approximately € 1.7 billion (gross of the residual concession price payable for € 0.7 billion). Consequently, in the case of early termination, this amount, in addition to any compensation for loss of earnings, must be paid by the incoming party or, failing that, by the grantor pursuant to article 9-*bis* of the Single Agreement.

2020 Bond Issue

Parco Eolico Casalduni House S.r.l.

Parco Eolico Casalduni House S.r.l. issued a bond loan for a total sum as capital of € 49.1 million, placed with institutional investors. The bond loan comprises dematerialised securities listed on the Extra Mot Pro market managed by the Borsa Italiana S.p.A. Bonds were issued at a price equal to 100% of their nominal amount. The securities representing the bond loan will be repaid beginning from 31 December 2022 for an initial amount of € 786 thousand and successive quarterly repayments (expiry dates on 31 December and 30 June) for variable amounts until 30 June 2029. The remaining balance, equal to € 35.5 million, will be paid in a single instalment on 31 December 2029. The securities will pay coupons for 75% at an annual rate of 4.95% and for the remaining 25% at a rate equal to the 6-month EURIBOR (with a floor of 0%) plus a margin of 4.75%. Interest will be paid in arrears, every quarter beginning on 30 June 2021. The bond loan was issued in one tranche on 24 December 2020. At 31 December 2020, the residual debt (share capital) amounts to € 49.1 million.

US Wind Inc.

As described in the "Significant Events - Financial Transactions" section, US WIND, in August 2020 issued guaranteed bonds ("**Bonds**" or "**Notes**") of USD 40 million ("**Initial Notes**") and authorised the issuing and sale of an additional USD 125 million by 31 December 2021 for an total value of USD 165 million. The subscriber with whom this contract ("**NPA**") was signed is the American private equity fund Apollo Global Management ("**Apollo**").

The Notes accrue interest calculated based on 360 days per year and 30 days per month on the capital amount not paid by the issuance date at an annual rate of 13.5%. For the Initial Notes, US WIND decided to capitalise this interest, adding it to the capital of the outstanding bonds.

US WIND pays a "commitment fee" at an annual rate of 2.75% on the average daily balance not used and decided to pay the commitment fee capitalising it adding it to the residual capital amount of the outstanding bonds.

The expiry date for the bonds is defined as the first of either (i) 31 July 2025 or (ii) the date when the Notice to Proceed ("**NTP**") is issued for the existing offshore wind project (called "**Marwin I closing**").

The NPA includes, in addition, an option, which can be exercised by US WIND at any time, for the early partial payment (for no less than 10%) or the total of the residual nominal value of the securities. Should the option be exercised, US WIND will pay Apollo, (i) the nominal amount of the securities, plus (ii) capitalised PIK interest, (iii) the commitment fees and (iv) the so-called "Make Whole" defined as the difference between:

- 35% of the nominal amount of the repaid bonds;
- and the total amount of the interest and commitment fees accrued up until that time.

US WIND evaluated the option of early payment, concluding that its fair value can be considered equal to zero both at the date of issuing the bonds (August 2020) and at 31 December 2020, since US WIND will never have the financial means to exercise this option.

Again in August 2020, US WIND and RENEXIA signed a "Debt Call Option" contract with Apollo which will only be exercisable after the Marwin I closing and, in case of its being exercised, could lead to the conversion in shares, by US WIND, of the Bond's residual notional balance.

In particular, the "Debt Call Option" contract includes:

a) A primary call option exercisable by Apollo should the Marwin I closing occur before the expiry date envisaged for reimbursement (31 July 2025). The exercise of the option will entail the conversion of the

outstanding part of the securities into US WIND shares at the fair market value of US WIND shares inferred at that date.

b) A secondary call option exercisable by Apollo should the Marwin I closing occur after the complete repayment of the debt. The exercise of the secondary option would entail the purchase of 25% of the shares issued and outstanding of US WIND at their fair value.

c) A blocking option, which can be exercised by Renexia to block the exercise of any of the previous calls. Renexia's exercise of the blocking option would cost US Wind a fee equal to an increase of 2% of the interest rate at the time of the option's exercise and for the remaining life of the bonds.

Apollo can only exercise one call option pursuant to the "Debt Call Option" contract.

As of 31 December 2020, US WIND estimated that the fair value of the options mentioned above is equal to zero since the price of exercise is equal to the fair market value of the underlying shares at that time and the separation of the call option (embedded derivative) has no effect on the financial statements.

The NPA contains obligations to act, to refrain from action, disclosure requirements, and default events. If a default event occurs, the bonds will expire and the whole amount of the notes, plus all the interest accrued and not paid on them, must be immediately repaid.

The securities issued by US WIND are guaranteed by all the existing and future activities belonging to US WIND and by additional pledges and guarantees of the parent company and its associates. On the same date as the NPA, US WIND and RENEXIA signed a contract with which Apollo's right of first refusal is recognised ("**ROFO Agreement**"). Based on the ROFO Agreement, if US WIND and/or its affiliates develop wind projects in Maryland other than the Marwin I project ("**MDW Projects**") and US WIND and/or its affiliates seek to sell these projects, RENEXIA will notify Apollo and will offer Apollo the exclusive right to purchase the capital or goods of these MDW Projects.

Performance of the main group companies

TOTO Holding S.p.A.

Table 12 – *Reclassified profit and loss account of TOTO Holding S.p.A.*

Profit and Loss Account *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Production revenues	6,189	5,092	1,097	22%
Operating costs	11,218	28,759	(17,541)	-61%
EBITDA	**(5,029)**	**(23,667)**	**18,638**	**-79%**
EBITDA Margin	*-81%*	*-465%*	*383.53%*	
D&A	1,702	1,699	3	0%
EBIT	**(6,731)**	**(25,366)**	**18,635**	**-73%**
EBIT Margin	*-109%*	*-498%*	*389.40%*	
Net financial income	16,664	69,424	(52,760)	-76%
EBT	**9,933**	**44,058**	**(34,125)**	**-77%**
Margin	*160%*	*865%*	*-704.75%*	
Income taxes	931	4,935	(4,004)	-81%
Net profit	**10,864**	**48,993**	**(38,129)**	**-78%**
Margin	*176%*	*962%*	*-786.62%*	

In 2020, production revenues (€ 6.2 million) do not cover operating costs (€ 11.2 million) for the year, resulting in a negative EBITDA of € 5.0 million. The significant reduction in 2020 costs compared to those recorded in 2019 (€ 17.5 million) is essentially due to operating costs (€ 18.5 million). Indeed, during the 2019 financial 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, in 2019, TH completed a transaction entailing the payment of € 4.8 million to CAI. The sum of these two, non-recurring extraordinary amounts resulted in the € 18.6 million increase in operating costs between the two financial years.

Amortisation, depreciation and write-downs (€ 1.1 million) also include the write-downs related to the "Adjustments to financial assets" item (€ 0.8 million), which includes the write-down of equity investments held in the TOTO RE, AVISUN, and EURASIA companies.

Therefore, the operating loss (EBIT) amounts to € 6.1 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 the year amounts to € 16.7 million and includes *(i)* € 5,607 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.

The taxes positively affect the result for € 0.9 million as a result, essentially, of the income from tax consolidation (€ 1.5 million), partially compensated for by the recognition of taxes for the year (€ 0.5 million).

Table 13 – Reclassified balance sheet of TOTO Holding S.p.A.

Balance sheet *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Intangible fixed assets	199	277	(78)	-28%
Tangible fixed assets	159	131	28	22%
Financial fixed assets	321,202	297,325	23,877	8%
Total fixed assets	**321,560**	**297,732**	**23,828**	**8%**
NWC	**(818)**	**(15,226)**	**14,408**	**-95%**
CIN	**320,742**	**282,506**	**38,236**	**14%**
Provisions	(829)	(740)	(89)	12%
Employee termination indemnities	(405)	(405)	0	0%
Invested capital	**319,508**	**281,361**	**38,147**	**14%**
Net equity	**339,424**	**334,560**	**4,864**	**1%**
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	144,575	70,906	73,669	104%
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	1	4	(2)	-67%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(160,362)	(123,370)	(36,993)	30%
Liquid funds	(4,130)	(739)	(3,391)	459%
Net financial position	**(19,916)**	**(53,199)**	**33,282**	**-63%**
Payable to the grantor	0	0	0	N.A.
"Adjusted" net financial position	**(19,916)**	**(53,199)**	**33,283**	**-63%**
Total coverage	**319,508**	**281,361**	**38,147**	**14%**

The increase in fixed assets is mainly due to TH investments (see the note to financial fixed assets) which rose by € 23.8 million. The increase is mainly due to:

- the carrying amount of the investment in CONCESSIONI AUTOSTRADALI which rose by € 25 million. Indeed, during the year, TH formally acknowledged its waiver of part of a financial receivable in order to financially support its subsidiary;
- the carrying amount of the investment in EURASIA and AVISUN of, respectively, € 25 thousand and € 121 thousand. During the year, TH formally acknowledged its waiver of a financial receivable in order to financially support its subsidiaries.
- the write-downs made on investments held in TOTO RE (€ 1,271 thousand), AVISUN (€ 184 thousand), and EURASIA (€ 13 thousand). The write-downs were made to adapt the the carrying amount of the equity investments to the amount calculated using the equity method.

The decrease in the CNN is basically attributable to the effect of the payment of the debt to CAI for € 14.0 million for settlement of the dispute concluded in August 2017 with the corresponding settlement agreement. TH totally repaid its debt, paying CAI € 14 million during 2020.

The net worth increased by € 4.8 million. The change relates to the combined effect of the increase recorded for the fiscal year result (profit of € 10.8 million) and the reduction associated with the distribution of dividends (- € 6.0 million) resolved upon by the Shareholders Meeting on 29 June 2020.

The net financial position decreased by € 32.2 million since the increase in financial receivables (net the waivers mentioned above) basically attributable to TOTO CG was financed by the subsidiaries RENEXIA and PGS.

Construction Business Unit

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

Table 14 – Reclassified profit and loss account of TOTO S.p.A. Costruzioni Generali (Sub-consolidated)

Profit and loss account *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Production revenues	103,640	139,295	(35,655)	-26%
Operating costs	103,230	133,832	(30,602)	-23%
EBITDA *EBITDA Margin*	**410** *0%*	**5,463** *4%*	**(5,053)** *-3.53%*	**-92%**
D&A	15,109	7,241	7,868	109%
EBIT *EBIT Margin*	**(14,699)** *-14%*	**(1,778)** *-1%*	**(12,921)** *-12.91%*	**727%**
Net financial income	(10,479)	(8,828)	(1,651)	19%
EBT *Margin*	**(25,178)** *-24%*	**(10,606)** *-8%*	**(14,572)** *-16.68%*	**137%**
Income taxes	4,426	2,464	1,962	80%
Net profit *Margin*	**(20,752)** *-20%*	**(8,142)** *-6%*	**(12,610)** *-14.18%*	**155%**

Production revenues (€ 103.6 million) decreased by € 35.7 million on the previous year (€ 139.3 million). This item mainly includes the consideration for works approved by customers, production up to 31 December 2020 and claims submitted for additional costs. The reduction, compared to the previous financial year, is basically due to the suspension of work sites caused by the onset of the COVID-19 pandemic.

The operating costs (€ 103.2 million) recorded a decrease of € 30.6 million compared to 31 December 2019 and reflect a reduction of 23%. The reduction in costs does not proportionally compensate for the decrease in revenues; this leads to a significant worsening of the EBITDA, which drops from € 5.5 million to € 0.4 million.

The “Amortisation, Depreciation, and Write-downs” item increased by € 7.9 million during the financial year. In fact, the item increases from € 7.2 million in 2019 to € 15.1 million in December 2020. The decrease is due to:

- the reduction in depreciations of € 3.2 million due to the BU’s choice to make use of the exception under art. 2426, first para., point 2, of the Italian Civil Code, set forth in art. 60, para. 7-bis, of Law no. 126/2020 of 13 October 2020, thus suspending the amortisation/depreciation of intangible and tangible fixed assets for the 2020 financial year.
- the increase in write-downs for € 10.0 million that basically refer to the write-down of some assets held for sale (for € 2.0 million) and some fixed assets (for € 5.2 million).
- the increase in allocations (for € 1.1 million) on receivables deemed irrecoverable.

The operating loss (EBIT), for € 25.2 million, records a worsening of € 14.6 million compared to the actual value of the previous financial year.

Net financial charges amount to € 10.5 million, up by € 1.7 million on 2019. The following had a significant effect: (i) interest expense to the parent TH (€ 3.2 million), (ii) the charges related to the advance following the securitisation of technical provisions (€ 1.6 million) and (iii) interest on arrears and deferred payments (€ 1.2 million), and (iv) the interest expense in relation to banks (€ 1.6 million).

The taxes positively affect the result for € 4.4 million as a result, principally, of the income from tax consolidation (€ 1.1 million) and of the recognition of deferred tax assets for the year (€ 4.4 million).

Table 15 – Reclassified balance sheet of TOTO S.p.A. Costruzioni Generali (Sub-consolidated)

Balance Sheet *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Intangible fixed assets	87	66	21	32%
Tangible fixed assets	63,738	63,983	(245)	0%
Financial fixed assets	10,748	10,979	(231)	-2%
Total fixed assets	**74,573**	**75,027**	**(454)**	**-1%**
NWC	**(13,430)**	**7,713**	**(21,143)**	**-274%**
CIN	**61,143**	**82,740**	**(21,597)**	**-26%**
Provisions	(11,927)	(7,610)	(4,317)	57%
Employee termination indemnities	(459)	(462)	3	-1%
Invested capital	**48,757**	**74,668**	**(25,911)**	**-35%**
Net equity	**9,334**	**27,062**	**(17,728)**	**-66%**
Self-liquidating loans	21,923	23,141	(1,218)	-5%
inter-company payables	5	5	0	0%
Asset finance	4,571	10,230	(5,659)	-55%
Project finance	0	0	0	n.a.
Corporate debts	11,147	14,899	(3,752)	-25%
Bond loan	0	0	0	n.a.
Factoring	18,912	17,391	1,521	9%
inter-company receivables	(13,969)	(14,460)	490	-3%
Liquid funds	(3,165)	(3,601)	436	-12%
Net financial position	**39,423**	**47,606**	**(8,182)**	**-17%**
Payable to the grantor	0	0	0	N.A.
"Adjusted" net financial position	**39,423**	**47,606**	**(8,183)**	**-17%**
Total coverage	**48,757**	**74,668**	**(25,911)**	**-35%**

The fixed assets (€ 74.5 million) are basically unchanged compared to the previous financial year.

NWC (€ 13.4 million) rose by € 21.1 million.

Net equity (€ 9.3 million) decreased by € 25.9 million basically following the combined effect determined by the end-of-year losses in 2020 and the positive effect of the translation reserve (€ 1.1 million).

The Net Financial Position (negative) improved by € 8.1 million, mainly due to the effect of the repayment of the Asset Finance (€ 5.7 million) and Corporate Debts (€ 3.7 million).

Concessions Business Unit

Strada dei Parchi S.p.A.

Table 16 – Strada dei Parchi S.p.A. reclassified profit and loss account

Profit and Loss Account *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Production revenues	174,663	224,455	(49,792)	-22%
Operating costs	104,607	100,850	3,757	4%
EBITDA	**70,056**	**123,605**	**(53,549)**	**-43%**
EBITDA Margin	*40%*	*55%*	*-14.96%*	
D&A	2,687	50,233	(47,546)	-95%
EBIT	**67,369**	**73,372**	**(6,003)**	**-8%**
EBIT Margin	*39%*	*33%*	*5.88%*	
Net financial income	(60,478)	(62,505)	2,027	-3%
EBT	**6,891**	**10,867**	**(3,976)**	**-37%**
Margin	*4%*	*5%*	*-0.90%*	
Income taxes	(4,277)	(1,838)	(2,439)	133%
Net profit	**2,614**	**9,029**	**(6,415)**	**-71%**
Margin	*1%*	*4%*	*-2.53%*	

The 2020 Production Revenues, which include traffic income, decreased by 22.0% compared to the previous financial year due to the contraction in recorded traffic, beginning in February, as a result of the effects connected to the measures restricting mobility imposed by the Italian government in order to cope with the COVID-19 pandemic. The item includes the lost revenues due to the effect of the tariff suspension, established by art. 9 tricies semel of Decree Law no. 123 of 24 October 2019, amounting to € 31.3 million (compared to € 31.2 million recorded during 2019), recognised on an accruals basis.

Operating costs increased by € 3.8 million on the previous year, mainly as a consequence of the rise in motorway maintenance works. Gross of the capitalisations performed, the operating costs for 2020 increased by € 22.3 million compared to 2019.

The EBITDA decreased by approximately forty-three percentage points, dropping from € 123.6 million in 2019 to € 70.0 million in 2020; this contraction is attributable to the combined effect of the reduction in traffic revenues, on the one hand, and the increase in operating costs incurred, on the other.

SDP availed itself of the exception in art. 2426, first para., point 2, of the Italian Civil Code, permitted by article 60, para. 7-bis, of Law no. 126/2020 of 13 October 2020, thus suspending the amortisation/depreciation of intangible and tangible fixed assets for the 2020 financial year.

The financial charges record a reduction as a result of the repayment of capital made during the year that, due to the favourable variable interest rates applied to existing loans. Capitalised financial charges amount to € 2.7 million and relate to assets under construction.

The taxes for 2020 amount to € 4.3 million and 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 17 – Strada dei Parchi S.p.A. reclassified balance sheet

Balance sheet *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Intangible fixed assets	8,629	8,467	162	2%
Tangible fixed assets	1,172,265	1,122,205	50,061	4%
Financial fixed assets	58	59	(1)	-1%
Total fixed assets	**1,180,952**	**1,130,730**	**50,222**	**4%**
NWC	**62,997**	**20,377**	**42,620**	**209%**
CIN	**1,243,949**	**1,151,107**	**92,842**	**8%**
Provisions	(91,170)	(81,841)	(9,329)	11%
Employee termination indemnities	(6,604)	(7,113)	509	-7%
Invested capital	**1,146,175**	**1,062,153**	**84,022**	**8%**
Net equity	**18,732**	**(14,613)**	**33,345**	**-228%**
Self-liquidating loans	14,700	14,479	221	2%
inter-company payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	401,836	437,045	(35,209)	-8%
Corporate debts	0	0	0	n.a.
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Inter-company receivables	0	0	0	n.a.
Liquid funds	(53,118)	(112,226)	59,108	-53%
Net financial position	**363,418**	**339,297**	**24,121**	**7%**
Payable to the grantor	764,025	737,469	26,556	4%
"Adjusted" net financial position	**1,127,443**	**1,076,766**	**50,677**	**5%**
Total coverage	**1,146,175**	**1,062,153**	**84,022**	**8%**

The fixed assets increased by € 50.2 million due to year's investments and are represented net of the capital grants received during the year. SDP opted to suspend the depreciation of the tangible and intangible fixed assets set forth by art. 60, para. 7-bis of Law no. 126/2020 of 13 October 2020.

NIC amounts to € 1,146 million, down by approximately € 84.0 million on 2019.

The "adjusted" net financial position went from € 1,077 million in 2019 to € 1,127 million in 2020. This is basically due to the net effect determined (i) by the rise in the financial payables to ANAS for the interest accrued during the year on the concession instalment not yet paid and on the central guarantee fund; (ii) by the project finance repayments made during the year, (iii) and by the use of cash for € 59.1 million.

Net equity rose due to (i) the increase in the reserve for hedge derivatives, (ii) the assessment of the net profit for the year, as well as (iii) the capitalisation performed by the majority shareholder, for € 25 million, via a partial waiver of existing shareholder loans allocating this share for future share capital increases of SDP.

Energy Business Unit

Renexia S.p.A.

Table 18 – Renexia S.p.A. reclassified profit and loss account

Profit and Loss Account *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Production revenues	511	776	(265)	-34%
Operating costs	7,814	4,506	3,308	73%
EBITDA *EBITDA Margin*	**(7,303)** *-1429%*	**(3,730)** *-481%*	**(3,573)** *-948.49%*	**96%**
D&A	1,771	1,255	516	41%
EBIT *EBIT Margin*	**(9,074)** *-1776%*	**(4,985)** *-642%*	**(4,089)** *-1133.34%*	**82%**
Net financial income	80,188	15,122	65,066	430%
EBT *Margin*	**71,114** *13917%*	**10,137** *1306%*	**60,977** *12610.32%*	**602%**
Income taxes	472	(484)	956	-198%
Net profit *Margin*	**71,586** *14009%*	**9,653** *1244%*	**61,933** *12765.06%*	**642%**

2020 ended with a net profit of € 71.6 million.

Revenues (€ 511 thousand), net of external costs (€ 4.2 million) and personnel expenses (€ 3.6 thousand), generated a negative EBITDA of approximately € 7.3 million. Revenues are substantially in line with those recorded for the year ending on 31 December 2019 and refer to services provided to subsidiaries. The external costs mainly refer to services (€ 2.6 million), which recently recorded a significant increase (€ 1.4 million) mainly owing to the legal, technical, and financial consultancy relating to signing the sales agreements for the minority share in US WIND Inc. to Apollo; for more details on this sale, please refer to the section “Significant Events - Financial transactions” and “Bond Issue - US WIND Inc.”.
Given the kind of activities carried out by RENEXIA, the EBITDA (negative for € 7.3 million) does not adequately represent the business trend for which the net financial income and equity investments assume a dominant role.

The depreciations and write-downs present a negative balance for € 1.7 million, as a result of (i) the fair value assessment of the call option held in the context of the sales transaction for the minority share of US WIND Inc. (€ 0.3 million), (ii) the write-downs performed (€ 1.4 million overall) on some investments held and on some receivables.

Net financial income amounted to € 80.2 million. This item includes:

- The realised gains as a result of the sales (i) of the minority share (20%) in US WIND Inc. and (ii) 95% of the share capital shares in Intersun S.r.l. (overall gains equal to € 80.2 million);
- the net effect of financial income (negative for € 0.7 million), mainly related to the interest (income and expense) accrued in relation to subsidiaries under the inter-company current account contract and the fees paid to the banking system and to parent companies for services received during the financial year;

- the positive balance of the effect of exchange rate gains equal to € 0.7 million.

Based on the above, the profit before taxes amounted to € 71.1 million, which, net the positive effect of the taxes (€ 0.5 million), leads to a net profit of € 71.6 million.

Table 19 – Renexia S.p.A. reclassified balance sheet

Balance sheet *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Intangible fixed assets	585	284	302	106%
Tangible fixed assets	51	74	(23)	-31%
Financial fixed assets	12,694	32,280	(19,586)	-61%
Total fixed assets	**13,330**	**32,637**	**(19,307)**	**-59%**
NWC	**(3,195)**	**(9,724)**	**6,529**	**-67%**
CIN	**10,135**	**22,913**	**(12,778)**	**-56%**
Provisions	(3,768)	(3,472)	(296)	9%
Employee termination indemnities	(138)	(136)	(2)	1%
Invested capital	**6,229**	**19,305**	**(13,076)**	**-68%**
Net equity	**102,755**	**38,170**	**64,585**	**169%**
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	34,467	34,030	437	1%
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	5	9	(4)	-48%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(130,863)	(51,849)	(79,014)	152%
Liquid funds	(135)	(1,055)	919	-87%
Net financial position	**(96,526)**	**(18,865)**	**(77,662)**	**412%**
Payable to the grantor	0	0	0	N.A.
"Adjusted" net financial position	**(96,526)**	**(18,865)**	**(77,661)**	**412%**
Total coverage	**6,229**	**19,305**	**(13,076)**	**-68%**

The change in fixed assets (for € 19.3 million) is basically attributable to the sales transaction for a minority share (20%) in US WIND, together with the partial repayment transaction, again by US WIND, of capital contributions made by RENEXIA during the previous financial years to the American subsidiary to support its development activities.

The change in the NWC item is equal to € 6.5 million and basically represents the decrease in "Other Payables" as a result of the payment of the dividends resolved upon in previous financial years.

Net equity increased by € 64.5 million due to the combined effect determined by the reduction from the dividend distribution approved during the Shareholders' Meeting on 29 June 2020 (€ 7 million) and the increase due to the net profit for the year (€ 71.6 million).

The positive NFP (€ 96.5 million) increased compared to the previous financial year by € 77.6 million as a result of the increase in financial receivables in relation to its subsidiaries, together with the increase in financial receivables taken out in favour of the parent company Toto Holding S.p.A..

Services Business Unit

Parchi Global Service S.p.A.

Table 22 - Parchi Global Services S.p.A. reclassified profit and loss account

Profit and Loss Account *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Production revenues	35,615	25,603	10,012	39%
Operating costs	23,809	17,025	6,784	40%
EBITDA	**11,806**	**8,578**	**3,228**	**38%**
EBITDA Margin	*33%*	*34%*	*-0.35%*	
D&A	231	192	39	20%
EBIT	**11,575**	**8,386**	**3,189**	**38%**
EBIT Margin	*33%*	*33%*	*-0.25%*	
Net financial income	1,176	155	1,021	659%
EBT	**12,751**	**8,541**	**4,210**	**49%**
Margin	*36%*	*33%*	*2.44%*	
Income taxes	(3,570)	(2,608)	(962)	37%
Net profit	**9,181**	**5,933**	**3,248**	**55%**
Margin	*26%*	*23%*	*2.61%*	

In 2020, production revenues amount to € 35.6 million, up by € 10.0 million or 39% on the previous year (€ 25.6 million). The Operating Costs reflect a percentage increase proportional to that relating to the Production Revenues (+40%), recording a change at the end of the financial year of € 6.7 million.

The characteristic operating performance led to a positive EBITDA of € 11.8 million, recording an EBITDA margin of 33%, up € 3.2 million (+38%) compared to the same value recorded in the previous financial year.

The net financial income also recorded an improvement in the financial year, standing at € 1.1 million.

Based on the above, the 2020 net profit (of 9.1 million) rose by € 3.2 million compared to the previous financial year.

Table 23 – Parchi Global Services S.p.A. reclassified balance sheet

Balance sheet *In thousands of euro*	Dec. 2020	Dec. 2019	Change	% Change
Intangible fixed assets	28	38	(9)	-25%
Tangible fixed assets	865	798	67	8%
Financial fixed assets	0	0	0	N.A.
Total fixed assets	**893**	**836**	**57**	**7%**
NWC	**(28,439)**	**(22,464)**	**(5,975)**	**27%**
CIN	**(27,546)**	**(21,628)**	**(5,918)**	**27%**
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(729)	(578)	(151)	26%
Invested capital	**(28,275)**	**(22,206)**	**(6,069)**	**27%**
Net equity	**13,410**	**9,729**	**3,681**	**38%**
Self-liquidating loans	2	0	2	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	5,016	424	4,592	1084%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(40,938)	(30,799)	(10,139)	33%
Liquid funds	(5,765)	(1,560)	(4,205)	270%
Net financial position	**(41,685)**	**(31,935)**	**(9,750)**	**31%**
Payable to the grantor	0	0	0	N.A.
"Adjusted" net financial position	**(41,685)**	**(31,935)**	**(9,750)**	**31%**
Total coverage	**(28,275)**	**(22,206)**	**(6,069)**	**27%**

Fixed assets are not significant given the type of business.

NWC is negative for € 28.4 million and comprises payables of € 43.5 million and current assets of € 15.8 million. Payables mainly relate to tax payables (€ 15.1 million) and payables to related companies (€ 17.5 million).

NIC is negative for € 28.3 million and essentially reflects the balance of NWC, described earlier.

With respect to hedges, the NFP amounts to € 41.7 million and essentially relates to the financial receivable from the parent TH and liquid funds of € 5.7 million. Net equity amounts to € 13.4 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 20212027 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.

For the financial statements at 31 December 2020, however, we must highlight the after effects that the risks, of an operational and financial nature, linked to the spread of the COVID-19 pandemic, have left, including in the assessments to be made in this context.

Liquidity risk

The management of the group's liquidity was affected by the pandemic that broke out at the beginning of 2020, which had consequences never before seen worldwide and nationwide, also impacting the group's ordinary operations, reducing the flows normally generated. Due to the total halt resulting from the mobility restrictions imposed by the governments of the various countries, the pandemic caused the postponement of the major financial transactions that the group was about to complete.

Focusing attention on TH, the commitments that concern it basically consist of taxation. As mentioned above, due to the reduced availability of liquid funds, TH had to undertake a number of extraordinary initiatives to address the challenges of the period: With particular reference to the taxes and contributions, the 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 contribution payments. Up until now, the Company has chosen to prioritise the use of liquid funds to pay salaries and meet other necessary and urgent obligations, including advance payments of the allowance covered by the wage guarantee fund (CIGO), for which many Group companies have applied in accordance with Decree-law No. 18 of 17 March 2020 (known as the "Cura Italia" Decree), published in the Official Journal no. 70 of 17 March 2020.

In this context, in order to mitigate liquidity requirements and reduce the effects of the pandemic on its profitability, the group is committed to evaluating all available options, also following the issue of the Law decree no. 23 of 8 April 2020, converted into Law no. 40/2020 of 6 June 2020 published in the Official Journal no. 143, concerning liquidity support measures for businesses (the "**Liquidity Decree**") and subsequent amendments and/or extensions. In that context, in 2020 the Group initiated discussions with a leading Italian bank to obtain a loan of up to € 92.1 million (in addition to any additional financing possible for SDP for an amount equal to

approximately 67 million) 90% guaranteed by SACE. The six-year loan envisages a three-year pre-amortisation period and will be amortised over three years, in accordance with the aforesaid Liquidity Decree. The total considered (€ 92.1 million) does not include loans already received between the end of 2020 and the start of 2021 by RENEXIA, PGS, and INFRA, which signed and collected these loans for a total of € 12.5 million.

In this scenario, the actions that have been undertaken to support the Group's financial requirements lead one to treat the risk factors referred to above as not reasonably probable, including based on the Group's operations reflected in the 2021-2027 business plan that will guarantee, with reference to the main business units (concessions and renewables) sufficient revenues and cash flows to exit this particular situation connected to the spread of the pandemic and that has rendered it necessary to use the extraordinary tools described above. It should be advised, in any case, that the 2021 - 2027 Business Plan founds its main assumptions:

(i) on the development activities in the energy sector that will guarantee positive flows and income for the next few years;

and on assumptions regarding future events, such as:

(ii) time frames for defining the agreement with ANAS (concessions sector);

(iii) issuing of loans with SACE guarantees.

The directors, based on actions undertaken to support the financial need of the Group, as well as the reasonable possibility of arriving at the approval of the new BP, believe that the above-mentioned initiatives can be realised in the short term, resolving the current critical issues and enabling a reasonable overcoming of the risk factors and uncertainties.

Given what has been shown, while in the presence of significant, connected uncertainties, in addition to what was represented in points (ii) and (iii), including given the unpredictability of future scenarios due to the resumption of the spread of the pandemic (c.f. the Delta variant) that could trigger significant doubts about the Group's ability to continue as a going concern, we believe that the conditions, based on information currently available, exist, in any case, for an assessment of future scenarios and the actions undertaken by the Directors.

Credit risk

The customers of the Group are primarily companies 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 euro, with the exception of Wind Inc., whose transactions are expressed in US dollars, and Med Wind Sarl, whose transactions are expressed in Tunisian dinars.

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

Market risk in terms of changes in interest rates

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

The 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 derivative contracts with its pool of financial backers for interest rates (interest rate swaps) to lessen the financial risk linked to interest rate fluctuations and stabilise cash flows generated from the business. Further information is provided in the notes to the financial statements.

On 31 December 2020, RENEXIA S.p.A. issued derivatives as detailed and described in the sections: “Information on the fair value of derivatives” and “Information on financial instruments issued by the group” in the Supplementary note to which you may refer.

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 section “Other risks - TOTO CG”, to which reference should be made.

Other risks

SDP

Litigation with the Grantor

a) Limits on inter-company work Commissions

- Regional Administrative Court of Lazio (TAR), Rome Office, Section III - General Register no. 5490/2012. These proceedings are aimed at reversing Circular no. CDG-0067217-P of 11/05/2012 adopted by the Grantor ANAS S.p.A. and containing “Provisions for the implementation of the single agreements governing the work commissioning methods”. With successive provisions over time, ANAS had specified that, in relation to work directly performed by the operators and/or commissioned by these from subsidiaries or associate companies, the reference period must be divided into shorter time

intervals, preferably of five years, introducing both new tools for temporal and regional investigations for the purposes of selecting contractual rebates and the obligation, in case the right to perform works themselves is exercised, to provide prior notification for the purposes of authorising the works and rebate identified. The TAR, in judgement no. 8979/2020, published on 04.08.2020, rejected SDP's appeal based on the arguments adopted by the court, which do not take into account the fact that SDP, considered to be a project company, obtained the concession via a public procedure in compliance with national and EU law, on 16/12/2020. SDP served notice of appeal against the above-mentioned ruling (General register no. 10017/2020).

- Council of State, General Register no. 7350/2016. These proceedings are aimed at amending "order no. SVCA-MIT-0009315-P of 14/11/2013, with which the updating of the summary report was required, as referred to in the tables provided for in circular no. 67217, dated 11/05/2013, taking into account the regulatory changes introduced by art. 51 of Decree Law no. 1/2012 as subsequently amended and supplemented, which as from 01/01/2014, raised the minimum share of works that the operator of the motorway must outsource from 40% to 60%". With judgement no. 4533 of 18/04/2016, the Lazio TAR upheld SDP's appeal, reversing, as a result, the contested measures. An appeal against this decision was brought forward before the Council of State by the Grantor and, at the moment, no hearing has yet been fixed.
- Lazio TAR, Rome Office, Section III - General Register no. 11744/2019. These proceedings are aimed at reversing order no. 13201 of 27/05/2019, issued by the Ministry of Infrastructure and Transport - General Directorate for the Supervision of Motorway Operators, concerning "Resumption of inter-company/third-party works - Statements on contracts relating to the II quarter of 2018 and the 2016-2018 period", through which the Ministry declared the investigation closed and challenged SDP's failure to commission work from third parties, for the 2016-2018 period and relating to the II quarter of 2018, reserving itself only to communicate the amount of fines with successive notes. The appeal was filed on 24/09/2019. The Ministry appeared on 27/09/2019. The hearing has not been fixed yet.
- Lazio TAR, Rome Office, Section III - General Register no. 13998/2019. These proceedings are aimed at reversing the order no. 18829 of 24/07/2019, issued by the Ministry of Infrastructure and Transport - General Directorate for the Supervision of Motorway Operators, concerning "Provisions for the implementation of the single agreements governing the procedures for commissioning works", through which the Ministry intended to introduce, for the first time and expressly, the obligation for all operators when "they intend to make use of the right to commission work from subsidiary or associated companies within their remit" to send "a specific prior communication for authorisation purposes, containing all the informative and documentary elements requested with the circulars referred to". SDP submitted an appeal for additional reasons against the MIT-DGVCA notes with which the Ministry contested the methods for commissioning the three contracts entered into with subsidiary/associated companies and confirmed the significantly unbalanced situation regarding the inter-company resumption percentages. The hearing on their merits has not been fixed yet.
- Lazio TAR, Rome Office, General Register no. 271/2021. On 20/10/2020, communication no. 26006 was received, with which the Grantor challenged SDP, alleging that the percentage of works performed by third parties was less than 2.6% and, thus, not compliant with the obligation to outsource at least 40% of the works approved in the BP. The need to send a prior communication to the Grantor, for authorisation

purposes, was, in addition, highlighted. On 21/12/2020, SDP filed an appeal before the Lazio TAR in order to obtain the reversal of the above-mentioned note and any other connected document.

- Lazio TAR, Rome Office, General Register no. 2480/2021. On 16/02/2021, SDP filed an appeal against note no. 31974 of 18/12/2020, with which the Grantor implicitly stipulated, for those operators not falling within the area of application of art. 177 of Legislative Decree no. 50/2016, an obligation to convey quarterly updates of the forms ("Schede-tipo"), following that envisaged on 31/12/2020. This provision appears totally unreasonable, taking into account that it maintains the above-mentioned obligations to inform only in relation to companies that, like the plaintiff, were selected with a public tender.

With regard to the above-mentioned proceedings, and in support of the behaviour adopted by SDP, please refer to what is described in the sections: "Criminal Proceedings" and "Significant events - Precautionary seizure", and, in particular, to the reference to the judgement of the Court of Cassation no. 20179 of 10/03/2021 published on 21/05/2021. This, in highlighting art. 177 of Legislative Decree 50/2016 that recognises operators who have been awarded the concession as a result of their participation in a public procedure, confirms that this category of operators (including SDP) is not obliged to commission works that are the subject of a concession to third parties via public procedures, but are, instead, always able to make use of subcontracts, in line with what is established by the Council of State, with Opinion no. 823 of 18.11.2020. The latter clarifies that works that are the subject of the concession awarded by tender, are contained within a single framework, within the initial awarding of the concession itself and when they are not directly performed by the Operator, the latter can entrust them to third parties, making use of subcontracts, without needing to turn to tender procedures. In this way, the Supreme Court recognised SDP's right to be able to carry out all works directly without the obligation to outsource to third parties, carrying out the same via associated companies, as well as its own members, without observing public procedures.

b) Application of Administrative Sanctions and Penalties

- Lazio TAR, Rome Office, Section III - General Register no. 10257/2011. These proceedings are aimed at reversing the order that issued the administrative sanction of € 75,000.00 applied by the Grantor following the adoption, by the Operator, of the decision to extend the time constraint in the sub-concession agreements in place with some parties entrusted with the supply of carbo-lubricating products and ancillary activities of managing bar and market businesses in some Service Areas, for the purpose of ensuring continuity in the supply of the "oil" services considered to be public and essential, pending a remedy for the title defects of the parcels of land on which these Service Areas exist, as they are today registered in the name of private individuals. The Lazio TAR, with judgement no. 11489/2020 of 5/11/2020, rejected the appeal filed by SDP, since in the opinion of the court, "objective elements of fact emerged from the investigation that point to the absolute lack of reasons, independent of the will of the operators, that would prevent the continuation of the tenders, as prescribed by law, and allegedly render the extension of existing sub-concessions mandatory". SDP filed an appeal before the Council of State (General Register no. 4700/2021).
- Council of State General Register No. 9314/2020 (General Register No. 972/2013). These proceedings were brought on 1/12/2020 against judgement no. 1735/2020 of the Lazio TAR, which rejected the grievances formulated in the appeal (General Register No. 972/2013) filed by SDP and aimed at obtaining the reversal of the order with which the administrative sanction of € 25,000.00 was applied by

the Grantor and in which the imposition of a penalty of € 56,480.33 was, in addition, stipulated for the emergency management of the snowfall of 03/02/2012, the activities of which were regarded as non-compliant with the current procedures. The Board, on 10/2/2020, with judgement no. 1735/2020 rejected the grievances formulated in the appeal, confirming the fine. SDP field an appeal on 1/12/2020.

- Council of State, Section V, General Register no. 3410/18. On 4/10/2017, the appeal with Gen. Reg. No. 13414/2015, pending before the Third Section of the Lazio TAR was discussed. The purpose of this appeal was to obtain the reversal of the order no. 07786 of 28/07/2015, with which the Grantor ascertained that the legislative and regulatory limits allowed in case of direct execution of the works, in accordance with the provisions of the circular no. 0067217-P of 11/5/2012, had been exceeded. As a result, the Grantor applied a total fine of € 525,000.00 and stipulated that SDP commission the remaining works envisaged by the Agreement to third parties using public procedures. The Board, with judgement no. 10497/2017, rejected the complaint in which it was claimed that art. 253 para. 25 of Legislative Decree no. 163/2006 was not applicable to SDP, partly referring, besides, to the well known judgement no. 4533/2016 issued by the same Administrative Court, which set the limit of 60% (and not 40% as erroneously applied by the Grantor) for inter-company commissions, linking it to the original call for tenders. The grounds underlying the complaint against, on the one hand, the prohibition to commission new works from inter-company entities, so as to realign the applicable statutory shares, and, on the other hand, the reference to a five-year, rather than an annual, period for verifying the compliance with the aforementioned limit, were also rejected. On the contrary, the grounds underlying the complaint against the amount of the sanction was upheld and, consequently, the challenged order was reversed only as regards the section that determined the sanction, which the Grantor calculated incorrectly. SDP filed an appeal before the Council of State; the date of the hearing has not been set yet.
- Lazio TAR, Rome Office, Section I, - General Register no. 10130/2016. These proceedings concern the reversal of order no. 009983 dated 10/06/2016 with which the Grantor imposed a fine of € 25,000.00 on the Operator, based on the outcome of the adversarial stage of the dispute proceedings initiated following a "*Verification of the maintenance conditions of the motorways* managed *under concession*". The hearing on their merits has not been fixed yet.
- Lazio TAR, Rome Office, Section I, - General Register no. 10943/2016. These proceedings are to reverse notice no. 0010891 of 23/06/2016 concerning the sanctions resulting from the proceedings initiated by the Grantor, with which it imposed a fine of € 50,000.00 on the Operator as a penalty for the closure of some motorway sections on 5 and 6 March 2015 during the winter emergency activities. The hearing on their merits has not been fixed yet.
- Lazio TAR, Rome Office, General Register no. 10012/2017. These proceedings are aimed at reversing order no. 0012395 issued on 07/07/2017 following some objections raised by the Grantor at the outcome of the 2015 annual monitoring visit, upon full rejection of all the elements adopted by the operator during the relative procedure, and the consequent application of a penalty of € 80,000.00. The hearing has not been scheduled yet.
- Lazio TAR, Rome Office, General Register no. 5028/2018. These proceedings are aimed at reversing order no. M_INFSVCA-0002739 issued on 9/02/2018 with which the Grantor exerted the power to reapply the Strada dei Parchi SpA financial statements at 31 December 2019 35 sanction of € 525,000.00 reversed by the Lazio TAR with judgement no. 10497/2017 of 4/10/2017, and raised by the Grantor to € 675,000.00. The hearing has not been scheduled yet.

- Lazio TAR, Rome Office, Section I, - General Register no. 7687/2018. These proceedings are aimed at reversing order no. M_INF-SVCA-0006786 issued on 29/03/2018 following some objections raised by the Grantor at the outcome of the 2017 annual monitoring visit, with which a penalty of € 440,000.00 was applied, later reduced to €160,000.00, and, finally to € 140,000.00, during investigations into counter arguments. The hearing has not been scheduled yet.
- Lazio TAR, Rome Office, General Register no. 15612/2019. These proceedings are aimed at reversing order no. M_INFSVCA-0023689 issued on 4/10/2019 with which the administrative sanction of € 25,000.00 was applied due to some objections raised by the Grantor, with reference to the approval of the executive plan for seismic upgrading works to the "Popoli" Viaduct. The hearing has not been scheduled yet.
- Lazio TAR, Rome Office, General Register no. No. 2744/2021. These proceedings are aimed at reversing the note no. 13286 of 22/12/2020 concerning "Annual monitoring programme 2018 - Strada dei Parchi S.p.A. Operator Company", with which the imposition of a fine of € 100,000.00 was stipulated by the Grantor. With note no. 3119 of 6.02.2019, the MIT objected to the failure to comply with the reference standards established in the Agreement, with the resulting imposition of a fine of € 160,000.00, subsequently re-evaluated, as a result of the observations formulated by the SDP, to € 100,000.00. This order was deemed unreasonable for the reasons listed below. In the first place, the Ministry did not comply with the procedure outlined regarding fines and penalties laid out in Annex N of the Agreement and, in particular, the obligation to justify; from the correspondence that took place between the parties, it was not possible to understand to what specific breaches the notifications referred. The act in question also determines a clear infringement of the regulations set forth in Law no. 241/1990. The MIT, in its concluding determinations, should have included the deficient reasons set forth in the act for launching the sanction proceedings, with additional arguments aimed at confuting the observations formulated in the adversarial procedure. Additionally, we suggest that the plaintiff requested a more reasonable division of the motorway network into four sections, highlighting how much the current division is unjustifiably onerous for the operator; however, the Ministry did not observe the proposal put forward, thus breaching the principles of satisfactory performance and faithful collaboration, as well as the general principles regarding obligations and contracts laid out in the Italian Civil Code.

c) Recalculation of Discounts Applicable to Works Contracts

- Lazio TAR, Rome Office, Section III - General Register no. 8330/2012. These proceedings are aimed at amending order no. 089084-P of 21/06/2012 with which the Grantor imposed the calculation of the discount as regards the "Renovation of the technological systems of the San Rocco, Gran Sasso, and San Domenico tunnels" (to the degree of 30.56%); the implementation of the fire-prevention system of the Gran Sasso tunnel (to the degree of 30.56%); the extraordinary maintenance works on the fencing system" (to the degree of 26.63%). The Board ruled definitively on the appeal, dismissing it with judgement no. 9310/2020, published on 2/09/2020 and on 2/03/2021 SDP filed appeal (General Register no. 2073/2021). The hearing has not yet been fixed yet.
- Lazio TAR, Rome Office, Section III - General Register no. 10289/2012. These proceedings are aimed at amending order no. 0109814-P dated 03/08/2012 with which the Grantor unilaterally recalculated the percentage discount (31.79%) to be applied to the inter-company commissioning of the works related to the preparatory activities for the seismic upgrading of the S. Onofrio, Collarmele, Le Campane, Palude,

Cerchio, and Pietrasecca viaducts. The Board ruled definitively on the appeal and on the additional arguments, dismissing them with judgement no. 9311/2020, published on 02/09/2020 and on 2/03/2021. SDP filed appeal on 2/03/2021 (General Register no. 2074/2021). The hearing has not yet been fixed yet.

- Lazio TAR, Rome Office, Section III - General Register no. 7996/2013. These proceedings are aimed at obtaining the reversal of order no. 004001-P dated 06/05/2013, with which the Grantor unilaterally recalculated the percentage discount (23%) to be applied when commissioning the works for the upgrade and restoration of the west tube on the A24 of the "Carestia Tunnel", as well as of the order M-INF-SVCA, no. 13721 of 15/12/2015 of the Ministry of Infrastructure and Transport, with which the technical variance report related to the works for the upgrade and restoration of the west tube of the Carestia Tunnel was approved, with the removal of some proposed works. The recalculation of the discount imposed by the Grantor produces a financial difference to be withheld from the contractor of € 350,221.45. With judgement no. 7723/2021 of 30/06/2021, the Lazio TAR upheld the appeal brought by SDP and, as a result, reversed the contested orders, except for circular no. 0067217 of 11/05/2012. In the first place, the Ministry provided no reason to support the change to the discount and the identification of the contract used as a parameter, with the resulting failure to state its reasons identified by SDP. Also in these proceedings, the Administration provided no element aimed at supporting its own calculations. The appeal against the ANAS circular of 11/05/2012 was, on the other hand, held to be unfounded, in the part in which it regulated the criteria for identifying the contracts to which to refer in the discount calculation, given that a similar grievance has already been examined with judgement no. 8979/2020. The latter concluded that the "criteria identified by the Administration are more than reasonable, given that the circular envisaged an extension that was temporal, in the period before the last quarter, and subjective, in relation to the contracts entrusted by the other operators, but always within the context of the concessions and of a similar type of works, though widening, compared to the same categories already examined, the extension of the anticipated parameters".
- Lazio TAR, Rome Office, Section III - General Register no. 7997/2013. These proceedings refer to the reversal of order no. 004002-P dated 06/05/2013, with which the Grantor unilaterally recalculated the percentage discount (27.87%) to be applied to the inter-company commissioning of the works related to the "establishment of the new corporate radio network in Digital Mobile Radio (DMR)". On 30/06/2021, judgement no. 7724/2021 was published, which upheld the appeal brought by SDP and, as a result, reversed the contested orders, except for circular no. 67217 of 11/05/2012. The reasons for the decision are similar to those expressed in judgement no. 7723/2021. In the first place, the Grantor provided no suitable reason to support the change to the discount and the identification of the contracts used as a parameter, with the resulting failure to state its reasons identified by SDP. The Administration, in fact, did not pay attention to the reasons for which the objections raised in the appeal, and centred on the substantial difference of the works that were the subject of the two commissions, were disregarded, since the prevailing category of the contract awarded was OS19 and not OG3. As far as regards the ANAS circular of 11/05/2012, in contrast, the appeal was held unfounded, taking into account what was established with judgement no. 8979/2020 as well.
- Lazio TAR, Rome Office, Section III - General Register no. 6902/2014. These proceedings are aimed at amending the order no. 002465-P dated 12/03/2014, with which the Grantor rejected the 15% reduction conventionally determined by the Operator as regards the assignment to associated companies of the

works concerning the "Preparatory activities for the seismic upgrading of the San Sisto viaduct " demanding that the reduction be redetermined pursuant to art. no. 29.4 of the Single Agreement, but taking due account of the effects produced by the Circular dated 11/05/2012, which was also challenged. The next hearing will be held on 12/01/2022.

- Lazio TAR, Rome Office, Section III - General Register no. 7552/2014. These proceedings are aimed at obtaining the complete amendment of order no. 0002795-P dated 24/03/2014 with which the Grantor unilaterally recalculated the reduction (30.64%) related to the assignment to associated companies of the works for the "Preparatory activities for the seismic upgrading of the Pettino viaduct". In the outcome of the proceedings, the Lazio TAR dismissed the appeal, with judgement no. 14080/2020 of 29/12/2020. On 25/6/2021, SDP filed an appeal.
- Lazio TAR, Rome Office, Section I - General Register no. 2258/2018. On 15/12/2017, order no. 22355 issued on 07/12/2017 by the Ministry of Infrastructure and Transport - General Directorate for the Supervision of Motorway Operators, concerning “Urgent safety measures - Viaducts” was received. Widespread interventions to prevent the shifting of decks. Allocation of the works” was received, in which the Grantor states that “*the 15% reduction identified by this Company is not in line with market values and does not guarantee compliance with art. 29.4 paragraph 4 of the Single Agreement in force and, therefore, cannot be authorized by this Ministry*”. SDP filed an appeal against this order, which was served on 13/02/2018. Subsequently, on 26/04/2018, an appeal was filed for additional reasons requesting the reversal of order no. 3039 of 13/02/2018 with which the Grantor rejected the motion for review filed by the Operator with note no. 1218 of 26/01/2018, confirming what was already stipulated. The hearing has not been scheduled yet.

d) Conventional Requirements

- Council of State, Section V- General Register no. 5775/2016. Appeal initiated by the Grantor against judgement no. 4786 of 27/04/2016 with which the Lazio TAR upheld the appeal brought by SDP for the amendment to order no. 005968-P dated 02/07/2014, with which the Grantor had asked “*these Companies to guarantee, in any case and on a 24 hour basis, the physical presence of personnel at every station (barrier/toll station)”.* As a result of the public hearing, held on 17/09/2020, judgement no. 6037/2020 was published on 12/10/2020, with which the Council of State, giving its definitive ruling on the appeals, both principal and incidental, dismissed them.
- Lazio TAR, Rome Office, Section III - General Register no. 11881/2015. With these proceedings, SDP wished to apply for the reversal of order no. 006352-P dated 26/06/2015, with which the Grantor returned to the Operator the executive plan concerning the works for the implementation of a centralised system for remotely controlling the toll stations, based on the assumption that "the planned works do not fall within the category of extraordinary maintenance. Therefore, it will not be possible to follow up on the preliminary investigation in question". On 30/10/2020, the notice of expiration for the appeal in question was issued by the TAR; if a new request to fix a hearing is not submitted within 180 days, the appeal will be ruled null and void.
- Lazio TAR, Rome Office, Section III - General Register no. 10731/2015. These proceedings are aimed at obtaining the reversal of order no. 00005510-P of 04/06/2015 with which the Grantor ordered the Operator to implement all safety measures required on the restraint systems present on the flyovers. A motion to withdraw aimed at the prompt scheduling of a hearing on their merits was filed on 03/05/2017.

On this point it seems opportune to mention how art. 49, para. 1-bis, point b) of Decree Law no. 76 of 16 July 2020, coordinated with the conversion law no. 120 of 11 September 2020, amended art. 25 of Legislative Decree no. 285/2002 in the sense that it provides that, in case of crossings between type-A roads, the underpass and overpass structures, including the safety barriers on the overpasses, belong to the proprietary body of the type-A road. SDP filed a motion to fix a hearing pursuant to art. 82 of the Italian code of administrative procedure.

- Lazio TAR, Rome Office, Section I, - General Register no. 12756/2015. These proceedings are aimed at reversing the Decree of the Ministry of Infrastructure and Transport, adopted in consultation with the Ministry of Economic Development, which approves the "restructuring plan for the network of service areas located on the motorways, to be allocated through calls for tenders" held to be clearly in conflict with the free enterprise principle and with the obligations conventionally assumed. The hearing on their merits has not been fixed yet.
- Council of State. These proceedings are an extraordinary appeal under art. 8 of Presidential Decree 1199/197 served on 13/07/2017, aimed at reversing communication prot. no. 0004153 of 10 March 2017, whereby the Rome Territorial Inspection Office of the Grantor rejected the proposed agreement between SDP and Infracom S.p.A. concerning the "laying of a fibre-optic cable in a 40 metre-long,125mm one-pipe. Carsoli (AQ) toll station", and, consequently, returned the documents without the requested approval. The appeal, with judgement no. 639/18 of 15/03/2018, was partly rejected and partly declared inadmissible.
- Lazio TAR, Rome Office, Section I, - General Register no. 3156/2017. These proceedings are aimed at obtaining the reversal of order no. 001293-P issued on 26/01/2017 by the Grantor, as regards the part in which it provided for certain prejudicial and illegitimate limitations to and recommendations for the approval of the executive plan related to the "*Upgrading and safety measures for the A24 and A25 Motorways - art. 1 paragraph 183 Law no. 228/2012.* A25 Bussi Junction – Rampa viaduct". The hearing on their merits has not been fixed yet.
- Regional Administrative Court of Lazio (TAR), Rome Office, General Register no. 3751/2017. These proceedings are aimed at obtaining the reversal of order no. 002161-P dated 07/02/2017 with attached notice prot. no. 002150-P of 07/02/2017, with which the Grantor confirmed the provision aimed at ensuring, in any case and on a 24 hour basis, the physical presence, at every toll station, of personnel in charge of collecting tolls. The appeal was filed on 10/04/2017. On 27/06/2018, additional reasons were filed in support of the reversal of order no. 8767 dated 26/04/2018, with which the MIT established that "*all toll stations operated by this Company, even in the case of stations using automated collection systems only, must always be supervised by dedicated staff*". The hearing has not been scheduled yet.
- Council of State. General Register No. 9636/2020 (General Register no. 4335/2017). On 11/12/2020, SDP filed an appeal to amend judgement no. 3222/2020 of 12/03/2020 concerning the order no. 6767 of 14/04/2017, concerning "Urgent safety measures. Viaducts – Widespread interventions to prevent the shifting of decks. Executive plan", with which the Grantor had applied certain prejudicial and illogical, as well as illegitimate, prescriptions and limitations in relation to the project subject to validation. The Court of first instance, in any case, dismissed the arguments that categorise the works as extraordinary maintenance, erroneously categorising them as ordinary maintenance and misrepresenting, in this way, the improvement function of the works in question that are aimed at supplementing the original mobile supports of the infrastructure to improve the functionality thereof and to make them ready to cope with

potential natural disasters. On 11/12/2020, SDP registered the appeal documents (reg. no. 9636/2020) for the amendment of the above-mentioned judgement, since the Administrative Court erroneously decided to categorise them as ordinary maintenance and the improvement function of the works in question, which are aimed at supplementing the original mobile supports of the infrastructure to improve the functionality thereof and make them ready to cope with potential natural disasters, was misrepresented.

- Regional Administrative Court of Lazio (TAR), Rome Office, Section I General Register no. 12013/2017. These proceedings concern the reversal of Ministerial Decree no. 401 of 9/08/2017, with which the "Authorisation Plan for the expenditure referred to in art. 52 quinquies, para. 1 of Decree Law no. 50/2017" was approved as regards the section where the Grantor applies certain prejudicial and illogical, as well as illegitimate, prescriptions and limitations. The appeal was filed on 06/11/2017. The hearing has not been fixed yet.
- Lazio TAR, Rome Office, Section I, General Register no. 12012/2017. Council of State, Section V, General Register no. 5320/2018. Council of State, Section V, General Register no. 5330/2018. These proceedings are aimed at obtaining a declaration of illegitimacy regarding the inaction by the Grantor in relation to the outcome of the procedure for Updating and reviewing the Business Plan covered by the Single Agreement, with simultaneous recognition of the obligation to act as regards such petition, by means of an explicit order and the conviction of the non-fulfilling Entities to compensate all damage suffered and to be suffered, to be quantified in the course of the proceedings. With judgement no. 5022/19 of 13/06/2019, the Council of State issued a final ruling, partly amending the challenged judgement, and declared that the MIT is required to act, through the adoption of a specific measure, to be issued by 30/10/2019, that would finally complete the BP updating/review procedure, and confirmed the rejection of the claim for damages. SDP filed a motion so that the Council of State would appoint an acting commissioner to carry out judgement no. 5022/2019. The acting commissioner was appointed. SDP, on 30/05/2020, filed notice of an appeal, in compliance with art. 112, para. 5 of the Italian code of administrative procedure before the Council of State, for the mere end of clarifying what the activities of the commissioner were in relation to the provisions contained in art. 206 of Decree Law no. 34/2020. The compliance appeal was assigned the General Register no. 4330/2020 and the Board, with order no. 5020/2020 of 13/08/2020, declared the above-mentioned appeal inadmissible due to a lack of actual or concrete interest.
- Lazio TAR, General Register no. 6483/2018. On 28/03/2018, order no. 6577, issued on the same date by the MIT, concerning the "A24 - A25 Continuation of the implementation of anti-seismic safety measures. Decree for the authorisation to use the multi-year grants (Law no. 123/2017)". SDP filed an appeal against the above-mentioned order with the Lazio TAR. The hearing has not yet been fixed.
- Lazio TAR, Rome Office, Section I, - General Register no. 8802/2018. On 24/04/2018, order no. 8767 was received, issued on the same date by the Ministry of Infrastructure and Transport - General Directorate for the Supervision of Motorway Operators, concerning "A24 - Rome - Teramo. Construction of an urban road system aligned to the A24 from Via Palmiro Togliatti to the Roma Est toll station and renovation of the restraining systems and road signs from Casal Bertone to the Roma Est toll station, in the Municipality of Rome. Tolls allocation", with which the Grantor unilaterally approved "the new lengths" for the section in question "for the purpose of reassessing the relevant toll", requesting, at the same time, "to receive the toll table updated according to the new calculations... ". SDP filed an appeal

against the above-mentioned order with the Lazio TAR. At the moment, the hearing has not been scheduled yet; we are, therefore, waiting.

- Council of State. General Register No. 80/2020. This was an appeal brought against judgement no. 14703 of 20/12/2019 with which the TAR dismissed the appeal (General Register no. 7936/2018) submitted by SDP against order no. 8769 of 24/04/2018, with which the Grantor had approved the upgrade works for the technological systems of the San Rocco, San Domenico, and Gran Sasso tunnels, without, however, specifying the financial source of the same, establishing that the related costs (approx. € 6.4 million) could have been included in the new BP. On 20/07/2020, judgement no. 4636/2020 was published, with which the Council of State dismissed the appeal and on 15/02/2021 SDP filed an appeal in cassation, pursuant to artt. 360, para. 1, no. 1 and 362 of the Italian Code of Civil Procedure, and art. 110 of the Italian code of administrative procedure, to obtain the reversal or amendment of the above-mentioned judgement that held that the economic-financial burden of the upgrade works for the tunnels were the responsibility of the operator, irrespective of their inclusion in the BP and that any economic imbalance, as a result of these investments, may be equalised through the revision of the plan itself. On 30/03/2021, the counter-claim of the Ministry, in the context of the Cassation proceedings in question, was filed.
- Lazio TAR, Rome Office, Section I, - General Register no. 13964/2018. Appeal for pre-trial technical investigation under art. 63 of the Italian code of administrative procedure (696 of the Italian Code of Civil Procedure) relating to the state of the viaducts on the A24 and A25 motorway sections. The experts board filed the report, providing a complete response to the following questions posed by the court and confirming that SDP, in October 2018, had an LC3 level of knowledge of the structures. With reference to the 66 piers that are part of the 8 structures subject to the September/October 2018 checks, the TAR was also asked to verify the state of the values of the reinforcement covers, of their connection to the vertical bars, as well as any damage to the concrete and to the iron armatures due to corrosion. The Lazio TAR adopted ordinance no. 8854/2019 with which it upheld the request for a pre-trial technical investigation and set the term of 27/02/2021 for filing the final report. The experts board filed the above-mentioned report within the set terms and the conclusions make it possible to assume a level of knowledge of the structures equal to LC3 for viaducts, the subject of analysis, in October 2018.
- On 04/02/2019, SDP filed the appeal to the Lazio TAR, under General Register no. 2440/19 for the reversal of orders no. 27777 dated 05/12/2018 and no. 29450 dated 21/12/2018 issued by the Ministry of Infrastructure and Transport - General Directorate for Supervision of Motorway Operators - Rome Territorial Inspection Office, and within the limits specified in the appeal, of Ministerial Decree no. 346 of 04/08/2014, on the basis of which the Grantor made some objections to the ordinary maintenance plan for the year 2019 submitted by SDP with note no. 21195 of 30 November 2018, stating that it should not be approved.
- On 24/04/2019, SDP filed an appeal before the Lazio TAR to reverse order no. 8651 dated 02/04/2019 issued by the MIT concerning “approval of urgent works for the implementation of safety measures on certain viaducts and tunnels of the A24 and A25 motorways”, as well as for the objection to its sustained inaction regarding the approval of the risk reduction measures referred to in art. 3 of Legislative Decree no. 264/06, identified with General Register no. 5018/2019. On 08/06/2020, the dismissal judgement no. 6115/2020 was issued, which SDP intends to appeal against before the Council of State. SDP filed an appeal for the amendment of the judgement (General Register no. 655/2021), since, with the note

contested, MIT denied approval of the urgent upgrade works on the galleries and the court held that the failure to fulfil the obligation to update the BP was not sufficient to oblige the Administration to identify alternative methods of financial coverage.

- On 14/05/2019, SDP filed an appeal with the Lazio TAR, under General Register no. 5606/2019, for the reversal of order no. 4089 dated 18/02/2019, issued by the Ministry of Infrastructure and Transport - General Directorate for Supervision of Motorway Operators - Rome Territorial Inspection Office, concerning the "Agreement draft - SdP S.p.A. - Infratel Italia S.p.A.", with which the Grantor made certain objections as regards the failure to apply, in the case at hand, the "Electronic Communications Code" approved with Legislative Decree no. 259 of 01/08/2003, instead of the Highway Code, which under art. 94 regulates the occupation of motorway properties. The public hearing has not been fixed yet.
- On 29/05/2019, SDP filed an appeal with the Lazio TAR, under General Register no. 6380/19 to obtain the reversal of order no. 7480 of 22/03/2019 issued by the Ministry of Infrastructure and Transport - General Directorate for Supervision of Motorway Operators, concerning the implementation of "Urgent upgrade and safety measures on motorways. Specific works for the seismic upgrade of the Genzano viaduct. Executive Plan". The hearing on their merits has not been fixed yet.
- On 29/05/2019, SDP filed an appeal with the Lazio TAR, under General Register no. 7973/2019 to obtain the reversal of order no. 9198 of 09/04/2019 issued by the Ministry of Infrastructure and Transport - General Directorate for Supervision of Motorway Operators, concerning the implementation of "Urgent upgrade and safety measures on motorways. Specific works for the seismic upgrade of the Sant'Onofrio viaduct. Executive Plan". The hearing on their merits has not been fixed yet.
- SDP, on 04/06/2020, registered an appeal for a court order for payment, under art. 118 of the Italian code of administrative procedure, with General Register no. 4007/2020, in relation to the Ministry of Infrastructure and Transport, for the amount of € 135,582,760.96 in order to allow the immediate performance of the restoration works and urgent safety upgrade (M.I.S.U.) on the motorway sections under concession. On 11/09/2020, the TAR dismissed the request for a court order for payment submitted by SDP; the documentation filed, according to the opinion of the Court, cannot be considered to be written proof and, therefore, does not fulfil the requirements set forth by artt. 633 and following of the Italian Code of Civil Procedure.
- Lazio TAR, Rome Office, General Register no. 7984/2019. These proceedings are aimed at reversing order no. 8721 of 03/04/2019 issued by the Ministry of Infrastructure and Transport - General Directorate for Supervision of Motorway Operators, concerning "Concession requirements - Schedule for ordinary maintenance works". The hearing on their merits has not been fixed yet.
- Appeal to the Lazio TAR, General Register no. 12474/2019. These proceedings are aimed at reversing note no. 0016506 of 01/07/2019 concerning the "Urgent safety measures projects and supply of financial resources pursuant to art. 16, para. 2, Legislative Decree no. 109 of 28/9/2018 distribution of financial resources under art. 3, para. 3, of the memorandum of understanding and of the supplement" and additional notes. The Council of State (General register no. 10083/19) with order no. 241/2020 of 24/01/2020 upheld the precautionary appeal submitted by SDP and referred the matter to the TAR for the relevant hearing. The hearing has not yet been fixed yet.
- Lazio TAR, General Register no. 521/2020. These proceedings are aimed at reversing order no. 26643 of 06/11/2019 issued by the MIT, concerning "Safety works for tunnels of more than 500 metres

(excluding Gran Sasso) pursuant to Legislative Decree 264/06. Transmission of executive plan". The appeal was filed on 03/01/2020. The relevant hearing has not yet been fixed.

- Lazio TAR, General Register no. 985/2020. These proceedings against the partial denial of access by MIT in relation to the application of 18/11/2019 relating to the updating/review of the business plan, as well as to the "results and transmission to the European Commission, including the related presentation and clarifications requested by the latter for what was anticipated during the meeting of 5 November 2019". The appeal was filed on 17/01/2020 and, with judgement no. 4660/2020, issued on 05/05/2020, the Ministry was ordered to enable access to the information and related documents.
- Extraordinary appeal to the President of the Republic pursuant to art. 8 of the Presidential Decree no. 1199/1971. These proceedings are aimed at reversing order no. 24600 of 14/10/2019 issued by the Ministry of Infrastructure and Transport - General Directorate for Supervision of Motorway Operators, concerning "Management of concession relationships. Implementation of the maintenance and management procedures".
- Lazio TAR, Rome Office, General Register no. 5150/2020. These proceedings are aimed at reversing order no. 4976 of 19/02/2020 issued by the MIT, concerning "Procedure for updating and reviewing the business plan", with which the Grantor communicated the conclusion of the corresponding administrative procedure, judging it to be inadmissible. The appeal was filed on 15/06/2020 and we await the fixing of a hearing.
- Lazio TAR, General Register no. 7667/2020. SDP, on 29/09/2020 filed an appeal in order to obtain the reversal of order no. 16185 of 30/06/2020 issued by the Ministry of Infrastructure and Transport, concerning the "Management of the concession relationship. Serious breaches alleged on 30 June under art. 18, para. 2, point b) of the Single Agreement in force", through which the Grantor challenged the failure to pay the concession fee on tolls relating to the year 2019, the supplement of the concession fee for the same year, the adjustment relating to the fees on income collected in relation to the sub-concessions contracted and, finally, the failure to pay ANAS the concession price instalment due on 31/03/2020. This objection appears to be totally illogical, if you take into account the suspension of the toll adjustment stipulated for up until 31/10/2021, with the resulting application of the tolls in force as of 31/12/2017, with the conversion law of Decree Law 123/2019, no. 156/2019. The unreasonableness is, in addition, evidenced by the failure of the same Grantor, in relation to all the toll adjustments since 2015 to today, and by the failure to approve the new BP. It is clear, in fact, that, due to the economic and financial burden, as well as the lesser availability of cash owing to the failure to approve the BP, the amounts requested by the Ministry will only be payable in case of the restoration of the toll adjustments and the payment and complete recovery of the amounts of the toll shares not collected in the last period. SDP has, in addition, notified how the drastic reduction of revenue caused by the health emergency and the lock down imposed by the government, was neither taken into consideration, nor compensated for by the Ministry. This behaviour must be considered to be an additional discriminatory treatment in relation to what was stipulated, in favour of ANAS, with art. 214 of Decree Law 34/2020, as subsequently converted by Law no. 77/2020.
- Lazio TAR, General Register no. 9368/2020. On 13/11/2020, SDP filed an appeal to the TAR aimed at the reversal of the order no. 20772 of 13/08/2020 with which the Grantor, in introducing the obligation to renovate the bridge edge restraint systems, communicated that "the costs for carrying out the works are incurred by the operator and recovered via toll revenues that constitute the fee. The amounts anticipated

pending the update of the concession relationship will be taken into consideration when preparing the supplement to the Agreement". In the appeal, the illegitimate nature of the above-mentioned communication was highlighted, since it did not enable the actual financial coverage of the works and did not enable the possible acquisition of the enormous financial resources on the capital markets, given that the works under consideration are categorised as extraordinary maintenance and that these operations must find suitable financial coverage in the BP being assessed for approval. On this point it seems opportune to note that the function of the business plan is to ensure the balance of the concession in relation to the planned investments and not to ratify, a posteriori, the costs incurred whose capital repayment cannot just be a possibility, since it would add an additional risk to the business and one not included in the concession relationship and unsustainable for the operator, placing a financial burden on the latter without the certain possibility of recovering the amounts, taking into account the fact that the concession is still an expression of a right to private enterprise and that, while concerning a public service, represents a contract on a payment basis in which SDP legitimately expects to obtain a remuneration for their own investment.

- Lazio TAR, General Register no. 974/2021. On 9.11.2020, communication no. 28297 was received, concerning "Barriers/toll stations with high automation. Presence of personnel in charge of collecting tolls and physical protection", with which the Grantor unilaterally imposed on all operator companies the physical presence of personnel in charge of collecting tolls at each station, irrespective of the actual necessity and without taking into account different traffic volumes in transit in the various toll stations present on the motorway network. SDP, on 08/01/2021, quickly filed an appeal to the Lazio TAR in order to obtain the reversal of the above-mentioned note.
- Lazio TAR, Rome Office, General Register no. no. 1292/2021. On 3/02/2021, SDP filed an appeal in the TAR in order to obtain the reversal of the Prime Ministerial Decree of 24/09/2020 concerning the "Appointment of Maurizio Gentile as extraordinary commissioner to complete the planning, project, appointment and performance of necessary work activities, to be implemented according to functional phases according to the anti-seismic safety priority levels, of the A24 and A25 motorways", in that the appointment of the extraordinary commissioner stipulated by art. 206 of Decree Law no. 34/2020 contradicts the regulations that govern the concession relationship and the same single agreement. On 19/02/2021, SDP filed an appeal on additional grounds, highlighting how the appointment decree did not identify in a punctual manner the works that will need to be implemented by the extraordinary commissioner and that the amount provided, which was totally inadequate, risks the execution of works that are not coordinated and are incoherent.

e) Toll increase for the year

- As regards the litigation against the Ministry of Infrastructure and Transport and the Ministry of Economy and Finance, for the reversal of the Inter-ministerial Decree no. 577 of 31/12/2014 pursuant to which "the tariff adjustment to be applied by the motorway operator Società Strada dei Parchi SpA for 2015, with effect from 1 January, is approved at a rate of 1.50 per cent", we would like to note how, in light of the evident inertia on the part of the Grantor in complying with the favourable ruling no. 4234/2017 of the Register of Protective Measures rendered by the III Section of the Lazio TAR on 07/04/2016, with a proceeding on enforcement of judgements, SDP applied for the execution of this judgement. The Regional Administrative Court of Lazio, convened in chambers on 12/07/2017, with ruling no. 8832/17

imposed on the Grantor the obligation to reactivate and complete, within 30 days from the date when the ruling was communicated, the tariff adjustment procedure according to the methods set forth in the ruling by the Court of first instance, and the TAR also provided that, in case of continuing non-compliance, the General Accountant at the Ministry of Economy and Finance would appoint an Acting Commissioner. An appeal was filed with the Council of State against this judgement, rendered in the compliance stage, by the non-fulfilling Authorities, requesting the adoption of urgent protective measures in light of the serious and irreparable damages that the execution of the challenged judgement would have caused. The Council of State, comprised by a sole Judge, with decree no. 3268/2017 issued on 02/08/2017 upheld the interlocutory application for the suspension of the challenged judgement, fixing the discussion on the merit at the hearing of 07/09/2017, where the Board, convened in Chambers, dismissed the appeal proposed by the non-fulfilling Authorities. The Grantor, with Circ. no. 19344 dated 02/10/2017, notified that, in order to settle the pending disputes related to the years 2015, 2016, and 2017, and to prevent the intervention of the Acting Commissioner as regards compliance with the judgement rendered by the Administrative Court on the tariff adjustment for 2015, it was willing to recognise, on the occasion of the tariff adjustment applicable for the year 2018, the tariff component “X” to the extent set forth in the BP, amounting to 2.56% per annum for the years 2015, 2016, and 2017, and undertook to have a proper check carried out, for the same period, on the individual expense components, for the purposes of including in the tariff the differences not paid and ascribable to the parameter "K" as annual percentage variation in the remuneration of the capital allocated to the investments.

- Lazio TAR, Rome Office, Section I, - General Register no. 3207/2016. These proceedings are aimed at reversing the Inter-ministerial Decree no. 442 of 31/12/2015 adopted by the Ministry of Infrastructure and Transport in consultation with the Ministry of Economy and Finance, which establishes the tariff adjustment applicable as from 01/01/2016 to the extent of 3.45%, in response to a request made by the Operator for an increase of 12.26%. With the order of 30/04/2021, the TAR reiterated the upcoming investigation of the MIT (relating to the filing in proceedings of a detailed report on the investigation that led to the toll update calculation being contested), specifying that if their failure to comply will be treated as evidence. The next hearing will be held on 12/01/2022.
- Lazio TAR, Rome Office, Section I, - General Register no. 1291/2017. These proceedings are aimed at reversing the Inter-ministerial Decree no. 508 of 30/12/2016 adopted by the Ministry of Infrastructure and Transport in consultation with the Ministry of Economy and Finance, which establishes the tariff adjustment applicable as from 01/01/2017 to the extent of 1.62%, in response to a request made by the Operator for an increase of 11.07%. On 7/12/2020, judgement no. 13057/2020 was published, which upholds the appeal as far as regards the failure to pay the X factor and, as a result, reverses in this part the above-mentioned Interministerial Decree; it dismisses, on the other hand, the request for compensation and compensates the legal fees, based on the partial upholding of the appeal. On 7/06/2021, SDP filed an appeal for the amendment of the above-mentioned judgement.
- Lazio TAR, Rome Office, Section I, - General Register no. 2675/2018. These proceedings are aimed at reversing the Inter-ministerial Decree no. 615 of 29/12/2017 adopted by the Ministry of Infrastructure and Transport in consultation with the Ministry of Economy and Finance, which establishes the tariff adjustment applicable as from 01/01/2018 to the extent of 12.89%, in response to a request made by the Operator for an increase of 15.47%. The appeal was filed on 27/02/2018. On 7/12/2020, judgement no. 13051/2020 was published; this dismissed the appeal initiated by SDP and awarded the legal fees to the

MIT. The court dismissed the request relating to the "K" component, holding that the MIT investigation was suitably justified and not sufficiently objected to on the specific motives of failed payment. On 7/06/2021, SDP filed an appeal for the amendment of the above-mentioned judgement.

- Lazio TAR, Rome Office, General Register no. 2808/2019. These proceedings are aimed at reversing the Inter-ministerial Decree no. 589 of 31/12/2018, adopted by the Ministry of Infrastructure and Transport in consultation with the Ministry of Economy and Finance, which fixes the tariff adjustment applicable as from 01/01/2019 at 5.59%, and the suspension thereof until 30/06/2019 thus leaving the tariffs unchanged and equal to those applied as at 31/12/2017. The TAR, with judgement no. 9539/2020 dismissed the appeal with the following reasoning, "with art. 9, para. tricies semel, of Decree Law no. 123 of 2019, added during conversion, in fact, the toll increase from 1 January 2019 to 31 December 2021 was suspended "in order to mitigate the effects on users", suspending, at the same time, also the obligation of the operator to pay the concession fee for 2017-2018". SDP, on 12/03/2021, submitted an appeal against this decision, in order to highlight the erroneous and illogical nature of some passages in the judgement.
- Lazio TAR, Rome Office, Section I, - General Register no. 6717/2019. These proceedings are aimed at obtaining compensation for the damage resulting from the failed and late recognition of the tariff adjustment relating to the financial year 2015. With judgement no. 1304/2020 of 7/12/2020, the Lazio TAR ruled as inadmissible the appeal brought by SDP, since it was aimed at obtaining a duplication of the amount to be compensated, already subject of separate proceedings. SDP, on 7/6/2021, filed an appeal.
- Lazio TAR, Rome Office, General Register no. 2089/2020. These proceedings are aimed at reversing the ministerial order no. 31626 of 31/12/2019 with which the Grantor had fixed at 0.00% the toll update for the year 2020. On 24 March 2020, the TAR, with Decree no. 1837/2020, held that the requirements for the urgent interim protection did not exist and fixed the hearing for the discussion of the suspension at 06/05/2020. On the outcome of the above-mentioned hearing, on 07/05/2020, the interim order no. 3646/2020 was published, with which the court dismissed the application and held that the matter under dispute was worthy of being discussed and we are, therefore, awaiting the fixing of the relevant hearing.
- Lazio TAR, Rome Office, General Register no. no. 2578/2021. On 1/03/2021, SDP brought an appeal for the reversal of note no. 33101 of 31/12/2020, with which the Grantor communicated the "change applicable from 1 January 2021 of 0.00%". In addition, note no. 15 of 2/01/2021 and note no. 4202 of 17/02/2021 were contested, in that the choices made by the Grantor regarding the toll adjustment put the plaintiffs ability to ensure the necessary investments for motorway infrastructure at risk. The TAR, with order no. 5821/2021, upheld the application under art. 116, para. 2 of the Italian code of administrative procedure, and ordered the Ministry to file toll update investigation documentation for 2021 in court.
- SDP, on 13/03/2020, filed an appeal before the Rome District Court under art. 700 of the Italian Code of Civil Procedure, General Register no. 15785/2020, to ascertain and declare the validity of the preliminary agreements reached with ANAS S.p.A. and the Ministry of Infrastructure and Transport, in order to extend the payment deadline for the concession fee instalment, which expired on 31/03/2020 for the year 2019, as well as enabling SDP to proceed with the safety works for the motorway network under concession. The Board, founding its reasons on the legislation passed referred to in art. 206 of Decree Law 34/2020, with order no. 10306/2020, of 17/07/2020, published on 24/07/2020, dismissed the

appeal, and ordered SDP to pay the legal fees. On 11/08/2020, SDP filed an appeal against the above-mentioned order under art. 669 terdecies of the Italian Code of Civil Procedure, with General Register no. 40294/2020, before the Rome District Court, which was concluded with an order partially upholding the appeal (no. 11808/2020) of 02/09/2020. On 9/12/2020, the above-mentioned order was enforced. ANAS carried out a seizure against third parties for the amount owing. On 4 May 2021, the amounts have been paid, the seizure withdrawn, and the amounts held in the current accounts are now available to SDP.

- Rome District Court. General Register No. 23272/2020. These proceedings relate to an application for a court order for payment, filed by SDP on 21/05/2020 in relation to the Ministry of Infrastructure and Transport, for the amount of € 30,527,000.00, in addition to legal interest and additional interest, as established by law under art. 1284, para. 4, of the Italian Civil Code, deriving from the loss of tolls as a result of the negation of the "X" component of the toll update formula of 2.56% for the year, and for the years 2015, 2016, and 2017, then, in contrast, recognised from the year 2018. The Rome District Court, on 13/07/2020, issued, as an enforcement, the court order for payment no. 10357/2020 for the amount brought by SDP and on 20/11/2020 the MIT issued a writ of summons in opposition to the above-mentioned decree, contesting the admissibility and foundation of the counter-claim for an injunction to pay. With the order of 6/7/2021, the request for provisional enforceability of the court order for payment was dismissed and the case was postponed until 16/12/2021.
- Rome District Court, General Register no. 64613/2020. Application for a court order for payment against the Ministry of Infrastructure and Transport. SDP, on 17/12/2020, filed an additional application for a court order for payment for the amount of € 36,165,000.00, as well as the financial and interest revaluation from the day of the request until the actual full payment date, due to the negation of the toll increases due and relating to the year 2019. The court expressed a ruling requesting that the matter be submitted to a court-appointed expert and, for these reasons, dismissed the request brought by SDP.

Litigation with ANAS SpA

- Rome District Court, General Register no. 63958/2016. The originating application of SDP is based on its opposition to the court order for payment no. 14567/2016, issued by the Court of Rome in favour of ANAS S.p.A., containing the injunction to pay € 60,696,696.00, as concession fee for the A24 and A25 motorways for 2015, the opposition being founded on the fact that the fee was not due to ANAS S.p.A, but to MIT. On 16/10/2020, judgement no. 14187/2020 was published, with which the Rome District Court issued a ruling, upholding the opposition of SDP and, as a result, withdrawing the court order for payment no. 14567/2016, as well as rejecting both the other requests put forward by the opponent and the request for compensation, under art. 96 of the Italian Code of Civil Procedure, advanced by SDP.
- Rome District Court, General Register no. 33007/2016. This is an ordinary civil case with which the Operator summoned ANAS SpA and the Ministry of Infrastructure and Transport in their respective role as grantor, in order to ascertain the liability of the Entities for the non-fulfilments that determined many damages of different types as regards the concession relationship and, consequently, to have them sentenced, also jointly and severally, to pay such damages. Following this, its combination with the proceeding with General register no. 77217/2017 (with order of 30/01/2020) was provided for. On 16/11/2020, the Rome District Court issued judgement no. 16036/2020 that dismissed the requests submitted by SDP in the two combined rulings. The judgement was communicated to ANAS S.p.A. on

17/11/2020 and SDP will submit an appeal within the required term. On 21/12/2020, the judgement was enforced. ANAS carried out a seizure against third parties for the amount owing. On 4 May 2021, the amounts have been paid, the seizure withdrawn, and the amounts held in the current accounts are now available to SDP.

- Rome District Court, General Register no. no. 77217/2017. This is an ordinary civil case with which the operator summoned ANAS S.p.A. and the Ministry of Infrastructure and Transport in their respective role as grantor, in order to ascertain the liability, both contractual and in tort, of ANAS S.p.A. for breaches related to the concession relationship regarding the A24 and A25 motorway systems, including as a result of the recent seismic events, and the right of SDP SpA, with regard to the extraordinary maintenance work that the operator carried out with the utmost urgency, to suspend the payment of the annual instalments of the accessory fee until a later date, up to the limit of the deficit between the amounts actually allocated and the total amount of € 265,147,841.46 (stipulated in the Urgent Safety Measures Plan - MISU). With order of 30/01/2020, the court combined this procedure with the proceedings with General register no. 33007/2016.
- Rome District Court, General Register no. 75938/2019. The originating application of SDP concerns their opposition to the court order for payment no. 18980/2019 (General Register no. 49684/2019), issued by the Rome District Court. on 24 September 2019 in favour of ANAS S.p.A. and against SDP, involving the injunction to pay € 151,966,324.08. The court, having formally acknowledged the suspension, pursuant to law, of the payment of the concession fee, relating to the 2017 and 2018 instalments (Law no. 156 of 12 December 2019 converting Decree Law no. 123 of 24 October 2019), issued the order providing for the provisional enforceability of the above-mentioned court order for partial payment of the amount of € 29,050,321.30 and on the following grounds “without prejudice to the disputes that the opposing party may bring forward in the future - in view of actual circumstances, the right to the (portion of the) receivable claimed by the enjoining party does not appear susceptible to any well founded doubts”. On 26/01/2021, ANAS S.p.A. notified the SDP of the court order for payment (enforced on 4/12/2020), along with the writ of execution. On 5/02/2021, SDP formally opposed the writ under art. 615 of the Italian Code of Civil Procedure, disputing, in this way, the right to proceed to execution. Pending this, ANAS carried out a seizure against third parties for the amount owing. On 4 May 2021, the amounts were paid, the seizure withdrawn, and the amounts held in the current accounts are now available to SDP (for more details, please refer to section 2.9.5). With reference to the opposition to the writ, the court granted the term referred to in article 183, para. iv, of the Italian Code of Civil Procedure, and fixed the hearing for 7/3/2022.
- Civil Court of Rome, General Register no. 47339/2020. On 23/10/2020, the Civil Court of Rome, Judge Belli, issued the court order of payment no. 16723/2020 requested by ANAS S.p.A for the overall amount of € 82.5 million and connected to the following causes: annual instalment for the year 2019 of the concession fee referred to in art. 3.0, point c) of the Agreement, the instalment relating to the supplement of the annual fees under art. 19, para. 9-bis, Law no. 102/2009, relating to the months of July 2019 to July 2020, the share of the fee under art. 1, para. 1020, Law no. 296/2006, as set forth by art. 12 of the Single Agreement and by art. 3.6.2 of Annex E of the BP, the 11th instalment of the debt (expired on 30 April 2020) to the ex-central guarantee fund stipulated by art. 5-ter and of Annex E of the Single Agreement. On 26/11/2020, SDP sent ANAS S.p.A. a writ of summons opposing the above-mentioned court order for payment to ascertain the inadmissibility of the summary claim and to request,

therefore, its withdrawal. At the same time, the court was requested to authorise the summoning of the Ministry of Infrastructure and Transport pursuant to artt. 106 and 269 of the Italian Code of Civil Procedure and, in any case, pursuant to artt. 107 and 270 of the Italian Code of Civil Procedure. The proceedings were assigned General register no. 67037/2020 and the next hearing will be held on 8/07/2021. As a preliminary, it is useful to highlight that SDP is justified in opposing ANAS, no just on exceptions founded on relationships between competitors, but also additional exceptions that it could put forward to the MIT as creditor/grantor. In the first place, the MIT has failed to fulfil many contractual obligations, most importantly, concluding the BP updating and review procedure and the failure to adjust the toll rate since 2015, and these circumstances make the default exception principle fully applicable as set forth by art. 1460 of the Italian Civil Code. It is necessary, in addition, to specify that these aspects do not only affect the revenue lost as a result of a lower rate to that which should have been applied, but also the economic and financial imbalance that it has led to. In this regard, it seems appropriate to highlight that the SDP signed a project financing loan agreement that involves many and stringent obligations and compliance with certain financial parameters. As a result of the unilateral reduction of the toll increase stipulated by the Ministry, some financial covenants are close to the minimum threshold set forth by the contract and failure to comply constitutes a breach and just cause of withdrawal, exposing SDP to the decision of the financial entities to request the early repayment of the residual loan granted. And again, it should be noted that neither did the present order duly take into account the exceptional circumstances and the health emergency that struck the motorway sector, causing a drastic reduction in vehicular traffic without receiving any compensatory measure in this regard and being subjected, instead, to a discriminatory treatments in relation to what is stipulated in favour of the same with Decree Law no. 34/2020, converted by Law no. 77/2020. Finally, the receivable actioned by the order cannot be collected due to inter-party agreements and a declaration from ANAS itself that it was obliged not to request fulfilment until the end of the emergency situation caused by the pandemic.

- On 13/07/2021, the Civil Court of Rome, Judge Fredella, issued the court order of payment no. 13091/2021 requested by ANAS S.p.A for the amount of € 74,851,259.62 connected to the following causes: the annual instalment for the year 2020 of the concession fee referred to in art. 3.0, point c) of the Agreement, the supplement of the annual fees under art. 19, para. 9-bis, Law no. 102/2009, relating to the months from the down payment of August 2020 to the down payment of March 2021 and the balance of May 2020 until the balance of December 2020, the share of the annual fee under art. 1, para. 1020, Law no. 296/2006, as set forth by art. 12 of the Single Agreement of 2009 and by art. 3.6.2 of Annex E of the BP, and the 12th instalment of the payable to the ex-central guarantee fund, set forth by art. 5-ter and of Annex E of the Single Agreement.

Ordinary Civil and Administrative Proceedings

- Proceeding pending before the Court of Cassation, General Register no. 12685/2015, brought forward to quash judgement no. 1156/2014 issued by the Aquila Court of Appeal, which confirmed the ruling made by the Teramo District Court, which ordered Strada dei Parchi S.p.A. to pay the Province of Teramo the "COSAP" taxes requested by the organisation for the years 2007 and 2008 for an overall amount of € 270.,55.95. On 18/09/2020, a public hearing was held. With judgement no. 16395/2021, the Court of Cassation dismissed the appeal brought by SDP with the following grounds "it is irrelevant, in substance, that the viaduct is public property and that, at the end of the concession, the management of it will also

return to the state since, for the duration of the concession itself, the asset, which, while functional to the performance of a public utility service, is managed under a concession by a legal person who acts in full autonomy and not as a mere replacement of the State in the exploitation of the assets".

- The dispute, pending before the Rome Civil Court, General Register no. 7138/2015 was filed by Strada dei Parchi to ascertain FIVEP's contractual breach relating to the non-conformity of the lighting fixtures supplied to SDP with respect to the contractual provisions, with reference to the components and materials used for the assembly thereof, with the consequent request for an order to replace all the lighting fixtures and compensation for damages. On 10 August 2019, by judgement no. 17419/19, the Rome District Court ordered FIVEP, now Cariboni Group S.p.A., to replace the entire supply. An appeal was brought against this ruling and in the first hearing of the related appeal against the ruling, General Register no. 1600/2000, held on 25/09/2020, the Court, hearing that Cariboni Group S.p.A. brought an additional and independent appeal against the order correcting a material error in the judgement (General Register no. 4103/2020, with a hearing fixed for 10/12/2020), decided to refer the case to the President in order to have the two proceedings combined.
- The originating application of Strada dei Parchi S.p.A. concerns verification of the defamation, via the press, and the resulting compensation for damages (quantified at € 2,000,000.00) deriving from the television programme broadcast over two episodes of the "Le lene" broadcast, a programme during which the counter parties put forward a denigratory and defamatory campaign on a broad scale in relation to Strada dei Parchi S.p.A., having the purpose of throwing discredit and - what is more serious - creating alarm regarding how the A24 and A25 motorway tracts were currently being managed and maintained. With the order of 23/03/2021, the Court referred the case to the hearing of 17/01/2022, granting the parties the terms for filing the records of the preliminary investigations.
- SDP, on 17/07/2020, filed an appeal at the Abruzzo TAR (General Register no. 219/2020) to withdraw the report made by the Technical Commission for Risk Management in the Gran Sasso water system of 26/02/2020, as well as note no. 7621 of 10/04/2020 with which the Abruzzo Region held that it could not uphold the observations formulated by the plaintiff. On 24/11/2020, judgement no. 475/2020 was published that, declaring the appeal inadmissible, basically upheld the claims of SDP, in that it established that the determinations of the Technical Commission have an exclusively investigatory and not a coercive nature and do not represent, in any way, a final or coercible order.
- Dispute pending before the Rome District Court. (General register no. 8578/2020) and relating to debt collection (€ 1,925,041.07) in relation to Roma Capitale. In relation to the lack of opposition to the court order of payment no. 4716/2020 issued by the Rome District Court, an enforcement request was made.
- SDP filed an appeal for a court order for payment in relation to the company Interporto Val Pescara, General register no. 911/2021, before the Rome District Court, in order to obtain payment of the total amount of € 1,256,158.36, in response to invoices issued in relation to fines for motorway interference relating to the years 2016, 2017, 2018, 2019, and 2020. On 26/01/2021, the court issued the court order for payment no. 2141/2021 for the amount requested. On 08/03/2021, Interporto Val Pescara S.p.A. issued a writ of summons in opposition to the above-mentioned decree with a simultaneous counter-claim.
- The procedure, pending before the Pescara Civil Court, General register no. 161/2016, concerning the declaration of invalidity and/or unlawfulness of the payment notification issued by the Pescara Province about the COSAP tax that SDP allegedly owed the Provincial body for the 2010-2014 period, for a total

amount of € 287,100.00, concluded with judgement no. 302/2020 of 31/03/2020 which upheld the requests of SDP against the Pescara Province, declaring as unlawful the payment notifications issued for the 2010-2014 COSAP taxes. The Pescara Province filed an appeal (General register no. 1181/2020) against the above-mentioned judgement and the first hearing will be held on 18/05/2021. The case was postponed for the hearing of closing arguments to 19 April 2022.

- The dispute, pending before the Rome Civil Court, General register no. 38566/166, instigated by SDP against Industrie CBI S.p.A., concluded with judgement no. 1020/2019 of 15/01/2019, which ordered Industrie CBI to pay SDP the sum of € 157,436.00, as well as legal interest. The above-mentioned judgement was appealed before the Rome Court of Appeal, General register no. 4078/2019, and the hearing for closing arguments will be held on 20/12/2021.
- Various proceedings pending before the Rome District Court (General Register no. 63533/2015, General Register no. 3936/2017, General Register no. 30782/2019, General Register no. 2148/2021, General Register no. 2150/2021), brought by SDP against Ruzzo Reti S.p.a. and concerning its opposition to the court orders for payment.
- On 29/03/2021, Plus S.r.l. filed an appeal against SDP, ANAS S.p.A., and Roma Capitale before the Lazio TAR, to reverse inaction illegitimately maintained by the defendant Administrations in relation to the application communicated by the same on 2/02/2021, with which it requested the acquisition of building areas on its property as compensation under art. 42-bis of the Presidential Decree 327/2001 and with reference to the obligation to act in relation to the same application. With the same act, Plus S.r.l. requested by way of compensation for damages from illegitimate occupation, an amount equal to 5% per annum of the value of the land, for each year from 1974 until the actual full payment date. The case was postponed to 20/10/2021 to allow the plaintiff access to the counter-arguments on record and documents filed outside of the terms by ANAS.

Criminal Proceedings

- Public Prosecutor's Office at the Court of Teramo, General register no. 1960/2017. A series of (alleged) offences were ascribed to certain representatives of SDP, 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 SDP, pursuant to article 25-undecies, para. 1, point c) of Legislative decree no. 231/2001 based on alleged omissions, by the administrative body, in the adoption and implementation of appropriate protocols to prevent the offences that the prosecutor deemed to have occurred in the interest or to the advantage of SDP. From the point of view of SDP, Model 231 was punctually updated, including thanks to the support of the Supervisory body, updating it in line with the prescriptions required by the reform on "eco-crimes", and with the adoption of a complex system of operating protocols aimed at mitigating the commission of environmental offences related to the SDP's ordinary business activities. The next hearing will be held in September 2021.
- Public Prosecutor's Office at the Court of Teramo, combined criminal proceedings no. 3570/2017 - General register no. 366/2018. In the combined proceedings, the following parties are being investigated jointly for the offences referred to in artt. 355 para. 1 and 2, no. 1 of the Italian Criminal Code, 432 para. 1 of the Italian Criminal Code, and 323 c: Lelio Scopa, as (then) Chairperson of the Board of Directors, Cesare Ramadori, as (then) Managing Director, Mauro Fabris, as Deputy Chairperson of the Board of

Directors, Igino Lai, as Executive Director, Marco Rocchi, as Executive Officer and Operations Manager with the General Management of SDP, Gabriele Nati, as Executive Officer and Technical Director with the General Management of SDP. For the alleged accusations referred to in artt. 110, 81 of the Italian Code of Civil Procedure and 355, para. 1 and 2, no. 1 of the Italian Criminal Code "failure to fulfil public supply contracts", because those parties investigated, in their respective roles, acting jointly and with several acts of unlawful conduct, allegedly failed to fulfil their obligations for ordinary maintenance deriving from the public supply contract, relating to the maintenance, in perfect efficiency and safety, of the road infrastructure with reference to 7 viaducts ("San Nicola 1", "San Nicola 2", "San Nicola e Grotte", "Cerchiara", "Cretara", "Biselli", "Collecastino", and "Temperino"). In the context of the combined proceedings mentioned above, the Preliminary Investigation Judge at the Teramo District Court, on 27 October 2020, ordered the precautionary seizure prior to the subsequent seizure, in relation to all the natural persons indicated above and the SDP.

With the order issued on 27/11/2020, the Teramo Court of Review reversed the precautionary seizure decree. On 21/12/2020, an appeal in cassation, pursuant to artt. 325 and 606 of the Italian Criminal Code, was filed against the order issued by the Court of Review on 27/11/2020.

With ruling no. 20179 of 10/03/2021, published on 21/05/2021, the Court of Cassation reversed, without delay, the contested order and the precautionary seizure decree issued on 27/10/2020 by the Preliminary Investigation Judge of the Teramo District Court, providing for the return of the whole amount in relation to SDP and, in addition, the appeal by the public prosecutor was dismissed. On 15/03/2021, SDP was notified of the cessation order for the effective precautionary measure no. 30/2021 R.G.P.G. and the release of sequestered amounts totalling € 4,903,177.26. With the above-mentioned judgement the Supreme Court in fact highlighted art. 177 of Legislative Decree 50/2016, recognising that the operators that were awarded the concession as a result of their participation in a public procedure were not obliged to award works that were the subject of the concession to third parties via public tender procedures, always being able to use, instead, subcontracting, in line with what was established by the Council of State with Opinion no. 823 of

18/11/2020, which clarified that the works that are the subject of a concession awarded by tender, are contained within a single framework, within the initial award of the concession itself and when they are not performed directly by the operator, the latter is able to entrust them to third parties, making use of the subcontracts, without needing to make use of tender procedures.

In this way, the Supreme Court recognised SDP's right to be able to perform all works directly without the obligation to outsource to third parties, performing the same via associated companies, as well as its own members, without observing public procedures. Therefore, with reference to the charge of abuse of office and failure to fulfil public supply contracts referred to in art. 355 of the Italian Criminal Code, the foundation of the reasons for grievance, alleged by the examining magistrates, was denied.

TOTO CG

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, TOTO CG set about dismantling the construction site, completing these activities in September. It also reduced its staff working on the project in order to keep structural costs to a minimum.

During the performance of the contract, TOTO CG, guaranteed by a Bulgarian insurance undertaking, guaranteed, in turn, by another party, provided three separate first demand 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 for PLN 13,880 thousand (€ 3,261 thousand) to guarantee the sum paid in advance by the contracting authority.
- 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) by way of penalties due for termination of the contract.
- 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.

As part of the proceedings on the merits to ascertain, in advance, whether GDKKIA was entitled to impose the penalties and enforce the bonds, on 6 November 2019, TOTO CG, through its lawyers in Poland, filed a motion

amending/integrating the proceedings and stating that, following the claim for damages arising from the contract termination, it was entitled to the following:

- 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).

Before the court, GDDKiA requested time to review the copious documentation filed by TOTO CG together with the writ of summons. The Court granted and extended it several times and GDDKiA only filed its brief and related documents on 31 July 2020. Eventually, the Court granted TOTO CG a time limit for examination and reply until December 2020, subsequently postponed to May 2021. TOTO CG filed its own briefs and is awaiting the hearing to be fixed. Since the proceedings are still at a preliminary stage, and also given the slowdown caused by the spread of the COVID-19 pandemic, and in view of the difficulty of providing a precise evaluation, TOTO CG's legal advisers in Poland consider the risk of an adverse outcome as possible.

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. To date, the applications lodged with the Court of Rome and the Court of Sofia against the enforcement of the performance and milestone bonds have been allowed. However, the application lodged with the latter court was appealed before the Bulgarian Court of Cassation, where the case is still pending. In this respect, the Bulgarian Court of Cassation allowed TOTO CG's preliminary exception based on the compliance of a provision of the Bulgarian law referred to by GDDKiA in the appeal with the EU law, and referred the decision on this exception to the European Court of Justice, which, having held the hearing at the end of May, is still to issue a ruling itself in this regard.

In contrast, the applications to prevent the enforcement of the advance payment bond in Poland, Bulgaria and Italy were rejected. On 16 October 2020, the counter-guarantor notified TOTO CG of an order to pay the advance payment bond initially opposed by TOTO CG, noting, inter alia, that the main guarantor did not pay the amount enforced. At the outcome of the first hearing relating to the opposition to the court order for payment, the judge hearing the matter granted the counter-guarantor temporary execution; however, TOTO CG, in order to avoid enforcement actions, reached an agreement with the counter-guarantor for the payment of the sum ordered of approximately € 1.1 million, to be paid in two instalments, the first of which has already been paid. For TOTO CG, this payment does not represent a recognition of what is owed, insofar as the proceeding, in relation to the counter parties, continues.

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 dálníc 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.

On its part, RSD submitted a claim for CZK 137.0 million (€ 5,4 million) to cover the additional costs incurred following the termination of the contract, in addition to the penalties that will be discussed later on in this report.

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 for CZK 174.9 million (€ 6.8 million) to ensure completion of the contract.

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 block 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 surety issued by BPM in Milan (subject to Italian law) in favour of the Czech bank that issued the performance bond (Ceska Spořitelna).

TOTO CG's lawyers applied to the Court of Rome for an injunction against the 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 the Czech Republic, TOTO CG had applied for and obtained a preventive measure prohibiting the enforcement of the performance bond. Subsequently, the Czech bank appealed against the preventive measure, whose claim was upheld by the Court on 6 November 2020.

On this date, a similar appeal on the matter was still pending in Italy that saw both the principal guarantor (Ceska Bank) and the counter-guarantor (BPM S.p.A.) involved. In fact, it should be remembered that, with the order of 12 February 2020, the Italian court dismissed the request for an injunction, declaring that the Court lacked jurisdiction, on the basis of previous orders regarding similar situations. An appeal had been filed against the order. The hearing was scheduled for 27 March 2020 but then postponed to 5 December 2020 as a consequence of the public health emergency caused by the Covid-19 outbreak, at the outcome of which the court, in dismissing the claim, confirmed the substance of the order. TOTO CG already paid the amount enforced in relation to the Performance Bond to BPM, which, in turn, paid Ceska. TOTO CG has paid the sum to BPM. It should be specified that, as a result of the preventive measure initially obtained by TOTO CG in the Czech Republic, it also had to begin proceedings on the merit, since required by the Czech preventive measure, to establish the prevailing termination: that of 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. Today, TOTO CG and the ex shareholder GEOSAN have added an agreement to introduce a single case on the matter in relation to the customer, RDS, to have the termination enacted by JV, and the same party's right to compensation for damages incurred, declared legitimate. In all probability the two proceedings will be combined.

In 2019, GEOSAN started two arbitration procedures against TOTO CG in the Czech Republic, 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;
- the non-compliance with the principle of the right to 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. it thus annulled the ruling of the Municipal Court of Prague, on the grounds of two

procedural errors, one regarding the absence of reasoning on the *periculum* and the other for breach of procedural rules in respect of the party ordering the suspension. The Supreme Court 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 ruling by the president of the Court of Appeal states that a foreign arbitration award is enforceable in Italy but not immediately, pending the deadline for opposition, as confirmed by the order of 30 July 2020 of the judge hearing the matter. Subsequently, in the first hearing, the Aquila Court of Appeal postponed the hearing of closing arguments to the hearing of 26 April 2022.

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 known, the combined proceedings: General register no. 65886/2017 and General register no. 49268/2018, are under way before the Rome District Court (Section 9, Company affairs division). Both were brought by TOTO CG, the first to obtain payment of claims for compensation and additional costs, as recognised during the course of the contract and which constituted the subject of the amicable settlement procedure that concluded without outcome (€ 99,305,665, of which € 93,160,485 accrued), the second so that the termination of the contract in question was established and declared due to serious breaches by ANAS as a result of conduct that never resolved the significant issues that, since the contract take-over date (end of 2014), afflicted the project, preventing the regular performance of works. With the second act, TOTO CG also requested that ANAS be ordered to pay compensation for resulting damages, quantified as € 47,537,469.

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.

The two cases were combined during the hearing on 11 October 2018, as above, upholding ANAS's request, and, following this, the various briefs were filed pursuant to article 183.6.1, 2 and 3 of the Italian Code of Civil Procedure, in compliance with the terms.

Subsequently, lifting such reservation expressed in the hearing for the examination of the preliminary requests (16 October 2019), with an order dated 23 October, the Court declared the need for a technical expert (as requested by Toto CG) and appointed Giovanni Vincenzo Di Nella as the court-appointed expert, specifying the checks to be carried out. These checks will be further described in an order issued at the request of TOTO CG's representatives.

The hearing for the oath of the court-appointed expert was held on 15 October 2020. Following the oath of the court-appointed expert, with order of 21 October following, the court set the following terms for carrying out the appointment, subsequently extended several times: the term for carrying out the appointment has now been fixed to November 2021.

Toto appointed Mr. Stefano Lenzi of Rome as its technical consultant.

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.

Lastly, case (General register no. 3285/18) brought by TOTO CG in April 2017 before the Court of Appeal of Rome to obtain € 7,183,985.11 related to the claims recognised by RTI, the predecessor of the company up to progress report no. 5 for work up to 6 March 2013, ended. In this case, TOTO CG challenged ruling no. 5466/2018 issued by the Court of Rome on 14 March 2018 following the outcome of the ruling of the court of first instance, and requested payment of said further amount (€ 7,183,985) in addition to that already payable as per such ruling.

With ruling no. 1620/2020, the Court of Appeal of Rome dismissed TOTO CG’s appeal, which appealed the ruling in Cassation, also given its own legal experts’ assessment, holding that there are legal defects, worthy of being proposed, with well-founded expectations of overturning it. The reservations covered by the appeal were mainly in the interest of the joint venture, the predecessor, and SECOL S.p.A. in particular. Furthermore, they were based on grounds different from those covered by the combined rulings 65886/2017 and General register no. 49268/2018) in progress: therefore, the ruling cannot be taken as a reference for the evaluation of that covered by the combined rulings.

On 31 August 2020, TOTO CG examined and signed, under reserve, the final stage of the work concerning the contract for the "Executive design and construction of the new route SS no. 1 Aurelia, roadway access to the La Spezia port hub - Interconnection between the A.12 toll gates and the La Spezia port - Construction of the new route SS Aurelia roadway, 3rd lot between Felettino and the motorway link".

Based on the work final report, there is no agreement on the final quantification of work. Indeed, ANAS accounted for a total of € 61,390 thousand, against € 69,289 thousand resulting from the draft work final report prepared by TOTO CG and submitted to ANAS on 6 August 2019.

Furthermore, ANAS included the following additional charges in the work final report:

- Damages for other sundry activities not performed by TOTO CG, including the executive design of the completion work, for € 3,101 thousand.
- Deductions for tunnel work not duly completed for € 13,209 thousand.
- Indemnities for temporary occupation for € 3,738 thousand.

Even before TOTO CG signed the work final report, ANAS commenced a procedure to enforce the bank guarantee issued as a contractual security (€ 18,545 thousand) to recover the above amounts, net of the residual receivable of TOTO CG from the work carried out.

- In a note dated 15 September 2020 sent to ANAS, TOTO CG challenged the amount of the work, claiming that the reasons leading to the exclusion of work and services worth € 7,684 thousand were groundless; furthermore, it challenged the reasons for and the costs of the damage suffered for the activities not performed by it, calculated by the ANAS as € 3,101 thousand. Furthermore, and as agreed during preliminary discussions, the Company committed to paying temporary occupation indemnities of € 3,738 thousand in six consecutive monthly instalments "assuming the correctness of the charges and related calculations", without repeating the objections raised on this charge in the claim. The reasons are still valid and TOTO CG will use them once the test certificate has been signed.
- In its letter dated 18 September, ANAS accepted TOTO CG's proposals and suspended the enforcement of the surety policy.

In June 2021, the works inspection took place and, at the time, the inspectors:

- Increased the amount of the works performed by TOTO CG, recognising part of the payables requested by the latter;
- Reduced, by approximately € 2,300 thousand, the charge of € 3,101 thousand relating to the damage suffered for various activities not performed by TOTO CG;
- Acknowledged some (minimum) restoration works carried out by TOTO CG and checks performed by the designer, and reduced the charge for the tunnel works to approximately € 1,300 thousand.

As a result, TOTO CG is owed a receivable; therefore, ANAS will not proceed with any enforcement.

As soon as the test documents have been formalised, TOTO CG will launch an additional civil proceeding to request the reversal of the charges listed above, and the payment of the claims that are not part of the proceedings, as listed above, under way.

Cefalù contract

In a note dated 30 October 2019, ITALFERR agreed to set up a Committee for the amicable settlement procedure pursuant to article 240 of Legislative decree no. 163/2006, to calculate the claims recognised by TOTO CG. Afterwards, Mr. Stefano Lenzi (appointed by Toto), Mr. Francesco Zambonelli (appointed by RFI) and Mr. Pasquale De Lise, former chairman of the State Council (third member and chairman of the Commission) were appointed.

The matter concerned claims 1-46 recognised up to SAL 22 dated 30 April 2019, for a total of € 233,208 thousand, of which € 171,704 thousand accrued at the reporting date.

To carry out the task assigned, on 26 June 2020, the Commission issued its report, separately indicating the valuations of the chairman, the member appointed by RFI and that appointed by Toto, as follows:

- according to the chairman, the following is due:
  a) € 54,610,439 in relation to the amounts already accrued;
  b) full payment of the reasons and requests covered by claims 1, 7, 9 and 13, partly to be accrued in the future, for an additional amount of approximately € 43,399,000;
  c) partial payment of the reasons and requests covered by claim 14, partly to be accrued in the future, for an additional amount of approximately € 178,500.

  Furthermore, he did not comment on three claims: 25, 27 and 28 (€ 550,000), which the Works Management committed to including in a variation report.

- according to the member appointed by RFI, € 3,149,633 is due;
- the member appointed by Toto shared the chairman's valuation of all claims, except for claim 3, for which he proposed a higher amount (approximately € 32,300,000) compared to the chairman's valuation. Eventually, he agreed to the chairman's proposal.

Based on this report, Toto informed RFI of its willingness to reach an amicable settlement by accepting the chairman's proposal.

The request failed and, consequently, TOTO CG (assisted by Mr. Enzo Cardi, Mr. Marcello Cardi and Mr. Arturo Cancrini, who was afterwards joined by Prof. Vaccarella, all from the Court of Rome), with a writ of summons served on 10 August 2020, brought RFI before the Court of Rome (ruling RG 44455/2020) to obtain full payment of the claims already covered by the settlement agreement procedure, for a total amount updated in the work progress report issued in the period following the commencement of said procedure, therefore, including work progress report no. 25 for work at 16 March 2020. Specifically, in its writ of summons, Toto requested payment of:

- € 191,181,055 already accrued for claims nos. 1,2,3,4,6,7,8,9,10,11,12,13,14,15,16,17,18,19,20,21,22,23,24,25,26,27,28,29,30,31,32,33,34,35,36,37,38,39,40,41,42,43,44,45 and 46;
- € 61,816,225 which will accrue in the future for claims nos. 1,7,9,10,11,13,14,15,17,18,25,27,28,29,32 and 40;
- and the acceptance of the reasons and requests stated in claims no. 2,8,16,19,20,21,22,23,24 and 30, for which, at present, no economic valuations can be made (higher charges on work not yet commenced).

The first hearing is scheduled for 16 September 2021:

US WIND

US WIND has various disputes under way, all currently linked to the case of Intermoor (the supplier of American company) and the installation of the Met Tower. Management believes that, including on the basis of the opinions of legal experts who assist US WIND, the outcome of these proceedings will have no significant negative effect on the financial statements of the same.

US Wind vs Intermoor

The dispute originates from the attempt to install a Met Tower belonging to US Wind in the summer of 2019. On 26 September 2019, US WIND notified the installation contractor, Intermoor, of its intention to terminate the contract for services (Master Service Agreement) between the two parties due to a breach. As a result of Intermoor's attempt to illegitimately appropriate the Met Tower, US Wind obtained in October 2019, a preventive measure to block Intermoor and its subcontractors in the port of Moorehead City, NC, where they were located.

At the outcome of a dispute that lasted months, the Court of North Carolina recognised the jurisdiction of the Court of Maryland to decide the issue. As of today, the dispute is exclusively lodged at the Federal Court of Maryland; the parties have already completed the so-called discovery phase. The parties will need, therefore, to participate in a mandatory mediation attempt, planned for 14 September 2021.

Intermoor vs US Wind

On 3 April 2020, Intermoor filed, with the Court of Maryland, application to establish a guarantee right on the Wind Energy Area being leased by US Wind. The application is based on Intermoor's claims to have made improvements to the Wind Energy Area. On 16 September 2020, the application was dismissed by the judicial body with jurisdiction (Court of Worcester). On 16 October 2020, Intermoor lodged an appeal in the Maryland Court of Special Appeal, filing the related briefs on 16 February 2021. US WIND filed, in turn, the briefs in response on 18 March 2021. The discussion of the claim has not yet been fixed. In 2019 and 2020, Intermoor sent invoices to US WIND for approximately USD 5,962,902 for services not performed, nor even requested, and, in fact, explicitly prohibited by US WIND. Pending these civil proceedings against Intermoor, US WIND is assessing filing a separate action for commercial fraud by Intermoor.

US Wind vs MARMAC LLC v. Intermoor Inc.

As outlined in the previous paragraph, "US Wind vs Intermoor", in October 2019, US WIND obtained an urgent order to stop the MARMAC-26 barge, belonging to McDonough Marine Service ("MMS"), Intermoor's subcontractor. This order prevented Intermoor and MMS from unduly appropriating the Met Tower, thus obtaining an unjust and illegal contractual lever.

The co-defendant in this sub-proceeding is also another of Intermoor's subcontractors: the Lousiana company International Marine ("LIM"), owner of the vessel appointed to tow the MARMAC-26.

In the context of this dispute, Intermoor obtained - pursuant to the applicable legal maritime provisions - the establishment of an encumbrance (guarantee) on the Met Tower, to guarantee the receivables allegedly claimed.

On 29 January 2020, the court granted US WIND the ability to replace an insurance guarantee with the guarantee on the Met Tower and, as a result, on 5 February 2020, US WIND provided this guarantee for the

amount of USD 3.5 million, obtaining, at the same time, the release of the Met Tower and a 50% division of the costs for storing the Met Tower.

During the negotiation of a contract with MMS for the transport of the Met Tower, MMS arbitrarily and unilaterally decided to leave North Carolina, taking with it, to Louisiana, the Met Tower on its MARAMC-261 barge. On 20 January 2021, MMS summoned US WIND and Intermoor for the payment of unpaid invoices. Today, US WIND and MMS are attempting to reach an agreement on the subject of said dispute; should the agreement not be concluded, US WIND will present a motion as co-defendant for moving the dispute from Louisiana to Maryland. US Wind estimates that it will reach an agreement with MMS by the end of 2021 and, to this end, it has allocated the amount of USD 170,000.

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 2020.

Organisational model pursuant to Legislative decree no. 231/2011

In implementation of the provisions of Legislative decree no. 231/2001, the company 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 system of governance and internal controls and for the purposes of its regulation, the company has also adopted a Group 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

Consolidated financial statements

Balance sheet

BALANCE SHEET (in thousands of €)	31 Dec. 2020	31 Dec. 2019
ASSETS		
A) Share capital proceeds to be received	**6**	**6**
I) Share capital proceeds to be received	6	6
B) Fixed assets	**1,378,559**	**1,324,025**
I) Intangible fixed assets	**40,165**	**40,101**
1) Start-up and capital costs	25	29
3) Industrial patents and intellectual property rights	599	629
4) Concessions, licences, trademarks and similar rights	31,305	31,523
5) Goodwill	0	0
6) Assets under development and payments on account	598	276
7) Other	7,638	7,644
II) Tangible fixed assets	**1,299,467**	**1,248,695**
1) Land and buildings	76,470	83,036
2) Plant and machinery	12,295	9,335
3) Industrial and commercial equipment	1,788	1,258
4) Other assets	4,450	3,647
5) Freely transferable assets	1,038,924	1,038,924
6) Assets under development and payments on account	165,540	112,495
III) Financial fixed assets	**38,927**	**35,229**
1) Equity investments:	**2,561**	**2,801**
a) Subsidiaries	0	10
b) Associates	2,514	2,744
d-bis) Other companies	47	47
2) Financial receivables	**35,563**	**31,625**
a) From subsidiaries	30,460	26,607
b) From associates	5,019	4,935
d-bis) From others	84	83
3) Other securities	**803**	**803**
C) Current assets	**679,691**	**610,250**
I) Inventory	**182,880**	**163,707**
1) Raw materials, consumables and supplies	13,760	16,131
3) Contract work in progress	145,850	130,348
4) Finished goods	3,203	3,370
5) Payments on account	20,067	13,858
II) Receivables	**308,652**	**250,989**
1) Trade receivables	35,133	20,800
2) From subsidiaries	129	115
3) From associates	214	214
5-bis) Tax receivables	30,830	26,004
5-ter) Deferred tax assets	97,061	80,112
5-quater) From others	145,285	123,744
III) Current financial assets	**25,719**	**26,574**
1) Investments in subsidiaries	25,719	26,574
IV) Liquid funds	**123,356**	**124,682**
1) Bank and postal accounts	122,621	123,959
3) Cash-in-hand and cash equivalents	735	723
V) Assets held for sale	**39,084**	**44,298**
D) Prepayments and accrued income	**14,401**	**15,244**
TOTAL ASSETS	**2,072,657**	**1,949,525**

BALANCE SHEET (in thousands of €)	31 Dec. 2020	31 Dec. 2019
LIABILITIES		
I) Share capital	100,000	100,000
III) Revaluation reserve (pursuant to Law decree no. 185/08)	17,561	17,561
IV) Legal reserve	4,849	2,399
VI) Other reserves	253,294	252,238
1) Extraordinary reserve	*242,486*	*242,486*
2) Translation reserve	*10,808*	*9,752*
VII) Hedging reserve	*(44,685)*	*(50,416)*
VIII) Losses carried forward	(163,823)	(141,679)
IX) Net profit (loss) for the period/year, including the portion attributable to minority interests	56,467	(21,809)
Minority interests in the net profit (loss) for the year	*13,244*	*1,876*
Net equity, excluding the portion attributable to minority interests	**210,419**	**156,418**
Sub-total (Share capital and reserves attributable to minority interests)	26,194	21,475
A) Net equity	**236,613**	**177,893**
B) Provisions for risks and charges	**109,137**	**94,485**
2) Tax provision	19,746	417
3) Derivatives	61,912	69,539
4) Other provisions	27,479	24,529
C) Employees' leaving entitlement	**8,766**	**9,097**
D) Payables	**1,715,045**	**1,665,440**
1) Bonds	**115,339**	**36,751**
1) Due within one year	5,333	0
2) Due after one year	110,006	36,751
3) Shareholder loans	**2,964**	**1,923**
2) Due after one year	2,964	1,923
4) Bank loans and borrowings	**444,637**	**491,962**
1) Due within one year	49,436	67,420
2) Due after one year	395,201	424,542
5) Loans and borrowings from other financial backers	**804,440**	**776,141**
1) Due within one year	163,268	101,960
2) Due after one year	641,172	674,181
6) Payments on account	**28,199**	**30,090**
1) Due within one year	28,199	30,090
2) Due after one year	0	0
7) Trade payables	**160,647**	**150,080**
1) Due within one year	139,415	128,918
2) Due after one year	21,232	21,162
9) Payables to subsidiaries	**31,007**	**26,768**
10) Payables to associates	**12**	**34**
11) Tax payables	**87,258**	**86,924**
1) Due within one year	68,883	58,591
2) Due after one year	18,375	28,333
13) Social security charges payable	**14,536**	**13,395**
1) Due within one year	14,066	11,254
2) Due after one year	470	2,141
14) Other payables	**26,006**	**51,372**
1) Due within one year	26,005	51,372
2) Due after one year	1	0
E) Accrued expenses and deferred income	**3,096**	**2,610**
TOTAL LIABILITIES	**2,072,657**	**1,949,525**

Profit and Loss Account

PROFIT AND LOSS ACCOUNT (in thousands of €)	31 Dec. 2020	31 Dec. 2019
A) Production revenues	**280,494**	**378,256**
1) Turnover from sales and services	221,560	266,670
2) Change in work in progress	(167)	(3,008)
3) Change in contract work in progress	13,279	20,077
4) Internal work capitalised	42,949	77,455
5) Other revenues and income	2,873	17,062
B) Production cost	**232,309**	**333,367**
6) Raw materials, consumables, supplies and goods	**34,420**	**51,470**
7) Services	**52,659**	**68,261**
8) Use of third party assets	**12,327**	**21,363**
9) Personnel expenses	**85,483**	**87,031**
a) Wages and salaries	61,788	61,723
b) Social security contributions	19,297	20,894
c) Employees' leaving entitlement	4,116	3,821
e) Other costs	282	593
10) Amortisation, depreciation and write-downs	**17,677**	**60,750**
a) Amortisation of intangible fixed assets	147	3,945
b) Depreciation of tangible fixed assets	1,805	51,881
c) Other write-downs	12,337	3,858
d) Write-downs of current receivables	3,388	1,066
11) Change in raw materials, consumables, supplies and goods	**2,371**	**(2,370)**
12) Provisions for risks	**1,603**	**350**
13) Other provisions	**2,205**	**1,159**
14) Other operating costs	**23,564**	**45,353**
Operating profit (A-B)	**48,185**	**44,889**
C) Financial income and charges	**9,780**	**(69,561)**
15) Income from equity investments	80,248	143
16) Other financial income	1,881	1,877
17) Interest and other financial charges	(70,669)	(71,560)
17 bis) Net exchange rate gains (losses)	(1,680)	(21)
D) Adjustments to financial assets and liabilities	**(527)**	**(887)**
18) Write-backs	10	97
19) Write-downs	(537)	(984)
PROFIT (LOSS) BEFORE INCOME TAXES	**57,438**	**(25,559)**
20) Income taxes	**971**	**(3,750)**
a) Current	2,590	2,618
b) Deferred and prior year taxes	(1,619)	(6,368)
21) Net loss for the period, including the portion attributable to minority interests	**56,467**	**(21,809)**
Minority interests in the net profit (loss) for the year	13,244	1,876
22) Net loss for the period attributable to TOTO Group	**43,223**	**(23,685)**

Chairman of the Board of Directors

Paolo TOTO

Cash flow statement for 2020 (indirect method)

(in thousands of €)	31 Dec. 2020	31 Dec. 2019
A. Cash flows from operating activities (indirect method)		
Net loss for the year/period	**56,467**	**(21,809)**
Income taxes	971	(3,750)
Net interest expense	(9,780)	69,561
(Gains)/losses on the sale of assets	(80,248)	
1. Profit for the year before income taxes, interest, dividends and gains/losses on sales	**(32,590)**	**44,002**
Adjustments for non-monetary items with no balancing entry in NWC		
Accruals to provisions	3,808	1,509
Accrual to employees' leaving entitlement	4,116	3,821
Amortisation/depreciation	1,952	55,826
Write-downs for impairment losses	12,874	4,842
Other adjustments for non-monetary items		
Non-monetary effect of Net equity (e.g. Translation Reserve and repayment of capital)	(14,115)	(4,411)
2. Cash flows before changes in NWC	**(23,955)**	**105,589**
Changes in NWC		
Decrease/(increase) in inventory	(19,173)	(26,691)
Decrease/(increase) in trade receivables	(14,333)	14,108
Increase in trade payables	10,567	20,959
Decrease/(increase) in prepayments and accrued income	843	(3,139)
Increase/(decrease) in accrued expenses and deferred income	486	433
Other changes in NWC	(39,931)	(54,689)
3. Cash flows after changes in NWC	**(85,496)**	**56,570**
Other adjustments		
Interest paid	9,780	(69,561)
Use of provisions	6,119	(21,740)
4. Cash flows after other adjustments	**(69,597)**	**(34,731)**
Cash flows from operating activities (A)	**(69,597)**	**(34,731)**
B. Cash flows from investing activities		
Tangible fixed assets		
Increases	(59,483)	(38,222)
Decreases	142	5,164
Intangible fixed assets		
Increases	(512)	(662)
Decreases	0	1,242
Financial fixed assets		
(Investments)	(3,932)	(3,426)
Price 20% share sale US Wind	80,248	
Repayment of capital contribution US Wind	16,368	
Current financial assets		
(Investments)	855	(897)
Proceeds from disinvestments	0	250
(Acquisition) sale of subsidiaries or business units, net of liquid funds		
Cash flows used in investing activities (B)	**33,686**	**(36,551)**
C. Cash flows from financing activities		
Third party funds		
Increase in bank loans and borrowings and loans and borrowings from other financial backers	59,562	15,237
of which: Loans taken out (including the changes in ANAS' concession fee)	*114,714*	*66,288*
Loans repaid	*(55,152)*	*(51,051)*
Own funds		
Dividends paid	(26,018)	(3,460)
Increase in shareholder loans for financing	1,041	(498)
Cash flows from financing activities (C)	**34,585**	**11,279**
Increase (decrease) in liquid funds (A + B + C)	(1,326)	(60,003)
Opening liquid funds	**124,682**	**184,685**
Closing liquid funds	**123,356**	**124,682**

Chairman of the Board of Directors

Paolo TOTO

Notes tothe consolidated financial statements

Dear Shareholders,

these consolidated financial statements, at 31 December 2020, show a Group net profit of € 43,223 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. 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;
2. 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;
3. Parchi Global Services S.p.A., which provides services to motorway network operators;
4. 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;
5. Toto Real Estate S.r.l., a real estate company that manages, promotes and coordinates operations concerning the real property assets it holds.
6. TOTO S.p.A. Costruzioni Generali, which operates in the construction sector;
7. Alitec S.p.A., which operates in the purchase, construction and management of real estate;

Going concern

The consequences caused by the explosion of the COVID-19 pandemic led the Group to close the previous financial statements (at 31 December 2019), considering the “significant uncertainties due to the effects caused by the spread of the Covid-19 pandemic” and that had generated some liquidity risks.

As illustrated in the paragraph “Significant Events” in the Directors’ Report, and as included in the section “Significant events after the reporting date” in this document, the Group was able to manage the difficulties of the period through a series of works and transactions, the latter also including extraordinary ones, which made it possible to strengthen the assets linked to the renewable energy sector, on the one hand, and to consolidate and lay the base for a definite future plan for the Concessions BU and for the Construction BU.

The Business Plan approved by the Group, in fact, founds its strategies:

i) on investments in the Energy BU;

ii) on investments in the Concessions BU;

iii) on the management of the consequences of the Covid-19 pandemic for the Group's business activities. The problems caused by the Covid outbreak have encouraged the Company and the entire Group to consider adopting the measures made available by the Italian Government to support businesses in this period of national and international crisis.

With respect to point i), the transaction with the US fund Apollo was successfully completed, generating a significant gain for the Group (approximately € 78 million) and the following positive effects on liquidity:

- Renexia received payment of one hundred million dollars from Apollo for the sale of its 20% interest in US Wind Inc.;
- To date, Apollo has granted US Wind an eighty two million dollar loan (in the form of a bond issued in the United States).

These resources were respectively allocated, or will be respectively allocated, both to the coverage, where necessary, of cash flow needs that emerged within the Group in order to limit, as far as possible, the effects of Covid, and to investments included in the Plan (Energy BU in the US via the US Wind bond). This transaction marks the beginning of the Group's collaboration with a leading international investor (Apollo). The future challenges will be met by combining technical skills and internal know-how with the financial skills of a leading international investment fund.

In addition, the Renewables BU, in the course of 2020, provided for the:

1) reactivation of financing for the construction of the Taranto off-shore wind farm, via Beleolico S.r.l., which will enable works to be completed by the end of 2021 and which also saw Renexia Services S.r.l. involved as EPC Contractor: the additional use of 2021 financing amounts to € 58.8 million overall, with which to achieve the construction of the off-shore wind farm in Italy;
2) underwriting of structured financing through the issuing of a debt security under art. 2483 of the Italian Civil Code for an amount approximating € 49.1 million through the PECH, which underwrote, in its turn, with Renexia Services S.r.l., an EPC contract for the construction of the wind farm for which it holds a Single Authorisation.

As is clear, the transactions referred to in points 1) and 2) represent two important tools for the creation of long-term strategic assets for the Group.

As far as regards point ii) we consider it useful to give a detailed statement on the positive developments of the activities for defining SDP's BP, which represent a fundamental starting point for the Group's business activities in the coming years;

a) on 14 April 2020, the Council of State announced its order (no. 2413/2020) whereby it appointed the acting commissioner to complete SDP's BP;
b) on 19 May 2020, Decree Law no. 34, called the "Relaunch Decree", was published in the Official Gazette. Art. 206 of this decree establishes the appointment of an extraordinary commissioner with the task of defining "*the upgrading plan for the sections of the A24 and A25 motorways, including anti-seismic safety works and compliance with the technical standards introduced*", as well as identifying "*any works to implement by the operator*".
c) the Council of State again was able to clarify, on 30 July 2020, that the coordination and resolution of any interference, as a result of activities of the extraordinary commissioner based on art. 206, fall within the prerogative of the acting commissioner;

d) after several discussions and meetings between SDP and the two commissioners, on 5 May 2021, SDP sent its own proposal for updating and reviewing the Business Plan of the A24 and A25 motorway network concession to the attention of the acting commissioner. The document was also drafted with appropriate consideration for the indications received by the special commissioner pursuant to art. 206 of Decree Law no. 34 of 19 May 2020 converted into Law no. 77 of 17 July 2020. The BP proposal includes an investment of € 2.1 billion and represents just a part of the commitment necessary to update the infrastructure: a project of a total of € 6.5 billion to be implemented in two stages, the first of which is worth approximately € 5.2 billion, to be completed by the end of 2030, the expiry date for the current concession granted to SDP. The competent administrations have, thus, launched their own investigation activities, downstream of which the update and review process should be completed, which we hope will occur by the end of 2021.

e) On 3 June 2021, SDP forwarded a new version of the BP to the acting commissioner.

f) On 5 July 2021, the acting commissioner issued a statement to CIPESS, requesting to include the analysis of SDP's BP in the following meeting of the committee.

Compared to the past, as illustrated, it represents a fundamental impulse to reasonably reach a conclusion in the approval process by the end of the 2021 financial year.

As far as regards point iii), as of the drafting of this document, there remain some significant uncertainties resulting from the effects caused by the spread of the COVID-19 pandemic, which generated some cash flow risks for the Group, in that the closures of work sites for the Construction BU and limitations on movements imposed by the Italian Government (in 2020 and in the first months of 2021) for the Concessions BU, have, in fact, reduced the availability of cash generated within the Group. In addition, possible future further restrictions on mobility and production activities imposed by the Italian Government following the outbreak of the Delta variant could have negative consequences affecting the Company's and the Group's cash availability to meet their obligations, including in the near future in light of a scenario that is rather changeable and unpredictable. As illustrated in detail in the sections "Significant Events" for the Concessions BU and the Construction BU, due to the pandemic, their respective productions were significantly reduced/slowed and, as a result, the cash flows generated are proportionally lower. In particular, for the Concessions BU, if, on the one hand, the traffic revenue was drastically reduced, on the other hand, commitments need, in any case, to be honoured; in fact, the operating costs, including maintenance ones, increased significantly. This generated a financial strain, which slowly grew, meaning that SDP needed to enter a dialogue, in the course of the first months of 2021, with its main creditors: financial-backers and ANAS. While the banks, aware of the situation that the whole economy was facing, made it possible to pay a large part of debt repayments owed at 30 June 2021 (approximately € 23.4 million) using the reserve funds specially set up for € 18.8 million and allowing their reconstitution within a time frame of three years, ANAS, in contrast, adopted an approach that was not totally coordinated. On the one hand, it launched discussions with SDP to draft a settlement agreement to reschedule the due dates for amounts SDP owed and, on the other hand, it proceeded with the forced recovery of its own receivables (c.f. the section of the Supplementary Notes "Significant post-balance sheet events - Relationships with ANAS").

Despite the difficulties SDP faced in managing its relationship with ANAS, the discussions with the latter and with the grantor, to reach a more sustainable redefinition of the fees relating to the concession price, were never halted. In fact, in order to mitigate the toll increases, it is the intention of the grantor to issue a special legislative provision (the "**Legislative Provision**") in order to reduce the annual amount of the instalment of the concession

price that SDP owes ANAS, shifting the share not paid to the operator who takes over. With ANAS, in addition, negotiations are under way to reschedule the expired debts, with time frames that will be compatible with the operator's available cash.
In relation to the other Group companies, and again in line with what is illustrated in the financial statements at 31 December 2019, it should be noted that the 2021-2027 Group business plan includes, in addition to the effects connected with SDP's underwriting of the BP, the underwriting of the financial transaction guaranteed by SACE as well. This transaction will guarantee loans of up to € 92.1 million (as well as a possible transaction, of the same nature, that SDP may directly conclude for an amount equal to approximately € 67 million) of a duration of 6 years, including a 3-year pre-amortisation period and 3 years of amortisation, in accordance with the forms and methods stipulated by the Liquidity Decree.

The directors, for the elements illustrated above and, in particular, for the actions undertaken to support the Group's financial requirements (for example, the loans with SACE guarantee), included in the 2021-2027 Business Plan, as well as the reasonable possibility of coming to an agreement with ANAS and, more generally, of obtaining the approval for the new BP, which can ensure the economic and financial balance of SDP and the Group, believe that the above-mentioned initiatives can be realised in the short term, resolving the current critical issues and enabling a reasonable overcoming of the risk factors and uncertainties.
Given what has been illustrated, though in the presence of significant uncertainties connected:

(i) to time frames for defining the agreement between ANAS and Strada dei Parchi, or
(ii) to the approval process for the Legislative Provision, or
(iii) to the possibility of obtaining measures to support cash flow as stipulated by the government (e.g. issuing of loans with SACE guarantees);

which could raise significant doubts about Company's ability to continue as a going concern, we believe that the conditions, based on information currently available, exist, in any case, for an assessment of future scenarios and the actions undertaken by the Directors. It should be noted that points (i) and (ii) represent key elements of the new BP communicated by the acting commissioner and by the directors to CIPESS as described in the previous paragraphs in this document; this BP involves, inter alia, the definition of SDP's receivable-payable transactions with MIMS and ANAS.

In drafting the consolidated financial statements at 31 December 2020, the Company made recourse to the exception provided for by article 38-quater, para. 2, of Law no. 77 of 17 July 2020. Therefore, the assessment of the items and of the prospect for continuing activities referred to in article 2423-bis, first paragraph 1) of the Italian Civil Code is performed on the basis of the results of the latest financial statements regularly approved, i.e. those relating to 31 December 2019 in which the directors had made their own considerations in application of art. 7 of the Liquidity Decree (then replaced with said art. 38-quater of Law no. 77 of 17 July 2020), and pursuant to para. 22 of the OIC 11.

In conclusion, the Group owns assets that are currently not fully recognised in its financial statements. In fact, their market value significantly exceeds their carrying amount, as shown by the partial sale of US Wind shares described in the "Significant Events - Financial transactions" section, to which reference should be made.

Format and content of the consolidated financial statements

The consolidated financial statements at 31 December 2020, drawn up on the basis of the parent and the consolidated companies being a going concern and as per the 2021 - 2027 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 2020 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 2020, 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 2020 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 2021 - 2027 business plan adopted by the Group and based on what is reported in the "Going Concern" and "Departures" sections.

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

It should be noted that, following the events connected with the spread of the Covid-19 pandemic, the company prepared the 2020 financial statements using the waiver set out in article 2423-bis.1 of the Italian Civil Code in application of article 38-quater, para. 2 of Law no. 77 of 17 July 2020 (hereinafter, the “**Waiver**”). Making use of this right, the assessment of items and of the prospect for the company to continue as a going concern referred to in art. 2423-bis, first para., point 1), of the Italian Civil Code, is made based on the results of the latest financial statements approved, i.e. those relating to 31 December 2019, in which the going concern principle was met pursuant to art. 7 of the Liquidity Decree now in force and pursuant to para. 2 of the OIC 11.

The group made use, for some companies (TOTO CG, TOTO TECH, CEFALU’ and SDP) of the waiver set forth in art. 60, para. 7-bis of Law 126/2020 approved on 13 October 2020. In particular, the consolidated financial statements are drafted without applying, for the companies mentioned, art. 2426, para. 1.2 of the Italian Civil Code and the OIC 16, para. 56. The group, therefore, for TOTO CG, TOTO TECH, CEFALU’, and SDP did depreciate the cost of the tangible and intangible fixed assets, maintaining the carrying amount thus as it appeared in the last annual financial statements regularly approved, relating to the financial year that ended on 31 December 2019.

In addition, the following measurement criteria were adopted.

Fixed assets

Intangible fixed assets and tangible fixed assets - Depreciations 2020

In an effort to prevent the excessive depletion of companies' assets, Law No. 126 of 13 October 2020, converting Decree-law No. 104 of 14 August 2020, introduced several measures aimed at limiting the negative effects that accumulated in 2020 as a consequence of the lock down imposed by the Government to tackle the spread of the Covid-19 pandemic.

The group opted, for some companies (namely TOTO CG, TOTO TECH, and SDP) to exercise the right introduced by ***paragraph 7-bis*** of article 60 of the aforesaid law, according to which "*companies that do not adopt international accounting standards in the preparation of their financial statements may - also departing from the provisions of article 2426, paragraph 1.2 of the Italian Civil Code - choose not to recognise up to the full amount of the depreciation/amortisation of tangible and intangible fixed assets in the financial year running at the date of effectiveness of this law, and to maintain the carrying amount recognised in the last duly approved annual financial statements. Depreciation/amortisation charges not applied pursuant to this paragraph must be recognised in the profit and loss account of the following financial year, with subsequent amounts also being deferred according to the same criteria, thus effectively extending the original depreciation/amortisation schedule by one year. This provision may be extended for additional financial years by means of decree of the Minister of Economy and Finance, in relation to developments in the economic situation as a result of the pandemic caused by SARS-COV-2". **Paragraph 7-ter*** of the same law also establishes that at the time of approving the financial statements, "*companies that use the option provided for under paragraph 7-bis must allocate an amount equal to the depreciation/amortisation charge not recognised in the profit and loss account to a restricted reserve. If the profit for the financial year is less than the aforesaid depreciation/amortisation charge, the reserve must be supplemented using reserves of retained earnings or other available capital reserves; if no such reserves are available, the difference must be made up by allocating earnings in future financial years". **Paragraph 7-quater*** goes on to establish that "*The explanatory notes must explain the reasons for the derogation and provide information about the amount allocated to the corresponding restricted reserve, the impact on the equity and financial situation and on the profit or loss for the financial year*". Lastly, paragraph ***7-quinquies*** introduces a further measure by providing that "*for the companies referred to in paragraph 7-bis, the depreciation/amortisation amount referred to in paragraph 7-ter is eligible for deduction under the same conditions and subject to the same limitations provided for by articles 102, 102-bis and 103 of the Italian consolidated income tax act, pursuant to Presidential Decree No. 917 of 22 December 1986, even if not recognised in the profit and loss account. To determine net production revenues as per articles 5, 5-bis, 6 and 7 of Legislative Decree No. 446 of 15 December 1997, the depreciation/amortisation amount referred to in paragraph 7-ter is eligible for deduction under the same conditions and subject to the same limitations provided for by the aforesaid articles, even if not recognised in the profit and loss account*".

Concerning the information to be provided in the explanatory notes, please note the following.

The group's decision to exercise the option to suspend depreciation/amortisation charges, and thus to depart from the general principles, is based on the need to limit, insofar as possible, the depletion of the assets of the Company and of the Group as a whole, and to ensure that the same measurement criteria are adopted across the Group. More specifically, the choice was made as a result of the consequences determined by the measures

restricting the circulation of vehicles and people and production, which were decided upon by the government to cope with the spread of COVID-19, leading to exceptional reductions in:

1) traffic (-25.3%) recorded in the course of 2020 with the resulting contraction in revenues of approximately 40.9 million in the Concessions BU;
2) the value of production by the Construction BU for € 43.1 million, mainly due to work site stoppages.

The suspension of all amortisation/depreciation payments, in 2020, had a positive effect on the profit and loss account (net of taxes) of € 41,073 thousand, as summarised below:

	in thousands of euros
Lower depreciation/amortisation for suspension pursuant to paragraph 7-*bis* of Law 126/20	57,708
Deferred taxes for deduction of depreciation/amortisation pursuant to paragraph 7-*quinquies* of Law 126/20	(16,634)
Net impact on the profit and loss account	41,073

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 value is reinstated adjusted by depreciation 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 value 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 2020 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. and of some lands and buildings owned by Toto S.p.A. Costruzioni Generali. The impairment test was conducted by the directors who checked the recoverability of the related carrying amounts.

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 table below shows the depreciation rates planned according to when the tangible fixed assets became operative (rate used equal to zero in 2020):

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Total
%Amortization 2020	**5.1%**	**5.8%**	**6.5%**	**7.2%**	**8.0%**	**8.8%**	**9.6%**	**10.6%**	**11.7%**	**12.8%**	**14.0%**	**100%**
%Amortization 2021		6.1%	6.8%	7.6%	8.4%	9.3%	10.1%	11.2%	12.3%	13.5%	14.8%	100%
%Amortization 2022			7.2%	8.1%	9.0%	9.9%	10.8%	11.9%	13.1%	14.4%	15.7%	100%
%Amortization 2023				8.7%	9.7%	10.6%	11.6%	12.8%	14.1%	15.5%	17.0%	100%
%Amortization 2024					10.6%	11.6%	12.7%	14.0%	15.4%	17.0%	18.6%	100%
%Amortization 2025						13.0%	14.2%	15.7%	17.3%	19.0%	20.8%	100%
%Amortization 2026							16.4%	18.0%	19.9%	21.8%	23.9%	100%
%Amortization 2027								21.6%	23.7%	26.1%	28.6%	100%
%Amortization 2028									30.3%	33.3%	36.5%	100%
%Amortization 2029										47.7%	52.3%	100%
%Amortization 2030											100.0%	100%

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 provision for bad debts 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.

The receivables entered under “Current assets” also include tax receivables for prepaid taxes, determined based on the criteria indicated in the item Income Tax, 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:

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

Employees' leaving entitlement

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, Renexia S.p.A., Avisun 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 2020, 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.

US Wind prepares its financial statements in US dollars, while MedWind Sarl prepares its financial statements in Tunisian dinars; 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	Dec. 2020		Dec. 2019	
	Dec. 2020	Average exchange rate Dec. 2020	Dec. 2019	Average exchange rate 2019
Euro/US Dollar	1.1271	1.1422	1.1234	1.1195
Euro/Tunisian Dinar	3.2943	3.1997	3.139	3.2803

The financial statements or the reporting packages prepared for the consolidation of the individual companies at 31 December 2020 were used for consolidation purposes.

Workforce

The following table shows the changes in the group's headcount broken down by category at 31 December 2020.

Description	Dec. 2020	Dec. 2019	Changes
Senior managers	32.28	38.25	(5.97)
White collars and junior managers	479.21	462.60	16.61
Blue collars/Toll Team	860.03	745.80	114.23
Other	3.06	6.00	(4.94)
Total	**1374.58**	**1252.65**	**121.93**

Balance sheet

Intangible fixed assets

In 2020, intangible fixed assets changed as follows:

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Start-up and capital costs	29	2	0	0	0	6	25	(4)
Development costs	0	0	0	0	0	0	0	0
Industrial patents and intellectual property rights	629	58	0	0	0	88	599	(30)
Concessions, licences and trademarks	31523	104	301	0	0	21	31305	(218)
Goodwill	0	0	0	0	0	0	0	0
Assets under development and payments on account	276	322	0	0	0	0	598	322
Other intangible fixed assets	7644	26	0	0	0	32	7638	(6)
Goodwill arising on consolidation	0	0	0	0	0	0	0	0
Total	**40101**	**512**	**301**	**0**	**0**	**147**	**40165**	**64**

It should be remembered that, as described in the "Waivers" and "Fixed assets" sections, which should be referred to, TOTO CG, TOTO TECH, and SDP, for the 2020 financial year, made use of the right introduced by art. 60, para. 7-bis, of Law no. 126/2020, thus suspending the amortisation/depreciation of intangible fixed assets.

START-UP AND CAPITAL COSTS

The breakdown of this item is as follows:

(€'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Start-up and capital costs	29	2	0	0	0	6	25	(4)
Total	29	2	0	0	0	6	25	(4)

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 € 6 thousand.

INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS

(€'000)	Dec. 2020	Dec. 2019	Changes
Software	599	629	(30)
Total	**599**	**629**	**(30)**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Industrial patents and intellectual property rights	629	58	0	0	0	88	599	(30)
Total	**629**	**58**	**0**	**0**	**0**	**88**	**599**	**(30)**

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)	Dec. 2020	Dec. 2019	Changes
Concessions (Allocation of goodwill arising on consolidation - Strada dei Parchi S.p.A.)	27,788	27,788	0
Parco Eolico Casalduni House S.r.l. authorisation	2,737	2,737	0
Mini wind turbines authorisation	0	301	(301)
Other	780	697	83
Total	**31,305**	**31,523**	**(218)**

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

The decrease of € 301 thousand refers to the write-downs on authorisations paid with the purchase of three mini wind farm companies by Renexia S.p.A. This transaction was necessary due to two factors:

- the first relates to the fact that, the current legislation regarding incentives (FER [Renewable Power Sources] Ministerial Decree of 04/07/2019) stipulates the possibility of accessing potentially remunerative rates (referred to in the previous FER Ministerial Decree 2016) only in the case of energising plants by February 2022. RENEXIA thinks it highly improbable that it will complete setting up the work sites and construction for the initiatives before this date. Unfortunately, in fact, the delays, with regard to the initial plans, accumulated, beyond that (i) due to a generalised slowness of authorising operations owing to inherent bureaucratic reasons, and (ii) due to the consequences of the COVID-19 pandemic for services provided by the organisations involved in the authorisation processes;
- the second factor is represented by the unfavourable opinion, in the subordinate process for releasing landscape approvals, issued on 20 November 2020 by the "Commissione Locale del Paesaggio" [CLP - Local Landscape Committee] pursuant to art. 146/2004 and art. 90 of the Technical Implementation Regulations of the PPTR [Regional Landscape Plan] of the Apulia Region. Although this opinion does not absolutely represent a definitive refusal to release the landscape authorisation, given that the Superintendence of Archaeology, Fine Arts and Landscape for the provinces of Brindisi, Lecce, and Taranto could, in any case, issue a favourable opinion in relation to the application, the authorising title application (Simplified Authorisation Procedure launched in December 2019) is conditional on the result of the landscape process and the related time frames. The objective delays in the launching of the authorisation procedures are, therefore, incompatible with the need to obtain an authorising title and procedures with the construction of the plants by February 2022.

Given what has been said, the current conditions have led the directors to prudentially write down the three equity investments. Nevertheless, Renexia S.p.A. and the subsidiaries active in the mini wind farm sector in Italy, will also continue, during the 2021 financial year, the activities aimed at obtaining the necessary authorisations in light of being able to implement what is included in the respective initiatives, aware of the difficult context in which they are required to operate.

It should be specified that access to incentivised rates referred to in the FER Ministerial Decree 2016, the hypothesis on which the main project assumptions are, moreover, based, constitute an essential condition for the purposes of the initiatives' feasibility. In 2017, as a result of the GSE tender auctions and registers referred to in Ministerial Decree FER 2016, reports and studies about the trend of incentivisation requests were published

by the Gestore dei Servizi Energetici [the Italian state-owned energy company], tending not to consider the related technological development of the mini wind farm compared to the large one and, thus, tending to penalise this sector. This penalisation was then formalised through the issuing of the Ministerial Decree FER 2019 containing, in line with plant size, reduced rates compared to the more profitable ones in the Ministerial Decree FER 2016. The legislative change has substantially weakened the mini wind farm sector and, given the innovative spirit of RENEXIA in wanting to use the waivers provided for pursuant to Ministerial Decree 2019 to access the Ministerial Decree 2016 rates, the bureaucratic inertia and difficulties linked to the COVID-19 health crisis led to additional delays and obstacles to the good outcome of the works.

ASSETS UNDER DEVELOPMENT AND PAYMENTS ON ACCOUNT

(€'000)	Dec. 2020	Dec. 2019	Changes
Assets under development and payments on account	598	276	322
Total	**598**	**276**	**322**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020
Fixed Assets under construction and down payments	276	322	0	0	0	0	598
Total	**276**	**322**	**0**	**0**	**0**	**0**	**598**

Increases during the year refer to the costs sustained during the year by RENEXIA to develop projects in order to obtain single authorisations (i.e. to acquire companies that hold such authorisations) in the province of Benevento. Such costs will be re-invoiced to the SPV (Special Purpose Vehicle) if already set up or transferred to the SPV once the authorisations necessary for construction are obtained. These costs pertain to several years and will be recovered once the construction permit is obtained for the plant.

OTHER

(€'000)	Dec. 2020	Dec. 2019	Changes
Other	7,638	7,644	(6)
Total	**7,638**	**7,644**	**(6)**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020
Other intangible fixed assets	7,644	26	0	0	0	32	7,638
Total	**7,644**	**26**	**0**	**0**	**0**	**32**	**7,638**

During the year, no significant changes were recorded in the item in question.

Tangible fixed assets

The table below shows the balances of tangible fixed assets at 31 December 2020 and their changes from the previous year end.

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Land and buildings	83,036	618	6,697	313	0	800	76,470	(6,566)
Plant and machinery	9,335	3,228	14	336	0	590	12,295	2,960
Industrial and commercial equipment	1,258	610	37	0	0	43	1,788	530
Other assets	3,647	1,249	74	0	0	372	4,450	803
Freely transferable assets	1,038,924	0	0	0	0	0	1,038,924	0
Assets under development	112,495	53,778	84	(649)	0	0	165,540	53,045
Aircraft	0	0	0	0	0	0	0	0
Total	**1,248,695**	**59,483**	**6,906**	**0**	**0**	**1,805**	**1,299,467**	**50,772**

It should be remembered that, as described in the "Waivers" and "Fixed assets" sections, which should be referred to, TOTO CG, TOTO TECH, and SDP, for the 2020 financial year, made use of the right introduced by art. 60, para. 7-bis, of Law no. 126/2020, suspending the amortisation/depreciation of tangible fixed assets.

LAND AND BUILDINGS

(€'000)	Dec. 2020	Dec. 2019	Changes
Land	52,872	55,122	(2,250)
Buildings	23,598	27,914	(4,316)
Total	**76,470**	**83,036**	**(6,566)**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Land and buildings	83,036	618	6,697	313	0	800	76,470	(6,566)
Total	**83,036**	**618**	**6,697**	**313**	**0**	**800**	**76,470**	**(6,566)**

This item (€ 76,470 thousand) decreased by € 6,566 thousand on the corresponding balance at 31 December 2019 (€ 83,036 thousand). The change can essentially be attributed to the combined effect of decreases (€ 6,697 thousand), depreciations (€ 800 thousand) and investments for the year (€ 618 thousand).

The year decreases refer to:

- for € 5,290 thousand, to the write-downs made on some land (€ 2,805 thousand) and on some buildings (€ 2,485 thousand) owned by the Construction BU;
- for € 1,407 thousand, to the write-down made by TOTO RE on some property it owns.

The write-downs were performed following the impairment test carried out, as far as regards the Construction BU, while for TOTO RE, account was also taken of the market value of the assets having received offers from independent third parties; the value of the assets, therefore, was adapted to the estimated use value or realisable value depending on the assets.

The increase of € 618 thousand includes the purchase of land that can be built on in the town of Pescara (€ 555 thousand) by TOTO RE.

The depreciations for the year (€ 800 thousand) mainly refer to the depreciation of the properties owned by TOTO RE (€ 781 thousand).

Land can be analysed as follows:

- € 43,169 thousand related to the carrying amount of the land owned by Alitec S.p.A.;
- € 1,315 thousand related to the carrying amount of the land recognised in the financial statements of Toto S.p.A. Costruzioni Generali;
- € 7,845 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 AVISUN;
- € 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 11.5% rate. The impairment test confirmed the recoverability of the carrying amount of the recognised complex.

PLANT AND MACHINERY

(€'000)	Dec. 2020	Dec. 2019	Changes
Plant and machinery	12,295	9,335	2,960
Total	**12,295**	**9,335**	**2,960**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Plant and machinery	9,335	3,228	14	336	0	590	12,295	2,960
Total	**9,335**	**3,228**	**14**	**336**	**0**	**590**	**12,295**	**2,960**

This item (€ 12,295 thousand) increased by € 2,960 thousand compared to its balance at 31 December 2019 (€ 9,335 thousand). The increases during the year (€ 3,228) refer to the investments mainly made by TOTO CG and by its subsidiaries belonging to the construction sector (€ 2,112 thousand) and by SDP (€ 1,092 thousand).

The depreciation of the year totalled € 590 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, Renexia S.p.A. SDP, TOTO Holding S.p.A., and Parchi Global Services S.p.A..

INDUSTRIAL AND COMMERCIAL EQUIPMENT

(€'000)	Dec. 2020	Dec. 2019	Changes
Industrial and commercial equipment	1,788	1,258	530
Total	**1,788**	**1,258**	**530**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Industrial and commercial equipment	1,258	610	37	0	0	43	1,788	530
Total	**1,258**	**610**	**37**	**0**	**0**	**43**	**1,788**	**530**

This item decreased by a net € 530 thousand and essentially reflects the combined effect of:

- Increases of € 610 thousand relating to the investments of the year carried out mainly by TH (€ 186 thousand), Parchi Global Services S.p.A. (€ 79 thousand), and SDP (€ 345 thousand);
- Depreciation of the year (€ 43 thousand).

OTHER ASSETS

(€'000)	Dec. 2020	Dec. 2019	Changes
Other assets	4,450	3,647	803
Total	**4,450**	**3,647**	**803**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Other assets	3,647	1,249	74	0	0	372	4,450	803
Total	**3,647**	**1,249**	**74**	**0**	**0**	**372**	**4,450**	**803**

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

FREELY TRANSFERABLE ASSETS

(€'000)	Dec. 2020	Dec. 2019	Changes
Freely transferable assets	1,038,924	1,038,924	0
Total	**1,038,924**	**1,038,924**	**0**

Description (amounts in €/000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Freely transferable assets	1,038,924	0	0	0	0	0	1,038,924	0
Total	**1,038,924**	**0**	**0**	**0**	**0**	**0**	**1,038,924**	**0**

They are recognised at their historical acquisition or construction cost, net of accumulated depreciation. The freely transferable assets did not register any change during the year.

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)	Dec. 2020	Dec. 2019	Changes
Assets under construction	165,540	112,495	53,045
Total	**165,540**	**112,495**	**53,045**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2020	Changes
Assets under construction	112,495	53,778	84	(649)	0	0	165,540	53,045
Total	**112,495**	**53,778**	**84**	**(649)**	**0**	**0**	**165,540**	**53,045**

In 2020, fixed assets under construction and payments on account increased by €53,045 thousand compared to the previous year (€ 112,495).

The € 165,540 balance includes € 131,375 thousand recognised by SDP following the investments in the construction of transferable assets which, at 31 December 2020, had not yet been placed into operation and for which final testing had not yet been obtained from the MIT. The increase in the item for SDP was € 49,433 thousand.

Furthermore, this item also includes € 42,888 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 MIMS. Once the business plan has been approved, these ancillary charges will be capitalised pro-quota on the investments made.

During the year, the other significant increases recorded included:

- €2,119 thousand relating to the payments on account by TOTO CG in relation to the purchase of equipment;

- €1,064 thousand relating to capitalised costs incurred by PECH for the construction of the wind farm under development;
- €1,006 thousand relating to capitalised costs incurred by US WIND for the construction of the wind farm under development.

Financial fixed assets

(in €'000)	Dec. 2020	Dec. 2019	Changes
Equity investments	2,561	2,801	(240)
Financial receivables	35,563	31,625	3,938
Other securities	803	803	0
Total	**38,927**	**35,229**	**3,698**

EQUITY INVESTMENTS

Equity investments amount to € 2,561 thousand (31 December 2019: € 2,801 thousand) and comprise:

- investments in the associates of TOTO S.p.A. Costruzioni Generali for € 2,514 thousand (€ 2,744 thousand in 2019);
- investments in other companies for € 47 thousand (€ 47 thousand at 31 December 2019).

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%	4,921	(460)	2,507
Novigal scarl	Cost	10	33.12%	10	-	3
Total					**(460)**	**2,514**

SAN BENEDETTO VAL DI SAMBRO SCARL

A non-profit consortium company, set up on 23 July 2007, pursuant to art. 23-bis of Law no. 584/77, by Vianini SpA (54%), Toto S.p.A. Costruzioni Generali (36%), and Profacta S.p.A. (10%) after the integrated tender (under art. 19 paragraph b of Italian Law 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. no. 554 of 21/12/1999 by 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 result refer to the financial statements for the year ending on 31 December 2020, which reported a loss of € 463,298.

This investment is measured using the equity method (€ 2,507 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. Subsequently, the Judge ordered the technical consultancy and scheduled a hearing for 18 May 2020 for the technical expert's appointment and oath.

This hearing was subsequently postponed (due to the COVID-19 emergency situation) until 21 December 2020. At the hearing, the judge withdrew the previous appointment, nominating new experts. The experts took their oath on 5 March 2021.

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
Total				**47**

The item remains unchanged compared to 31 December 2020.

FINANCIAL RECEIVABLES

(€'000)	Dec. 2020	Dec. 2019	Changes
From subsidiaries	30,460	26,607	3,853
From associates	5,019	4,935	84
Receivables from others	84	83	1
Total	**35,563**	**31,625**	**3,938**

FROM SUBSIDIARIES

These amount to € 30,460 thousand and relate to the financial receivable due to Renexia Wind Offshore S.p.A. from its subsidiary Beleolico S.r.l.. The latter company, though belonging to the group, is not consolidated since it is currently being sold. Nevertheless, at the end of June 2021, the group management amended its strategic plans, deciding to keep Beleolico S.r.l. in its investments portfolio. This decision led to the rejection of offers that came from potentially interested parties. Given this, during 2021, Beleolico S.r.l. will be consolidated.

FROM ASSOCIATES

These amount to € 5,019 thousand and mainly relate to the interest-bearing loan from Intermodale S.r.l. (€ 4,935 thousand).

FROM OTHERS

The item is described below:

(amounts in €'000)	Dec. 2019	Increases	Reclassifications	Repayments	Dec. 2020
Receivables from others	83	1	0	0	84
Total	**83**	**1**	**0**	**0**	**84**

The bad debt provision changed as follows during the year:

(amounts in €'000)	Dec. 2019	Accruals	Reclassifications	Dec. 2020
Provision for bad debts	1,581	15	0	1,596
Total	**1,581**	**15**	**0**	**1,596**

OTHER SECURITIES

(in €'000)	Dec. 2020	Dec. 2019	Changes
Other securities	803	803	0
Total	**803**	**803**	**0**

At 31 December 2020, other securities comprised the bonds of Banca Popolare di Bari which represent a long-term investment.

Inventory

At 31 December 2020, inventory amounts to € 182,880 thousand (31 December 2019: € 163,707 thousand). This item is broken down as follows:

(€'000)	Dec. 2020	Dec. 2019	Changes
Raw materials, consumables and supplies	13,760	16,131	(2,371)
Contract work in progress	145,850	130,348	15,502
Finished goods	3,203	3,370	(167)
Payments on account	20,067	13,858	6,209
Total	**182,880**	**163,707**	**19,173**

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 decreased by € 2,371 thousand.

Contract work in progress (€ 145,850 thousand, compared with € 130,348 thousand at 31 December 2019) mainly refers to TOTO S.p.A. Costruzioni Generali for € 136,776 thousand (€ 116,893 thousand in 2019), to Renexia Services S.r.l. for € 3,988 thousand (€ 8,470 thousand in 2019), and to Infraengineering S.r.l. for € 5,086 (€ 4,985 thousand in 2019).

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

(amounts in €'000)	Dec. 2019	Increases	Decreases	Dec. 2020
Toto S.p.A. Costruzioni Generali	116,893	136,776	(116,893)	136,776
Renexia Services S.r.l.	8,470	3,988	(8,470)	3,988
Infraengineering S.r.l.	4,985	5,085	(4,984)	5,086
Total	**130,348**	**145,849**	**(130,347)**	**145,850**

TOTO S.P.A. COSTRUZIONI GENERALI

Contract work in progress amounts to € 136,776 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 2020 (€ 4,443 thousand), pre-operating costs (€ 15,702 thousand) and claims totalling € 118,826 thousand.

Claims are measured considering the estimates prepared by the specific company areas (based on the type of each claim, including assessments of the legal grounds and financial capacity). 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 (€ 3,988 thousand compared to € 8,470 thousand at 31 December 2019) reflects the percentage progress of the following contracts:

- the construction of PECH's wind farm for € 565 thousand;
- the construction of Beleolico S.r.l.'s wind farm for € 3,423 thousand.

INFRAENGINEERING S.R.L.

The balance of work in progress to order (€ 5,086 thousand compared to € 4,985 thousand recorded on 31 December 2019) refers to the works performed for which not all the requirements for invoicing have matured.

*"**Finished goods**"* amount to € 3,203 thousand (31 December 2019: € 3,370 thousand) and include:

(amounts in €'000)	Dec. 2019	Increases	Decreases	Dec. 2020
Finished goods (Construction BU)	3,370	0	(167)	3,203
Total	**3,370**	**0**	**(167)**	**3,203**

This item decreased by € 167 thousand: Ambra S.r.l., 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 € 6,209 thousand. It may be analysed as follows:

(amounts in €'000)	Dec. 2020	Dec. 2019	Changes
Payments on account	20,067	13,858	6,209
Total	**20,067**	**13,858**	**6,209**

The increase is mainly due to Renexia Services S.r.l. (€ 6,254 thousand) and includes the advances paid to suppliers in 2020 to purchase the supplies necessary to perform the contracts in portfolio.

Financial receivables

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

(amounts in €'000)	Due within one year	Due after one year	Due after 5 years	Dec. 2020	Dec. 2019	Changes
Trade receivables	35,133			35,133	20,800	14,333
From subsidiaries	129			129	115	14
From associates	214			214	214	0
Tax receivables	30,830			30,830	26,004	4,826
Deferred tax assets	97,061			97,061	80,112	16,949
From others	142,226	2,881	178	145,285	123,744	21,541
Total	**305,593**	**2,881**	**178**	**308,652**	**250,989**	**57,663**

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	33,734	129	214	30,785	97,061	145,117	307,040
EU	1,399			45		168	1,612
Non-EU	0						0
Total	**35,133**	**129**	**214**	**30,830**	**97,061**	**145,285**	**308,652**

TRADE RECEIVABLES

(€'000)	Dec. 2029	Dec. 2019	Changes
Trade receivables	35,133	20,800	14,333
Total	**35,133**	**20,800**	**14,333**

At 31 December 2020, this item (€ 35,133 thousand compared to € 20,800 in 2019) is mainly comprised of the receivables of:

- TOTO CG and its subsidiaries (€ 23,255 thousand compared to € 8,560 thousand at 31 December 2019), net of the provision for bad debts, and
- SDP for € 8,428 thousand (€ 9,705 thousand in 2019).

The significant increase in the 2020 balance is mainly attributable to the Construction BU owing to the invoicing carried out and to be carried out for works certified by the customer in the last quarter of the 2020 financial year. The residual balance at 31 December 2020 (€ 3,450 thousand) essentially includes Renexia S.p.A.'s receivable (€ 2,124 thousand) and Renexia Services S.r.l.' (€ 985 thousand).

The nominal amounts of trade receivables are adjusted to their estimated realisable value through the bad debt provision which, at 31 December 2020, amounted to € 1,964 thousand.

The bad debt provision changed as follows during the year:

(in €'000)	Dec. 2019	Accruals	Utilisation	Dec. 2020
Provision for bad debts	1,761	212	(9)	1,964
Total	**1,761**	**212**	**(9)**	**1,964**

RECEIVABLES FROM ASSOCIATES

The receivables in question amount to € 214 thousand at 31 December 2020 and do not record any changes compared to the previous financial year. The balance mainly relates to the receivable from Intermodale S.r.l..

TAX RECEIVABLES

(€'000)	Dec. 2020	Dec. 2019	Changes
VAT credits	24,631	21,634	2,997
VAT claimed for reimbursement	2,496	1,820	676
Other tax receivables	3,703	2,550	1,153
Total	**30,830**	**26,004**	**4,826**

The above breakdown shows the considerable increase in VAT credits (€ 2,997 thousand) recorded mainly by SDP (€ 1,793 thousand) and by the Construction BU (€ 906 thousand).

DEFERRED TAX ASSETS

(amounts in €'000)	Dec. 2020	Dec. 2019	Changes
Deferred tax assets	97,061	80,112	16,949
Total	**97,061**	**80,112**	**16,949**

This item amounts to € 97,061 thousand at 31 December 2020, compared to € 80,112 thousand at 31 December 2019.

The € 16,949 thousand increase is mainly due to the amounts recognised in the financial statements of the Construction BU (€ 5,957 thousand), TH (€ 302 thousand), SDP (€ 9,988 thousand), and US WIND (€ 453 thousand).

The amounts, for deferred tax assets calculated on tax losses for the previous years, were recognised since, based on the estimated operating performance set out in the 2021 – 2027 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

(amounts in €'000)	Dec. 2020	Dec. 2019	Changes
From others	145,285	123,744	21,541
Total	**145,285**	**123,744**	**21,541**

This item amounts to € 145,285 thousand (31 December 2019: € 123,744 thousand). The € 21,541 thousand increase is essentially attributable to two events:

i. the increase related to SDP (€ 27,964 thousand), mainly due to the recognition of the receivables from the MIMS for the recovery of omitted tariff adjustments as described below;
ii. the decrease referred to the Construction BU (€ 2,578 thousand) is mainly due to the allocation to the bad debt provision (€ 2,873 thousand).

Furthermore, this item includes receivables from related parties (€ 6,099 thousand) arising from transactions carried out on an arm's length basis.
The nominal amounts of trade receivables are adjusted to their estimated realisable value through the bad debt provision which, at 31 December 2020, amounted to € 3,180 thousand.

The bad debt provision changed as follows during the year:

(in €'000)	Dec. 2019	Accruals	Utilisation	Dec. 2020
Provision for bad debts	307	2,873	0	3,180
Total	**307**	**2,873**	**0**	**3,180**

Current financial assets

Description (amounts in €/000)	Dec. 2020	Dec. 2019	Changes
Investments in subsidiaries	25,719	26,574	(855)
Other investments	0	0	0
Other securities	0	0	0
Total	**25,719**	**26,574**	**(855)**

"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.
The decrease (€ 855 thousand) is attributable to the sale by RENEXIA of a share of 95% of its holding in Intersun S.r.l.

Liquid funds

This item, totalling € 123,356 thousand, includes bank and postal accounts of € 122,621 thousand and cash-in-hand and cash equivalents of € 735 thousand.

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

Assets held for sale

(amounts in €'000)	Dec. 2020	Dec. 2019	Changes
Assets held for sale	39,084	44,298	(5,214)
Total	**39,084**	**44,298**	**(5,214)**

(amounts in €'000)	Dec. 2019	Increases	Decreases	Dec. 2020
Assets held for sale	44,298	84	(5,298)	39,084
Total	**44,298**	**84**	**(5,298)**	**39,084**

This caption consists of assets held for sale, specifically land, buildings and industrial areas for a total of € 13,732 thousand and industrial machinery for € 25,352 thousand.

Industrial machinery held for sale includes the HERRENKNECHT S-574 TBM (€ 25,352 thousand), referred to, within the group, by the name "Martina".

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 item includes land, buildings, and industrial areas not deemed necessary for the development of the business and, as a consequence, are destined for sale. These activities are measured at the lower of either the carrying amount or the estimated realisable value, based on its fair value, net of the sale costs.

The decrease in "Tangible fixed assets held for sale", for € 5,298 thousand, refers mainly to the write-down in 2020 in relation to the assessment of the value of the "Martina" TBM for € 2,781 thousand and land, buildings, and industrial areas for € 2,032 thousand.

Prepayments and accrued income

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

The item, whose balance equals € 14,401 thousand (€ 15,244 thousand at 31 December 2019), solely refers to the prepayments.

Prepayments mainly refer to:

- US Wind Inc. for € 5,980 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 € 5,541 thousand.
- TOTO S.p.A. Costruzioni Generali, for € 3,843 thousand;
- Strada dei Parchi S.p.A. for € 3,407 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 € 236,613 thousand (31 December 2019: € 177,893 thousand): it increased by € 58,720 thousand on the previous year-end balance. Details are provided in the tables in annexes 4 and 5 to these consolidated financial statements. The increase is essentially due to the effect of the net profit for the year of € 56,467 thousand (including minority interests) and the change in the hedging reserve recognised by SDP (€ 5,731 thousand).

The group's net equity decreased considerably following the recognition of the hedging reserves at fair value, negative by € 44,685 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)	Dec. 2020	Dec. 2019	Changes
Tax provision	19,746	417	19,329
Derivatives	61,912	69,539	(7,627)
Other provisions	27,479	24,529	2,950
Total	**109,137**	**94,485**	**14,652**

TAX PROVISION

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

The increases during the year (€ 19,329 thousand) are mainly attributable to the recognition in SDP (for € 15,621 thousand) and the Construction BU (for € 3,034 thousand) of deferred tax liabilities relating to the suspended amortisation/depreciation pursuant to the waiver introduced by art. 60, para. 7-bis of Law no. 126 of 13 October 2020.

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 and the fair value assessment of the call option stipulated in the agreement for the sale of the minority share in US WIND by RENEXIA. For more details, reference should be made to the paragraph "Derivatives". The year-end balance refers, for € 61,634 thousand, to the provision recognised by SDP to hedge the interest rate and, for € 278 thousand, to the provision recognised by RENEXIA for the assessment of the call option.

OTHER PROVISIONS

Other provisions amount to € 27,479 thousand compared to € 24,529 thousand at 31 December 2018. The € 2,950 thousand increase is mainly due to the accruals recognised by the Construction BU, SDP and TH.

This item is broken down below for each company:

TOTO Holding S.p.A. (829 thousand)

It includes probable charges related to prior year events which will be incurred in the future.

TOTO S.p.A. Costruzioni Generali (€ 8,892 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 (€ 257 thousand);
- accruals for ten-year post-completion policies (€ 3,022 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;
- the indemnities for the temporary occupation of land claimed by ANAS in relation to the La Spezia contract (€ 1,301 thousand);
- work site disposal costs for € 448 thousand.

APFL (€ 153 thousand)

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

Strada dei Parchi S.p.A. (€ 13,915 thousand)

- *Provision for ANAS release of liability (€ 4,082 thousand - 31 December 2019: € 4,082 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.

- *Provision for restoring and replacing freely transferable assets (€ 8,000 thousand - 31 December 2019: € 7,540 thousand)*
  At 31 December 2020, 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 (€ 1,833 thousand - 31 December 2019: € 681 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. (€ 3,487 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 (€ 203 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:

Company (in €'000)	Dec. 2020	Dec. 2019	Changes
TOTO Holding S.p.A.	405	405	0
TOTO CG (sub-consolidation)	459	462	(3)
Infraengineering S.r.l.	363	341	22
Parchi Global Services S.p.A.	729	578	151
Strada dei Parchi S.p.A.	6,604	7,113	(509)
Toto Real Estate S.r.l.	27	26	1
Avisun S.r.l.	7	6	1
Renexia S.p.A.	138	136	2
Renexia Services S.r.l.	34	30	4
Total	**8,766**	**9,097**	**(331)**

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	Dec. 2020	Dec. 2019	Changes
Bonds	5,333	51,279	58,727	115,339	36,751	78,588
Shareholder loans	0	2,964	0	2,964	1,923	1,041
Bank loans and borrowings	49,436	238,934	156,267	444,637	491,962	(47,325)
Loans and borrowings from other financial backers	163,268	140,528	500,644	804,440	776,141	28,299
Payments on account	28,199	0	0	28,199	30,090	(1,891)
Trade payables	139,415	21,232	0	160,647	150,080	10,567
Payables to subsidiaries	31,007	0	0	31,007	26,768	4,239
Payables to associates	12	0	0	12	34	(22)
Tax payables	68,883	18,375	0	87,258	86,924	334
Social security charges payable	14,066	470	0	14,536	13,395	1,141
Other payables	26,005	1	0	26,006	51,372	(25,366)
Total	**525,624**	**473,783**	**715,638**	**1,715,045**	**1,665,440**	**49,605**

The breakdown of payables by geographical area is shown below:

Payables by geographical area	Bonds	Shareholder loans.	Bank loans and borrowings	Other loans and borrowings	Payments on account	Trade payables	From subsidiaries	From associates	Tax payables	Social security charges payable	From others	Total
Italy		2,964	441,431	774,255	13,553	156,529	31,008	12	87,240	14,515	25,907	1,547,413
EU	115,339		3,206		14,646	2,520			10	21	78	135,820
Non-EU				30,185		1,598			8		21	31,812
Total	**115,339**	**2,964**	**444,637**	**804,440**	**28,199**	**160,647**	**31,008**	**12**	**87,258**	**14,536**	**26,006**	**1,715,045**

BONDS

The bonds equal € 115,339 thousand (€ 36,751 thousand in 2019) and refer to:

- RENEXIA WIND for € 26,645 thousand including the accounts payable to bondholders who underwrote the bond loan issued by the company during 2018. The accounts payable to bondholders within 12 months equal to € 2,033 thousand represents the interest to pay to the bondholders relating to the 2020 financial year, to be paid by March 2021;
- RENEXIA PECH for € 13,300 thousand including the accounts payable to shareholders for the bond loan issued during 2019. The accounts payable to bondholders within 12 months equal to € 3,249 thousand represent the accounts payable for the expiring coupons at 31 December 2020 with deferred payment, according to the agreement with the bondholders in March 2021;
- PECH for € 47,004 thousand for a loan issued on 23 December 2020. The accounts payable includes the interest accrued at 31 December 2020 (€ 51 thousand) to be paid during the 2021 financial year;
- US WIND for € 28,390 thousand in relation to the transaction referred to in the "Significant Events - Financial Transactions" section.

Please refer to the note: "Financial instruments issued by the group" of this document, for a more precise description of the characteristics of the bond loans issued.

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 € 444,637 thousand (31 December 2019: € 491,692 thousand) and decreased significantly by € 47,325 thousand with respect to 31 December 2019.

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

Bank loans and borrowings	Dec. 2020	Dec. 2019	Changes
Asset finance	1,823	7,666	(5,843)
Project finance	401,836	437,045	(35,209)
Self-liquidating loans	21,925	31,700	(9,775)
Corporate debts	19,053	15,551	3,502
Total	**444,637**	**491,962**	**(47,325)**

ASSET FINANCE

"Asset finance" consists of the loans taken out with collateral on owned assets and decreased by € 5,843 thousand; the decrease was due to:

- the Construction BU for € 5,650 thousand.
- TOTO RE for € 193 thousand.

Part of the loans are assisted by collateral on properties belonging to the group.

PROJECT FINANCE

The "Project Finance" loans decreased by € 35,209 thousand as a result of the repayment of the annual share of the (no recourse) loan granted in 2011 to SDP by a pool of national and international banks.

SELF-LIQUIDATING LOANS

"Self-liquidating loans" decreased by € 9,775 thousand from € 31,700 thousand at 31 December 2019 to € 21,925 thousand at 31 December 2020. The decrease is due to:

- decreases recorded by RENEXIA SERVICES for € 8,135 thousand;
- decreases in the loans used by TOTO CG (advances on work progress reports/internal situation reports and contract advances) for € 1,218 thousand;
- decreases recorded by PGS for € 422 thousand.

CORPORATE

"Corporate" loans increased by € 3,502 thousand from € 15,551 thousand at 31 December 2018 to € 19,053 thousand at 31 December 2020. The decrease is mainly due to:

- decreases (for € 3,752 thousand) for the Construction BU loan repayments;
- increases (for € 5,016 thousand) recorded by PGS and (for € 2,244 thousand) by INFRA as a result of entering into new financing contracts.

LOANS AND BORROWINGS FROM OTHER FINANCIAL BACKERS

This item, amounting to € 804,440 thousand (31 December 2019: € 776,141 thousand) increased by € 28,299 thousand on the previous year end.

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

Loans and borrowings from other financial backers	Dec. 2020	Dec. 2019	Changes
Asset finance (leased assets)	5,006	4,577	429
Securitisation (TOTO CG)	18,914	17,391	1,523
Corporate (US Wind wind farm)	1,795	2,225	(430)
Advances	14,700	14,478	222
Payable to the grantor	764,025	737,470	26,555
Total	**804,440**	**776,141**	**28,299**

LEASED ASSETS

Lease liabilities, amounting to € 5,006 thousand, are attributable to the BU CG (€ 3,050 thousand), SDP (€ 129 thousand), TH (€ 449 thousand), Renexia S.p.A. (€ 113 thousand), PGS (€ 1,265 thousand), and SDP (€ 129 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 € 1,523 thousand increase in the year reflects interest and ancillary charges due as at 31 December 2020. 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 € 1,795 thousand and refers to the loan granted by the State of Maryland to support 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 € 764,025 thousand refers to SDP and consists of:

- the payable due to the grantor (€ 748,814 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	Dec. 2019	Payments	Decreases	Increases	Dec. 2020
Residual amount due for Concession Fee deferment	407,495				407,495
Interest on the Concession Fee	88,923			26,433	115,356
Suspension under article 52 quinques of Law decree no. 50/17	111,719				111,719
Suspension under Law decree no. 123 of 24 October 2019	111,719				111,719
Legal interest on the suspension under article 52 quinques of Law decree no. 50/17	2,403			122	2,525
Guarantee fund	15,211				15,211
Total	**737,470**	**0**	**0**	**26,555**	**764,025**

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

PAYMENTS ON ACCOUNT

"Payments on account" (€ 28,199 thousand) mainly include contract advances billed to TOTO CG customers (€ 22,452 thousand) in respect of contracts under way.

TRADE PAYABLES

Trade payables amount to € 160,647 thousand (31 December 2019: € 150,080 thousand) and increased by € 10,567 thousand on the previous year end.

PAYABLES TO SUBSIDIARIES

Payables to subsidiaries amount to € 31,007 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. Beleolico S.r.l., though belonging to the group, is not consolidated since it is currently being sold. In any case, at the end of June 2021, the group management amended its strategic plans, deciding to keep Beleolico S.r.l. in its investments portfolio. This decision led to the rejection of offers that came from potentially interested parties. Given this, during 2021, Beleolico S.r.l. will be consolidated.

PAYABLES TO ASSOCIATES

The payables to associated amount to € 12 thousand.

TAX PAYABLES

This item amounted to € 87,258 thousand (€ 86,924 thousand in 2019).

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

SOCIAL SECURITY CHARGES PAYABLE

This item amounted to € 14,536 thousand (€ 13,395 thousand in 2019).

The item includes amounts to be paid to social security organisations (INPS, INAIL, Casse Edili, and supplementary pension schemes) for contributions matured in the financial year and the instalments paid for contributions owing and not paid by some group companies.

OTHER PAYABLES

During 2020, this item decreased from € 51,372 thousand at 31 December 2019 to € 26,005 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.
The decrease (€ 25,366 thousand) compared to the previous financial year is mainly owing to:

- TH's repayment of CAI for a total of €14,033 thousand based on the agreements signed between the parties;
- RENEXIA'S payment of INFRA of the members' dividends resolved upon in the previous financial years: RENEXIA for a total of €12,525 thousand, INFRA for a total of €1,140 thousand.

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

- SDP for € 16,977 thousand;
- TH for € 1,776 thousand;
- the Construction BU for € 4,145 thousand.

Accrued expenses and deferred income

(€'000)	Dec. 2020	Dec. 2019	Changes
Accrued expenses and deferred income	3,096	2,610	486
Total	**3,096**	**2,610**	**486**

These are recognised on an accruals basis.

Notes to the profit and loss account

Production revenues

The breakdown of production revenues for 2020 is as follows:

(amounts in €'000)	2020	2019	Changes
Turnover from sales and services	221,560	266,670	(45,110)
Change in work in progress	(167)	(3,008)	2,841
Change in contract work in progress	13,279	20,077	(6,798)
Internal work capitalised	42,949	77,455	(34,506)
Other revenues and income	2,873	17,062	(14,189)
Total	**280,494**	**378,256**	**(97,762)**

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)	2020	2019	Changes
Work tender and design services (**)	70,261	112,090	(41,829)
Motorway concession revenues	168,315	209,204	(40,889)
Revenues for engineering services (**)	7,315	3,449	3,866
Revenues from the energy sector (**)	10,222	11,064	(842)
Other (**)	1,408	1,563	(155)
Sub-total	**257,521**	**337,370**	**(79,849)**
(**) of which Work tender services provided to group companies	(35,961)	(70,700)	34,739
Total turnover from sales and services	**221,560**	**266,670**	**(45,110)**

As shown in the table, € 35,961 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	69,087	**69,087**
EU	1,174	**1,174**
Non-EU	0	**0**
Total	**70,261**	**70,261**

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 2020 is as follows:

(amounts in €'000)	2020	2019	Changes
Raw materials, consumables, supplies and goods	34,420	51,470	(17,050)
Services	52,659	68,261	(15,602)
Use of third party assets	12,327	21,363	(9,036)
Personnel expenses	85,483	87,031	(1,548)
Amortisation/depreciation and write-downs	17,677	60,750	(43,073)
Change in raw materials, consumables, supplies and goods	2,371	(2,370)	4,741
Provisions for risks	1,603	350	1,253
Other provisions	2,205	1,159	1,046
Other operating costs	23,564	45,353	(21,789)
Total	**232,309**	**333,367**	**(101,058)**

Raw materials, consumables, supplies and goods

This item amounts to € 34,420 thousand and decreased by € 17,050 thousand compared to the previous year.

The following purchases had a particular impact:

- raw materials for € 21,328 thousand;
- consumables for € 7,228 thousand;
- maintenance materials for € 980 thousand;
- fuel and lubricants for € 4,018 thousand.

Services

These amount to € 52,659 thousand. This item includes, among other things, external processing and industrial services costs (€ 6,620 thousand), technical consultancy costs (€ 6,789 thousand), electricity costs (€ 3,713 thousand), sundry insurance costs (€ 7,392 thousand) and consultancy and legal fees (€ 8,666 thousand).

Use of third party assets

This item amounts to € 12,327 thousand and comprises lease payments for administrative offices, software rental fees and user licences and miscellaneous fees.

Personnel expenses

This item amounts to € 85,483 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 (€ 1,952 thousand)

This item went from € 55,826 thousand in 2019 to € 1,952 thousand in 2019.

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 € 589 thousand (for assets used by TH, Renexia S.p.A. and PGS).

The significant reduction for the financial year (€ 53,874 thousand) is caused by the choice of some group companies to suspend the recognition of the amortisation/depreciation for the 2020 financial year. The group, as already illustrated in the "Waivers" and "2020 Amortisation/Depreciation" sections of this document, made use, for the SDP, TOTO CG, TOTO TECH, and CEFALU' companies, of the right to waive art. 2426, first para., point 2, of the Italian Civil Code, as set forth in art. 60, para. 7-*bis* of Law 126/2020 dated 13 October 2020, disregarding art. 2426, para. 1.2 of OIC 16 and para. 56. The group, therefore, for the companies listed above, did not depreciate the cost of the tangible and intangible fixed assets, maintaining the carrying amount thus as it appeared in the last annual financial statements regularly approved, relating to the financial year that ended on 31 December 2019.

Write-downs (€ 15,725 thousand)

These comprise:

Other write-downs (item B10c) - € 12,337 thousand mainly related to the write-downs recognised:

- for € 10,587 thousand in the Construction BU financial statements. This balance includes (i) the write-down performed on TMB Martina, intended for sale (€ 2,781 thousand), (ii) the write-down of some assets intended for sale (€ 2,032 thousand) and (iii) the write-down of some fixed assets (€ 5,289 thousand);
- for € 1.407 thousand in the financial statements of TOTO RE.

Write-downs of current receivables (item B10d) – € 3,388 thousand: the main accruals of the total balance are those recognised by the Construction BU (€ 2,864 thousand) and by SDP (€ 524 thousand) in a specific bad debt provision of current receivables.

Provisions for risks

This item amounts to € 1,603 thousand. The end-of-year balance mainly refers to the allocations made by SDP to cope with the risks identified.

Other provisions

This item amounts to € 2,205 thousand and comprises:

- allocations of TOTO CG for € 1,407, including € 106 thousand relating to the adjustment of the provision for work site disposal costs and for € 1,301 thousand relating to other charges required by ANAS in relation to the La Spezia contract;
- SDP's accrual of € 798 thousand, entirely related to the provision for restoration and replacement;

Financial income and charges

The item is broken down as follows:

(in €'000)	2020	2019	Changes
Income from equity investments	80,248	143	80,105
Other financial income	1,881	1,877	4
Interest and other financial charges	(70,669)	(71,560)	891
Net exchange rate gains (losses)	(1,680)	(21)	(1,659)
Total	**9,780**	**(69,561)**	**79,341**

The income from equity investments for the financial year amount to € 80,248 thousand and refer to the gains realised by RENEXIA for the sale of a minority share in the subsidiary USD WIND Inc., as described in the "Significant events of the year - Financial transactions" section in this document.

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

Interest and other financial charges totalling € 70,669 thousand relate to:

(amounts in €'000)	2020	2019	Changes
Banks	(30,665)	(32,048)	1,383
From others	(40,004)	(39,512)	(492)
Total	**(70,669)**	**(71,560)**	**891**

The interest and charges owed banks are mainly attributable to SDP (€ 27,553 thousand) and refer, for € 10,668 thousand to interest expenses on loans used, for € 15,645 thousand to Interest Rate Swap contracts, and for € 1,238 thousand to interest and fees on advances and assignment of debts and performance bonds.

Interest and charges to others essentially relate to interest expenses accrued in relation to the grantor on the extension of the payment of the concession fee and the former SARA loans of SDP (€ 26,839 thousand).

Adjustments to financial assets

(€'000)	2020	2019	Changes
Write-backs	10	97	(87)
Write-downs	(537)	(984)	447
Total	**(527)**	**(887)**	**360**

The "Write-down" item (€ 537 thousand) includes the (negative) fair value assessment for € 278 thousand of the call option held in the context of the transaction to sell a minority share in US Wind Inc.. The end-of-year balance includes, in addition, the write-down, for € 258 thousand recorded in the sub-consolidated of the Construction BU in reference to the assessment of the equity investment in INTERMODALE made on the basis of the net worth method.

Income taxes for the year

(in €'000)	2020	2019	Changes
Current taxes:	*2,590*	*2,618*	*(28)*
IRES	947	(1,609)	2,556
IRAP	1,643	4,227	(2,584)
Change in deferred tax liabilities (assets) and prior year taxes:	*(1,583)*	*(6,542)*	*4,959*
IRES	(942)	(6,032)	5,090
IRAP	(641)	(510)	(131)
Net income (expense) due to tax consolidation	*(36)*	*174*	*(210)*
Total	**971**	**(3,750)**	**4,721**

Other information

Off-balance sheet commitments, guarantees and contingent liabilities

(amounts in €'000)	Dec. 2020	Dec. 2019	Changes
Commitments	497,009	646,431	(149,422)
Risks	122,449	57,706	64,743
Other	284,506	170,161	114,345
Total	**903,964**	**874,298**	**29,666**

The breakdown by company is as follows:

(amounts in €'000)	TOTO Holding	TOTO CG	RENEXIA	SDP	TOTAL
Commitments	3,895	493,114		0	497,009
Risks	26,453		75,996	20,000	122,449
Other	157,749	126,757		0	284,506
Total	**188,097**	**619,871**	**75,996**	**20,000**	**903,964**

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

TOTO Holding S.p.A.

Commitments (€ 3,895 thousand)

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 (€ 26,453 thousand)

They include the guarantees given by TH to third parties. The balance consists of those granted to the buyer of Monteboli S.p.A. (€ 27,057 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 (€ 157,749 thousand)

They represent sureties given to investors, in the interest of group companies in relation to underwritten financial transactions.

TOTO S.p.A. Costruzioni Generali

Commitments (€ 493,114 thousand)

These are the contractual commitments to customers related to work that at 31 December 2020 is not yet performed at the reporting date ("Order book").

Other (€ 126,757 thousand)

- Insurance sureties totalling € 117,345 thousand (so-called Definitive) and bank sureties totalling € 3,270 thousand (so-called Performance bond) given to customers to guarantee the performance of works.
- Insurance sureties provided to customers as release of guarantee withholdings on work totalling € 2,659 thousand;
- Insurance sureties as a guarantee for various contractual commitments totalling € 3,483 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 (€ 75.996 thousand)

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

- € 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 on "Other risks";
- € 2,135 thousand, equal to the amount at 31 December 2020 of the surety issued by the Company in favour of the subsidiary US WIND Inc. as a guarantee for the loan granted thereto by the Maryland Energy Administration;
- € 4,971 to US Wind Inc. subsidiaries and Renexia Services S.r.l.;
- € 1,769 thousand related to the Company's joint liability with the subsidiary Renexia Wind Offshore S.p.A. for payment of the residual portion of the sale price of the investment in Beleolico S.r.l.;
- € 45.0 million related to the guarantee for Beleolico S.r.l. as part of the debt rescheduling transaction, as reported in the section on "Significant events in the year" in the management report.

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	1,938
Board of Statutory Auditors	587
Total	**2,525**

Independent auditors' fees

Pursuant to article 2427.16-bis of the Italian Civil Code, it is noted that the 2020 fees for the independent auditors and the network companies to the Group amount to € 174 thousand and are entirely related to the statutory audit of the financial statements.

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)	Dec. 2020	Within one year	Due after one year
Shareholder loans	2,964	0	2,964

Details are provided below of transactions with associates:

Company (amounts in €/000)	Loan Assets	Trade Receivables	Loans and borrowings	Trade payables	Financial revenues/income
San Benedetto Val di S. Scarl	3		3	7	
Intermodale srl	5,014	214			81
Novigal scarl	2		2		
Total	**5,019**	**214**	**5**	**7**	**81**

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.

Parco Eolico Casalduni House S.r.l.

Parco Eolico Casalduni House S.r.l. issued a bond loan for an overall sum as capital of € 49.1 million, placed with institutional investors. The bond loan comprises dematerialised securities listed on the Extra Mot Pro market managed by the Borsa Italiana S.p.A. Bonds were issued at a price equal to 100% of their nominal amount. The securities representing the bond loan will be repaid beginning from 31 December 2022 for an initial amount of € 786 thousand and successive quarterly repayments (expiry dates on 31 December and 30 June) for variable amounts until 30 June 2029. The remaining balance, equal to 35.5 million, will be paid in a single instalment on 31 December 2029. The securities will pay coupons for 75% at an annual rate of 4.95% and for the remaining 25% at a rate equal to the 6-month EURIBOR (with a floor of 0%) plus a margin of 4.75%. The interest is to be paid early, on a quarterly basis beginning on 31 June 2021.

The bond loan was issued in one tranche on 24 December 2020.

Fair value of derivatives

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

Renexia S.p.A.

Pursuant to art. 2427-bis, first para., no. 1, of the Italian Civil Code, it should be noted that Renexia S.p.A., in August of the 2020 financial year, signed, with Apollo, as described in the “Significant Events - Energy BU -

United States" section, at the same time as the sale agreement for 20% of the shares in the subsidiary US Wind Inc. (for a value of USD 100 million), an additional contract called "Put Call Option Agreement". Based on this agreement, the parties defined the following share options:

- a Put Option that grants Apollo the right to sell to RENEXIA the 20% of shares that are the subject of the sale at a certain price (put strike) that ensures an agreed yield; this right can be exercised for a definite period of time, today identified as between March 2022 and April 2022;
- a Call Option that gives RENEXIA, at any time and until August 2025, the right to purchase all the shares referred to in the sale for a certain price based on the initial price paid by Apollo to RENEXIA to which a multiplier is applied that varies each year from 2021 to 2025.

For the calculation of the fair value of the above-mentioned financial instruments, given the characteristics of these, RENEXIA, with the support of expert sector consultants, used the so-called "Monte Carlo" simulation method using the following evaluation steps:

(i) the time period in which they are expected to be able to exercise the Put and Call options described was circumscribed;

(ii) the (Monte Carlo) simulations were performed on the reference date 31 December 2020, through one million interactions with the so-called geometric Brownian motion based on two possible scenarios: the first in which it is hypothesised that there are no changes in price of the US Wind Inc. shares from August 2020 to December 2020 ("Scenario A"); the second assuming that the increase in value of the US Wind Inc. shares is calculated based on a reasonable growth rate ("Scenario B");

(iii) in light of what is described the fair value at 31 December 2020 of the Put and Call options was calculated as an average value obtained from the million interactions performed with the Monte Carlo method and equalled $ 341,581.00 (negative), which at the end-of-year exchange rate amounts to € 278,364.44. RENEXIA accounted for this value, as laid out in the accounting principles (OIC 32), in the profit and loss account in the special item: "D 19) Adjustments to financial assets and liabilities - write-downs" with the offsetting item of the provision for risks and charges in item "B) 3) Derivatives classified as liabilities".

In the table that follows, the main information relating to the financial instruments described is summarised.

Type	Underlying variable	Fair Value Positive (Negative)	
€		31 December 2020	31 December 2019
Purchase / Sales Options (Call / Put)	Shares (US Wind Inc.)	(278,364)	0

US Wind Inc.

As described in the "Significant Events - Financial Transactions" and "2020 Bond Issue - US Wind Inc." sections, US WIND, in August 2020 issued guaranteed bonds ("**Bonds**" or "**Notes**") of USD 40 million ("**Initial Notes**") and authorised the issuing and sale of an additional USD 125 million by 31 December 2021 for an overall value of USD 165 million. The subscriber with whom this contract ("**NPA**") was signed is the American private equity fund Apollo Global Management ("**Apollo**").

The NPA includes, in addition, an option, which can be exercised by US WIND at any time, for the early partial payment (for no less than 10%) or the total of the residual nominal value of the securities. Should the option be exercised, US WIND will pay Apollo, (i) the nominal amount of the securities, plus (ii) capitalised PIK interest, (iii) the commitment fees and (iv) the so-called "Make Whole" defined as the difference between:

- 35% of the nominal amount of the repaid bonds;
- and the total amount of the interest and commitment fees accrued up until that time.

US WIND evaluated the option of early payment, concluding that its fair value can be considered equal to zero both at the date of issuing the bonds (August 2020) and at 31 December 2020, since US WIND will never have the financial means to exercise this option.

Again in August 2020, US WIND and RENEXIA signed a "Debt Call Option" contract with Apollo which will only be exercisable after the Marwin I closing and, in case of its being exercised, could lead to the conversion in shares, by US WIND, of the Bond's residual notional balance.

In particular, the "Debt Call Option" contract includes:

d) A primary call option exercisable by Apollo should the Marwin I closing occur before the expiry date envisaged for reimbursement (31 July 2025). The exercise of the option will entail the conversion of the outstanding part of the securities into US WIND shares at the fair market value of US WIND shares inferred at that date.

e) A secondary call option exercisable by Apollo should the Marwin I closing occur after the complete repayment of the debt. The exercise of the secondary option would entail the purchase of 25% of the shares issued and outstanding of US WIND at their fair value.

f) A blocking option, which can be exercised by Renexia to block the exercise of any of the call options. Renexia's exercise of the blocking option would cost US Wind a fee equal to an increase of 2% of the interest rate at the time of the option's exercise and for the remaining life of the bonds.

Apollo can only exercise one call option pursuant to the "Debt Call Option" contract and if this call option is the primary option or the secondary option it will be calculated from the Marwin I closing date.

As of 31 December 2020, US WIND estimated that the fair value of the options mentioned above is equal to zero since the price of exercise is equal to the fair market value of the underlying shares at that time and the separation of the call option (embedded derivative) has no effect on the financial statements.

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 at 31 December 2020: € 349,200 thousand;
    f. underlying financial risk: interest rate risk (libor);
    g. fair value of the derivative: € (61,634 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: 03 December 2020
    a. contract end date: 31 December 2024
    b. purpose: hedging;
    c. notional amount at 31 December 2020: € 25,235,648
    d. underlying financial risk: interest rate risk;
    e. fair value of the derivative: € (3,325,450.27);
    f. 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 2020, the fair value of these 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.

Renexia S.p.A.

Pursuant to art. 2427, first para., no. 18 and 19, of the Italian Civil Code, it should be noted that RENEXIA, as already indicated in the previous paragraph, underwrote the following options on the shares of the subsidiary US Wind Inc.:

- a sales option (Put) that grants Apollo the right to sell to RENEXIA 20% of the shares that are the subject of the sale as defined in the "Significant events of the year - United States" section;
- a purchase option (Call) that grants RENEXIA the right to purchase all the shares of the subsidiary US Wind Inc. referred to in the sale.

All the characteristics, with the indication of the rights that the options confer, are included in the previous paragraph.

Off-balance sheet transactions

There are no off-balance sheet transactions which may have a significant impact on the parent's financial position, consolidated financial performance and cash flows pursuant to article 2427.22-ter of the Italian Civil Code.

Significant events after the reporting date

The main facts and events that have characterised the group basically concern:

A) the Concessions BU and, in particular:
    1) Updating the BP
    2) Relations with ANAS S.p.A.
B) the Energy BU, particularly for US WIND.

Concessions BU

1) Updating the BP

On 05 May 2021, with note no. 8712/2021, SDP sent to the attention of the acting commissioner, Sergio Fiorentino, its own proposal for updating and reviewing the Business Plan of the A24 and A25 motorway network

concession. The document was drafted also appropriate considering the indications received by the special commissioner pursuant to art. 206 of Decree Law no. 34 of 19 May 2020 converted into Law no. 77 of 17 July 2020. SDP's BP proposal includes an investment of € 2.1 billion and represents just a part of the commitment necessary to update the infrastructure: a project of an overall € 6.5 billion to be implemented in two stages, the first of which is worth approximately € 5.2 billion, to be completed by the end of 2030, the expiry date for the current concession granted to SDP, and which will basically realise the objectives of Law 228/2021. The BP presented by SDP is based on feasible assumptions and on the use of levers provided for by current national and EU legislation, capable of ensuring the realisation of investments set forth in the above-mentioned law and, at the same time, the economic and financial balance of the concession and the application of sustainable rates for the user. The competent administrations have, thus, launched their own investigation activities, downstream of which the update and review process should reasonably be completed by the end of 2021. The works that will not be covered by the BP will be funded with state contributions already identified (€ 2.0 billion), supplemented by the funds provided for by Italy's National Recovery and Resilience Plan, which, in the "Safe Roads" chapter, identified an amount of € 1 billion for the implementation of a dynamic monitoring system for the remote control of bridges, viaducts, and tunnels on the A24 and A25 motorways. The PNRR underlines that these are works that can begin immediately, for which it envisages extraordinary safety works and the instalment of an advanced sensor and digital information management system for monitoring the works, strengthening their resilience and safety. On 3 June 2021, SDP forwarded a new version of the BP to the acting commissioner. On 5 July 2021, the acting commissioner sent a letter to the DIPE, and copied it to the MIMS and to the MEF, concerning: "Acting commissioner's statement for the approval of the BP relating to the A24 and A25 concession". The acting commissioner, the state lawyer Sergio Fiorentino, after an especially detailed description of the reference regulations, highlighted how the "acting commissioner has [already] defined the general programme for upgrading the motorway sections, reserving a series of well defined works for the BP [of SDP]". The acting commissioner continues, writing that, "notwithstanding all the checks on the BP balance parameters, and on the compatibility of the related conditions with EU law, which will need to be performed and formalised by the competent ministerial offices, it is the unavoidable duty of the undersigned, as the acting commissioner, to ask that the review of a new BP be included in the CIPESS agenda".

2) Relations with ANAS S.p.A.

SDP is obliged to pay ANAS SpA four types of fees: a) the annual concession fee referred to in art. 3.0 (a) of the Single Agreement of € 55.8 million, in addition to VAT; b) the concession fee on tolls referred to in art. 14 of the Single Agreement, owed pursuant to art. 1, para. 1020, of Law 296/2006; c) the supplement of the concession fee on tolls pursuant to art. 19, para. 9-bis, of Law 102/2009; d) the repayment of the Central Guarantee Fund as set forth in art. 5-ter of the Single Agreement and in Annex E of the same. Since, as a result of the constitutional court ruling no. 181 of 5 June 2019, SDP is justified in compensating its accounts payable to ANAS Spa, as the party indicated (delegated) by the Ministry under art. 1188 of the Italian Civil Code, with the receivables from the Grantor, the operator has suspended payments owed pending the definition of a potential compensation with its own credit items. ANAS SpA obtained, on 17 November 2020, the enforcement of a court order for payment of € 29.1 million.

Despite SDP's opposition, ANAS issued three writs of seizure with third parties at the credit institutions where SDP has its own current accounts, blocking the amounts present in the current accounts (for more detail on the subject of the court order for payment, please refer to the Civil Court of Rome Dispute section, General Register

no. 75938/2019). As a result of an agreement reached with ANAS, on 4 May 2021, in response to the creditor's waiver of the seizures, the operator made payments of € 29.1 million plus interest. On 27 October 2020, ANAS Spa obtained a court order for payment (without enforcement) of € 82.6 million that SDP opposed (for more details on the subject of the court order for payment, please refer to the "Dispute" section, Civil Court of Rome, General Register no. 47339/2020). On 15 July 2021, an additional court order for payment was issued (also without enforcement) of € 79.4 million, which SDP will oppose. As can be seen from the table below, the amount claimed by ANAS based on the non-enforceable court orders for payment amount to € 157.4 million, of which € 124.3 million refer to the concession instalments.

Energy BU - US WIND

On 26 February 2021 and 31 March 2021, US Wind issued, respectively, bonds for USD 20 million and USD 22 million guaranteed at the rate of 13.5%.

On 7 April 2021, US WIND founded the subsidiary Marwin II LLC ("**Marwin II**"), a US company with the purpose of participating in a new Offshorewind Renewable Energy Credit ("**OREC**") auction. On 19 June 2021, Marwin II submitted the OREC application to the Public Service Commission of Maryland.

On 24 May 2021, US WIND founded a Delaware company called USWindNJJ LLC ("SPV"**SPV**"), wholly owned by US WIND and to which US WIND assigned the right to collect the Earnouts relating to the New Jersey lease sales contract, the latter transaction being concluded in 2018 with EDF. On 25 May 2021, US WIND and the Citrine Beech LLC company, the latter owned by King Street's Capital Management LP, entered into a contract "*Equity Contribution and Membership Interest Purchase Agreement*", based on which Citrine Beech LLC accepted paying a grant related to assets of USD 50,000 to USWindNJJ LLC, thus obtaining a holding in SPV. Based on this contract, in addition, Citrine Beech LLC purchased from US WIND additional shares in SPV to the tune of USD 49.95 million. As a result of the closure of this transaction, US WIND distributed a dividend amounting to USD 35 million exclusively to RENEXIA pursuant to the August 2020 contract between RENEXIA and Apollo based on which the latter does not have rights to Earnouts for the lease sale in New Jersey. The distribution was made with the agreement of the Board of Directors of US Wind, dated 25 May 2021.

On 30 June 2021, the New Jersey Board of Public Utilities granted an incentivising fee for the development of 1,510 Megawatt (MW) to Atlantic Shores Offshore Wind LLC (counterpart that purchased the New Jersey Lease from US Wind - an EDF group company). This event gives the right to payment of approximately 24 million dollars.

Business outlook

Based on what was described in the sections relating to "Significant events of the year" in the Management report, to "Ability to continue as a going concern" and to "Significant events after the balance sheet date" present in this document, the directors believe that, based on the actions reflected in the 2021-2027 Business Plan, the Group will be able to manage and overcome this particular period, which is still defined by the effects of the Covid-19 pandemic. The vaccination campaign, now under way, is producing the first effects mitigating hospitalisations and deaths, though the resistance of a part of the population to being vaccinated is causing infections to spread again and this could have an effect on government choices in the next few months. From information available today, it is, however, difficult to imagine new closures and particularly onerous restrictions, especially for the national economic fabric. In this context, the Directors will monitor the situation and apply all the corrective actions necessary in respect of those that are currently planned.

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
PARENT									
Toto Holding S.p.A.	Chieti	Italy	Holding	€	100,000,000	-	-	-	
SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS									
Alitec S.p.A.	Chieti	Italy	Real estate	€	45,000,000	100.00%	4.46%	95.54%	Toto S.p.A. Costruzioni Generali
Ambra S.r.l.	Chieti	Italy	Construction	€	6,900,000	98.55%	-	98.55%	Toto S.p.A. Costruzioni Generali
AP Fleet Limited	Dublin	Ireland	Aircraft Hire and Sale	US dollar	12,000,000	100.00%	100.00%	-	
Avisun 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	Tunisian dinar	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 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	64.08%	-	80.00%	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
ASSOCIATES CONSOLIDATED USING THE EQUITY METHOD									
Associates									
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 EXCLUDED SUBSIDIARY COMPANIES

Company	Registered office	Country	Business	Currency	Subscribed share/quota capital	% of share/quota capital held	% direct	% indirect	Indirect investments
SUBSIDIARIES AND ASSOCIATES EXCLUDED FROM THE SCOPE OF CONSOLIDATION (OIC 17)									
Beleolico S.r.l.	Chieti	Italy	Energy sector	€	8,000,000	80.10%	-	100.00%	Renexia Wind Offshore S.p.A.

These companies were not consolidated since they are companies intended for sale

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%	5,187,517	(79,949)	5,187,517	25,672,143

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
INVESTMENTS RECOGNISED AT COST									
Other investments									
Intersun S.r.l.	Chieti	Italy	Energy sector	€	30,000	0.04%	-	5.00%	Renexia S.p.A.
Compagnia Aerea Italiana S.p.A.	Rome	Italy	Air transport	€	3,526,846	0.04%	0.04%	-	
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
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	8.15%	8.15%	-	

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
NET EQUITY AND NET PROFIT OF TOTO HOLDING S.p.A. AT 30 June 2020	**339,424**	**10,864**
Elimination of investments	(122,155)	43,259
Goodwill arising on consolidation (SDP concession)	27,424	(364)
Translation reserve	10,808	0
Elimination of dividends	0	(10,557)
Other consolidation adjustments (e.g. IAS 17)	(137)	22
Write-down Authorisations Indaco and Volere Volare 2019	0	0
Cash flow hedging reserve	(44,685)	0
NET EQUITY AND NET LOSS ATTRIBUTABLE TO THE GROUP AT 31 December 2020	**210,679**	**43,224**
Net equity and net profit - minority interests	26,194	13,244
CONSOLIDATED NET EQUITY AND NET LOSS AT 31 December 2020	**236,873**	**56,468**

ANNEX 5 - STATEMENT OF CHANGES IN THE GROUP'S CONSOLIDATED SHAREHOLDERS' 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
Opening balance 01/01/20	**100,000,000**	**2,399,035**	**242,485,940**	**17,560,599**	**379**	**9,752,178**	**(50,415,535)**	**(141,679,143)**	**(23,684,867)**	**156,418,586**
Changes for the year:										
Opening and consolidation entries						(9,752,178)	50,415,535	4,148,700		44,812,057
Alloc. of prior year net loss		2,449,672			(379)			(18,191,160)	15,741,867	0
Distribution of Profits 2019								(7,943,000)	7,943,000	0
Effect of translating the financial statements of foreign operations						10,807,924				10,807,924
Effect of IAS 17								(158,205)		(158,205)
Hedging reserve							(44,684,736)			(44,684,736)
Net profit for the year									43,223,708	43,223,708
Closing balance 31/12/20	**100,000,000**	**4,848,707**	**242,485,940**	**17,560,599**	**0**	**10,807,924**	**(44,684,736)**	**(163,822,808)**	**43,223,708**	**210,419,335**

Chairman of the Board of Directors

Paolo TOTO

INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH ARTICLE 14 OF
LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

TOTO HOLDING SPA

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2020

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the Toto Holding Group (the Group), which comprise the balance sheet as of 31 December 2020, 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 Toto Holding SpA as of 31 December 2020, 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 38-quater of Law Decree no. 34 of 19 May 2020 ("Relaunch Decree"), as converted with amendments by Law no. 77 of 17 July 2020, already provided for in article 7 of Law Decree no. 23 of 8 April 2020 ("Liquidity Decree"), converted by Law no. 40 of 5 June 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 the provisions of article 38-quater of the Relaunch Decree, already provided for in article 7 of the Liquidity Decree and material uncertainties related to going-concern

We draw attention to paragraph "Waivers" of the notes to the financial statements reporting that the Directors have drawn up the consolidated financial statements under the going-concern assumption exercising the power of derogation provided for in article 38-quater of the Relaunch Decree. For the purpose of exercising the aforesaid power, and consistently with the instructions contained in the Interpretative Document no. 8 of the Italian

Sede legale: **Milano** 20145 Piazza Tre Torri 2 Tel. 02 77851 Fax 02 7785240 Capitale Sociale Euro 6.890.000,00 i.v. C.F. e P.IVA e Reg. Imprese Milano Monza Brianza Lodi 12979880155 Iscritta al n° 119644 del Registro dei Revisori Legali - Altri Uffici: **Ancona** 60131 Via Sandro Totti 1 Tel. 071 2132311 - **Bari** 70122 Via Abate Gimma 72 Tel. 080 5640211 - **Bergamo** 24121 Largo Belotti 5 Tel. 035 229691 - **Bologna** 40126 Via Angelo Finelli 8 Tel. 051 6186211 - **Brescia** 25121 Viale Duca d'Aosta 28 Tel. 030 3697501 - **Catania** 95129 Corso Italia 302 Tel. 095 7532311 - **Firenze** 50121 Viale Gramsci 15 Tel. 055 2482811 - **Genova** 16121 Piazza Piccapietra 9 Tel. 010 29041 - **Napoli** 80121 Via dei Mille 16 Tel. 081 36181 - **Padova** 35138 Via Vicenza 4 Tel. 049 873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091 349737 - **Parma** 43121 Viale Tanara 20/A Tel. 0521 275911 - **Pescara** 65127 Piazza Ettore Troilo 8 Tel. 085 4545711 - **Roma** 00154 Largo Fochetti 29 Tel. 06 570251 - **Torino** 10122 Corso Palestro 10 Tel. 011 556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461 237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422 696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 040 3480781 - **Udine** 33100 Via Poscolle 43 Tel. 0432 25789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332 285039 - **Verona** 37135 Via Francia 21/C Tel. 045 8263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444 393311

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Accounting Board (OIC), the Directors point out they considered that the going-concern assumption did apply to the financial statements at 31 December 2019 pursuant to paragraph 22 of Italian Accounting Standard OIC 11 and to article 7 of the Liquidity Decree in force at the time.

In the same paragraph, the Directors provided information updated to the date of preparation of the financial statements about their evaluation on the existence of the going-concern assumption, also showing the risk factors, mainly regarding the subsidiaries, due to the government restrictions, which stopped or reduced their operations, the assumptions made, the material uncertainties identified linked to the time for the settlement of the agreement between ANAS and Strada dei Parchi or to a different regulatory solution, or to the possibility of using the government measures 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.

Emphasis of matter

In its consolidated financial statements for the year ended 31 December 2020, the Company exercised the right not to depreciate/amortise certain tangible and intangible assets as permitted by Law no. 126 of 13 October 2020 converting with amendments Law Decree no. 104 of 14 August 2020.

The reasons which led the Company to adopt such derogation, the assets concerned and the amount of undepreciated/unamortised assets, as well as the related impacts on the balance sheet and profit and loss are described in the notes to the financial statements in paragraph “Intangible Fixed Assets and Tangible Fixed Assets".

Our opinion is not qualified with respect to this matter.

Other matters – Application of the auditing standard ISA Italia 570

As set forth in the paragraph above, the Directors provided up-to-date information about their evaluation of the going concern in the notes to the consolidated financial statements, as required by paragraph 10 of the Interpretative Document no. 8 of the Italian Accounting Board (OIC).

Consequently, in the application of the auditing standard ISA Italia 570 “Going-concern” on the financial statements as at 31 December 2020, account was taken only of the disclosures provided by the Directors with reference to the going-concern assumption.

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 the Group 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 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.

Report on Compliance with other Laws and Regulations

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 Toto Holding SpA as of 31 December 2020, 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 Toto Holding SpA as of 31 December 2020 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of Toto Holding SpA as of 31 December 2020 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, 13 August 2021

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.

Viale Abruzzo, 410 – 66100 Chieti – Italy

Tel. +39 0871 58741 – Fax +39 0871 5874 55

www.totoholding.it