

Consolidated Financial Statements 2021

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

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

Jonathan Swift



 **TOTO**Holding

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Contents

Glossary	4
Company	6
Corporate Bodies.....	6
Directors' Report.....	7
Activities carried out	7
Foreword.....	7
Extension of time limits.....	8
Macroeconomic and System Context.....	9
Significant events in 2021	9
Construction Sector.....	10
Motorway Concessions Sector – Focus A24 – A25	11
Renewable Energy Sector.....	11
Significant events of the year	13
Concessions BU	13
Strada dei Parchi S.p.A.....	13
Covid-19 epidemiological emergency and traffic trend.....	13
Tolls.....	14
Extraordinary checks of gallery and viaduct safety	16
Urgent safety works (MISU)	16
Updating/revision of the BP	18
Determination of serious non-compliance and the Granting Authority's delay.....	20
Objection relating to the concession relationship	20
Relations with ANAS S.p.A.....	21
Construction BU	23
Toto S.p.A. Costruzioni Generali.....	23
Energy BU	23
ITALY.....	23
ABROAD	24
Financial highlights.....	25
Toto Group.....	25
Net financial position	29
Movements in NFP by nature.....	29
Analysis of NFP by Due date	30
Payable to ANAS	31
Performance of the main group companies	32
Energy Business Unit.....	32
US Wind Inc.....	32
Construction Business Unit	34
TOTO S.p.A. Costruzioni Generali (Sub-consolidated)	34
Concessions Business Unit	37
Strada dei Parchi S.p.A.....	37
Services Business Unit.....	40
Parchi Global Service S.p.A.....	40
Risks and uncertainties.....	42
Other Information.....	67

Research and development	67
Organisational model pursuant to Legislative decree no. 231/2011	67
Business outlook.....	67
Consolidated financial statements.....	68
Balance sheet	69
Profit and Loss Account.....	71
Cash flow statement for 2020 (indirect method).....	72
Explanatory Notes	73
General information	73
Description of the main group companies	73
Going concern.....	73
Format and content of the consolidated financial statements.....	78
Accounting policies and measurement criteria.....	79
Accounting policies	79
Consolidation.....	79
Measurement criteria	80
Waivers	81
Scope of consolidation	91
Workforce.....	92
Balance sheet	93
Intangible fixed assets	93
Tangible fixed assets	95
Financial Fixed Assets.....	99
Inventory	102
Receivables.....	104
Current financial assets	106
Cash and cash equivalents	106
Assets held for sale.....	106
Prepayments and accrued income	107
Net Equity.....	107
Provisions for risks and charges	108
Employees' leaving entitlement.....	110
Payables.....	110
Accrued expenses and deferred income	114
Notes to the profit and loss account.....	115
Production revenues	115
Production cost.....	116
Raw materials, consumables, supplies and goods	116
Services.....	116
Use of third party assets	116
Personnel expenses	116
Amortisation/depreciation and write-downs.....	116
Provisions for risks	117
Other provisions	117
Financial income and charges.....	117
Adjustments to financial assets	118
Income taxes for the year	118

Other information.....	119
Off-balance sheet commitments, guarantees and contingent liabilities	119
Contingent liabilities	121
Revenue or cost components of a significant amount	121
Directors' and statutory auditors' fees	121
Independent auditors' fees	121
Related-party transactions	121
Financial instruments issued by the group	121
Fair value of derivatives.....	123
Off-balance sheet transactions.....	125
Significant events after the reporting date.....	125
A) Group financing transaction.....	126
B) Concessions BU	126
C) Macroeconomic and geopolitical context	129
Business outlook	129
Annexes to the consolidated financial statements	129
Annexes to the consolidated financial statements.....	131
ANNEX 1 - LIST OF CONSOLIDATED INVESTMENTS.....	132
ANNEX 2 - LIST OF OTHER INVESTMENTS RECOGNISED AT COST	135
ANNEX 3 – RECONCILIATION BETWEEN NET EQUITY AND THE NET LOSS OF TOTO HOLDING S.p.A WITH CONSOLIDATED NET EQUITY AND NET PROFIT.....	136
ANNEX 4 - STATEMENT OF CHANGES IN THE GROUP'S CONSOLIDATED SHAREHOLDERS' EQUITY	136

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

CW1 – Cw1 S.r.l.

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.

MED WIND – Med Wind Italia 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 DIRECTORS¹

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

BOARD OF STATUTORY AUDITORS²

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 BODY⁴

Marco Pierdonati	Chairperson
Francesco Cancelli	Member
Roberto Milia	Member

TOTO Holding's Board of Directors was appointed on 30 April 2019. Its term of office expires with the approval of the financial statements at 31 December 2021. TOTO Holding's Board of statutory auditors was appointed on 13 August 2021. Its term of office expires with the approval of the financial statements at 31 December 2023. Engagement assigned to PWC S.p.A. for the 2019-2021 period by TOTO Holding's Shareholders in their meeting of 30 April 2019.

The Supervisory Body was appointed on 20 November 2022 by the Board of Directors. It has a three-year term of office. In relation to the previous year, the Chairperson Marco Pierdonati replaced the outgoing Salvatore Ricci. The other two members were confirmed.

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

The Consolidated Financial statements as of 31 December 2021, approved by the Board of Directors in February 2023 close with a Group net profit totalling € 19.040 million.

In this document, we provide information about the Group's situation and its operating performance. In relation to the delayed approval of these financial statements, we inform you that some external events, independent of the will of the directors, generated a situation of complete uncertainty for the Group. This led to the review of the financial statement drafts previously approved by the Board of Directors in June 2022. These activities could only be concluded with the occurrence of some events at the end of 2022 as better described below.

Below is the chronology of events:

1. on 30 March 2022, the directors of the Company adopted the longer term of 180 days for convening the ordinary shareholders' meeting for the approval of the year's financial and consolidated statements pursuant to art. 17 of the company by-laws and art. 2364.
2. On 20 June 2022, the directors of the Company approved a draft set of financial statements for the year ended 31 December 2021 (the "**First Draft Financial Statements 2021**") and Financial Statements for the year ended 31 December 2021 (the "**First Draft Consolidated Financial statements 2021**");
3. On 21 June 2022, in compliance with the legal and statutory time frames stipulated, the Chairperson of the Board of Directors convened the members for the approval of the First Draft Financial Statements 2021 and the acknowledgement of the First Consolidated Financial statements 2021. The Shareholders' Meeting had been scheduled, at the first convocation, for 29 June 2022 and, as necessary, at the second convocation on 12 July 2022; both meetings were not quorate;
4. On 7 July 2022, the Italian Government adopted Decree-Law No 85 (the "Decree 85") pursuant to which the Single Agreement of the subsidiary SDP was withdrawn and, starting from 8 July 2022, the operation of the motorways A24 and A25, has been managed, provisionally, by ANAS S.p.A. Decree 85 generated a situation of complete uncertainty in intercompany relations;
5. Following the presentation of the negotiated plan by SDP (13 December 2022) and the judgement of the Regional Administrative Court (TAR - 29 December 2022), it was possible to have a clearer vision with a new approval of the First Draft Financial Statements 2021 and the First Draft Consolidated Financial Statements 2021. In particular, this document incorporates all the information necessary to understand the evolution of events that characterised the Group by the month of June 2022 to follow.

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., Beleolico S.r.l., Med Wind Italia S.r.l., CW1 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.

The scope of consolidation underwent a change from 31 December 2020 as a result of:

- the consolidation of the company Med Wind Italia S.r.l., founded on 24 March 2021 by the parent company Renexia S.p.A., as part of the project relating to the implementation of renewable energy sector initiatives, mainly of the offshore wind farm in the Mediterranean; the first year of operations closed on 31 December 2021;
- the consolidation of the company Beleolico S.r.l., a company operating in the development of an off-shore wind farm in the outer harbour of Taranto Port, a subsidiary of Renexia Wind Offshore S.p.A., which with the resolution of the Sole director, on 28 June 2021, designated the holding as a long-term investment and not as an "Asset held for Sale". As a result of the new classification, beginning from 1 January 2021, the holding is wholly consolidated.
- the consolidation of the company CW1 S.r.l. acquired on 25 October 2021, by the parent company Renexia S.p.A. CW1 S.r.l. is the owner of a development initiative in the renewable energy sector that concerns the creation of a wind farm in the region of the Municipality of Cerignola in the town "Santa Maria dei Manzi" for an overall power of 9MW.

Graph 1 – Group structure (Main business sectors)



Extension of time limits

TOTO Holding S.p.A., pursuant to art. 17 of the company by-laws and art. 2364, with the resolution of the Board of Directors of 30 March 2022, made use of the right to adopt an extended time limit of 180 days to convene the ordinary shareholders' meeting for the approval of these financial statements; since it is a parent company, obliged to draft the consolidated financial statements, it must wait for the approval of all the financial statements of the companies that are part of the scope of consolidation.

Macroeconomic and System Context

Significant events in 2021

The World Economy

2021 was marked by a substantial recovery of the global economy despite a widespread slowdown in economic activity in the third quarter. At the end of last year, signs of a return to a more sustained recovery in the United States and in other developed countries, in the face of extended weakness in emerging economies, emerged. The fresh outbreak of the pandemic and the persistent bottlenecks on the supply side pose, in any case, downside risks to growth. Inflation is further increased almost everywhere, especially affected by the higher prices of energy and of intermediate inputs, and the recovery in internal demand. The Federal Reserve and the Bank of England launched a normalisation process for monetary policies. In the euro area, GDP instead decelerated sharply at the turn of the year, owing to the rise in the number of COVID cases and the ongoing tensions in supply chains that are holding back production in manufacturing. Inflation has reached its highest level since the monetary union began, because of the exceptional increases in the energy component, especially gas prices, which in Europe are also affected by geopolitical factors.

For the fourth quarter, the purchasing managers' indices (PMI) show widespread signs of cyclical recovery among the main developed economies. In Japan, the removal of the state of emergency at the beginning of October encouraged the recovery of the services PMI, which returned, for the first time since the start of the pandemic, above the expansion threshold. In the United States, the PMIs for industry and services remain at levels consistent with robust growth, in line with the leading private forecasters' expectations of a rapid acceleration of GDP in the fourth quarter. In contrast, the emerging economies' PMIs confirmed the weak cyclical conditions, especially in manufacturing.

Inflation began to rise again in the United States, reaching 7 per cent in December, the highest level since the early 1980s. Among other factors, this was the result of price rises for energy products, house rentals, and used cars (due to the lack of microprocessors and the ensuing delays in delivering new vehicles).

As a result of inflation pressures, the central banks have begun to normalize their monetary policy. The Federal Reserve and the Bank of England are completing their securities purchases in view of gradual rises in interest rates. In contrast, China's and Japan's monetary policy stance remains expansionary.

Following the invasion, much of the international community responded quickly with sanctions on Russia that are unprecedented in terms of severity and scope. The immediate effects of the conflict on global financial market listings have been significant, although they have eased since mid-March; volatility remains high in many market segments. The prices of commodities, especially of energy products, for which Russia holds a considerable share of the global market, have risen further. Overall, the war in Ukraine is exacerbating downside risks to the global economic cycle and upside risks to inflation.

As described earlier, following the slowdown at the end of 2021, euro-area GDP stagnated in the early months of 2022. The tensions linked to the war in Ukraine are causing bigger rises in energy prices than in the rest of the world, and new procurement difficulties for firms, adding to the pre-existing ones. Based on preliminary data, consumer price inflation reached 7.5 per cent in March.

(source: Banca d'Italia – Economic Bulletins nos. 1 and 2 – January and April 2022).

The Italian Economy

Growth in Italy remained high in the third quarter of 2021, driven by the increase in household consumption. GDP recorded a marked slowdown in the fourth quarter, affected by the resurgence of the pandemic, in addition to persistent procurement problems for firms.

In the third quarter, GDP rose by 2.6 per cent on the previous period (from 2.7 per cent in the second quarter), mainly driven by the further marked expansion in household consumption. Starting in the spring, spending has regained momentum, especially in retail, transport and accommodation services (encouraged by the easing of the restrictive measures that had been adopted during the most acute phases of the pandemic), leading to accelerated activity across the entire service sector. Value added instead decelerated in construction and, to a lesser extent, in industry, following the strong expansion in the early part of the year.

Based on the latest indicators, GDP recorded a significant deceleration in the last quarter of 2021, rising by 0.5 per cent on the previous quarter. The main reason for this was the impact on consumption of the resurgence of COVID cases, in addition to the persistent supply problems linked to the unavailability of some commodities and intermediate products at global level.

GDP fell in the first quarter of 2022, owing to the resurgence in new COVID cases at the turn of the year and to the dynamics of energy prices, against a cyclical backdrop of heightened uncertainty stemming from the invasion of Ukraine. The war has a significant impact on Italy's energy balance as more than one fifth of Italian imports of energy inputs come from Russia. the share for natural gas alone exceeds 45 per cent.

In the medium term, it will be possible to fully replace imports of Russian gas by investing more in renewable sources, as well as by increasing imports from other countries.

(source: Banca d'Italia – Economic Bulletins nos. 1 and 2 – January and April 2022).

Construction Sector

As illustrated in the section above, 2021 recorded growth for the Italian economy spurred by internal demand, especially in investments. Among the production sectors, a significant contribution was ensured by the construction sector, which, after many difficult years, returned to take on a prominent role in the national economic context.

Various elements contributed to the recovery, some of which represent the necessary and normal response that developed in response to the serious consequences that struck the global economy as a result of the explosion of the COVID-19 pandemic. Thus, the opportunities constituting the National Recovery and Resilience Plan ("NRRP") and Superbonus represented and represent real opportunities to lift up the economy, not just in the short term, but also in the medium- to long-term.

In any case, 2021 recorded specific critical issues that risk negatively influencing the development scenarios so much hoped for: above all, we should recall that linked to the unavailability of some raw materials and intermediate products that have generated an exponential growth in their shares with the concrete risk of slowing down, or even ending, activities in entire production sectors. As described, furthermore, in the preceding paragraphs, from the end of the year, inflation again took on a major role with an upwards push in prices, especially in the energy sector. These elements are compromising and risk further reducing the expansion in the Italian economy initially forecast; obviously, the construction sector was also struck by the negative combination of factors (unavailability - price increase - inflation) described above. On several fronts within the construction world, cries of alarm are being raised to increase awareness among politicians so that tools are adopted able to deal with the issues that are now clear; in this sense, reformulations of contracts (including time frames) are being proposed because, faced with price increases of raw materials and energy, many of the agreements stipulated by the NRRP (and not just these) are no longer sustainable, and, therefore, there is a strong risk of blocking work sites or not letting them start.

Motorway Concessions Sector – Focus A24 – A25

Traffic data recorded in 2021 show a 20.93% increase in distances covered, with vehicle kilometres rising from around 1,447.9 million in the same period of 2020 to around 1,751.0 million. Also considering the two non-manned sections of the A24 (Roma Est – East bypass and Teramo toll station – Teramo Est/SS80 interconnection), distances covered increased by 20.09%, from 1,598.7 million vehicle kilometres in 2020 to around 1,919.9 million vehicle kilometres in 2021.

The proportion of total trips being paid with the dynamic telepass systems has dropped slightly compared to 2020, from 56.5% to 55.8, of which 1.4‰ is attributed to trips made with SET/SIT-MP devices from recently accredited providers belonging to the European Electronic Toll Service and Interoperable Electronic Toll Service for Heavy Vehicles. The 2021 trips through the automatic gates remained largely unchanged compared to 2020, decreasing from 31.3% to 31.1%, while those made through manned gates slightly increased from 12.1% in 2020 to 13.1% in 2021. The following tables show the monthly traffic data for 2021, compared with those for the previous year. All months in 2021, except for January and February, recorded an increase in traffic in comparison to the same periods in the previous year following the measures passed by the Government to contain the COVID-19 pandemic.

1,184 authorisations were issued in the year for the transport of exceptional loads, of which 1,132 for approvals and 52 active authorisations with receipts for around € 156.6 thousand (€ 203.1 thousand in 2020). The traffic restriction measures introduced by the Government to cope with the COVID-19 pandemic and the weight restrictions imposed on certain motorway sections in 2017, and subsequently extended in 2018 and subsequent years, had a negative impact on the authorisations issued and, in particular, the procedures introduced by the Government to extend the validity of the authorisations already issued on a non-onerous basis had negative repercussions on revenues from the transport of exceptional loads.

Renewable Energy Sector

The GSE has published an interesting report "*Fonti rinnovabili in Italia e in Europa – 2020*" (Renewable Sources in Italy and Europe - 2020) (the "**Report**") in which it highlights the development and the uptake of energy from renewable sources in Italy (and Europe) from 2005 to 2020. In particular, the study reveals that, in the fifteen years considered, energy consumption from Renewable Energy Sources ("**RES**") doubled, increasing from 10.7 million tonnes of oil equivalent ("**MTOE**") to 21.9 MTOE. At the same time, it reveals an overall decrease in overall gross final energy consumption ("**GFEC**"). The downturn is mainly recorded during 2020 (from 120.3 MTOE to 107.6 MTOE; -10.6%) and was essentially caused by the contraction in consumption generated by the pandemic. From the research, it also emerges that, in 2020, in Italy, 20.4% of GFEC is covered by RES; therefore, the goal of 17% fixed, for the same year by Directive 2009/28/EC and by the Italian National Action Plan ("**NAP**") for renewable energy was reached. The most widely used renewable energy source in the heating sector was solid biomass (approximately 7 MTOE without taking into account the biodegradable component of waste), which is especially widely used in the domestic sector in the form of wood or pellets to burn; the room heat exploited by heat pumps also becomes significant (2.5 MTOE), while the contributions of other sources are more limited.

In Europe, the Report reveals how, in 2020, of a total of approximately 949 MTOE of energy consumed, 22.1% (210 MTOE) comes from RES and, in the same year, Italy is the third country in the European Union (after Germany and France) in terms of consumption from RES energy, both as far as regards overall energy consumption and in terms of consumption of energy from RES.

Germany is the first European nation for wind and solar panel production; Italy experienced significant growth in the solar panel sector, especially during 2011-2014; wind power consolidates its status as the main source in terms of power installed in Europe. Of this, off-shore wind reached, in 2020, (installed) power of 14.5 GW.

Finally, the report shows the binding goal for the European Union that Regulation 2018/1999 fixes for 2030; the share of overall energy consumption covered by RES must be at least equal to 32%. Italy, in its turn, set itself the goal for 2030 of reaching an RES share equal to 30% (Integrated National Energy and Climate Plan - PNIEC). The country that forecasts the most significant growth in the RES share of overall energy consumption for 2030 is Spain; Italy, Germany, and France forecast basically similar RES growth rates.

A particularly significant issue in recent months, including as a result of the outbreak of war in Ukraine, is the impact of Europe's energy dependency and the need to make itself basically independent in relation to non-EU country imports. In the short-term, an essential issue is the need to diversify as much as possible the number of countries from which energy resources are imported.

(source: GSE - Statistics - "Renewable sources in Italy and Europe - 2020")

Significant events of the year

Concessions BU

Strada dei Parchi S.p.A.

Main events in 2021:

- a. Covid-19 epidemiological emergency and traffic trend;
- b. Tolls;
- c. Extraordinary checks of gallery and viaduct safety;
- d. Urgent Safety Measures (MISU);
- e. Updating/revision of the BP;
- f. Determination of serious non-compliance and the Granting Authority's delay;
- g. Objection relating to the concession relationship.

Covid-19 epidemiological emergency and traffic trend

Especially in the first two months, the year just been was also influenced by the effects of the COVID-19 pandemic and the mobility restrictions imposed by the national government and regionally. Indeed, 2021 began with a negative trend: -37.6% in January and -23.7% in February compared to the previous year. From March, in contrast, the recovery in traffic was significant (March: +64.3%, April: +271.8%, May: +118.5%) compared to when Italy was in full lockdown in 2020. The traffic for June 2021 was always above that of the same month in the previous year, but with a more limited change, given that already in June of the previous year there had been an easing in the mobility restrictions. At the end of the first half of 2021, traffic levels returned to the 2019 levels (pre-COVID-19), a trend that continued for the rest of the year.

During 2021, due to COVID-19, toll revenues of approximately € 16.3 million were lost, which are combined with those already lost in 2020 (€ 43.4 million). Since the pandemic was an unpredictable force majeure event, Strada dei Parchi will have to be compensated for the overall amount of € 59.7 million, and for this reason, during 2021, and on several occasions, it requested payment from the granting Ministry.

In 2021, combined traffic was 20.9% higher than in the same period of the previous year, up for both light (22.6%) and heavy (13.0%) vehicles.

Table 1 Traffic in 2020-2021 A24/A25 (Millions of vehicle Km)

	2020	2021	2021-2020 variation
Light vehicles	1,198.59	1,469.40	22.6%
Heavy vehicles	249.32	281.71	13.0%
Total vehicles	1,447.91	1,751.11	20.9%

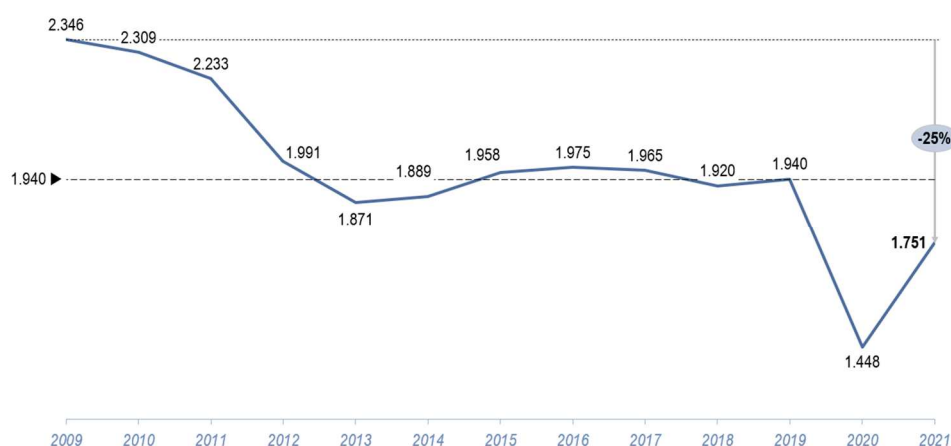
An analysis of traffic on the various motorway sections shows an increase in all sections. In the closed system, the Rome-Torano section (the section with the highest intensity), traffic increased by 20.3% in 2020. The Torano-Teramo section recorded the smallest increase of the entire network under operation (about 17.6%). The A25 section grew the most (24.6% of total traffic), thanks to the recovery of light traffic (+27.7% compared to the same period in 2020). As far as regards the open system, the recovery in traffic was 19.3%.

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

Vehicle-km [millions]	2020			2021			Δ2021-2020		
	Light	heavy	total	Light	heavy	total	Light	heavy	total
A24 Rome - Torano	555.26	91.43	646.69	674.65	103.56	778.20	21.5%	13.3%	20.3%
A24 Torano - Teramo	220.80	51.79	272.60	262.30	58.34	320.64	18.8%	12.6%	17.6%
A25 Torano - Pescara	319.24	89.35	408.59	407.62	101.40	509.02	27.7%	13.5%	24.6%
Rome open system	103.29	16.75	120.04	124.83	18.42	143.25	20.9%	10.0%	19.3%
Total	1,198.59	249.32	1,447.91	1,469.40	281.71	1,751.11	22.6%	13.0%	20.9%

Traffic in 2021 was in general 25% lower than in 2009 (peak year during the concession period), as shown in the graph below (*Graph 2*). After hitting the low peak in 2013, due to the country's economic crisis, there was a slow recovery in traffic volumes and, in the last few years, a slightly fluctuating trend was noted of around 1,940 million vehicles/km, until 2020 when, as a result of the lockdown, traffic fell dramatically from March onwards, before recovering with the easing of mobility restrictions, remaining, however, below the expected levels.

Graph 2- SDP traffic trends 2009/2020 (millions of vehicles/KM)



Tolls

On 2 January 2021, with order no. 0000015, the Department for monitoring motorway operators within the Ministry of Infrastructure and Transport notified the Company that no tariff increase was applicable in 2021 given *"the suspension of the fare increase applicable as from 1 January 2021 based on Decree-law no. 183 of 31 December 2020 (the "Milleproroghe" decree) published in the Official Journal no. 323 of 31 December 2020"*.

Said provision stipulates that *"For the operators whose five-year regulatory period expired, the term for the motorway toll adjustment relating to 2020 and 2021 is deferred until the definition of the updating procedure of the business plans prepared in compliance with the resolutions adopted pursuant to article 16(1) of Decree-Law No 109 of 2018, by the Transport regulation authority referred to in article 37 of Decree-Law No 201 of 6 December 2011, converted, with amendments, by Law No 214 of 22 December 2011. By 30 March 2020, the operators shall submit to the Granting Authority their proposals for updating the business plans, reformulated pursuant to the above-mentioned legislation, which repeal and replace every previous update proposal. The updating of business plans submitted by 30 March 2021 is completed by and not beyond 31 July 2021"*.

Due to art. 9-tricies semel, on *"Suspension of toll fare increases on the A24 and A25 motorways"* of Decree-Law no. 123 of 24 October 2019 (Official Gazette General Series no. 300 of 23/12/2019), as amended by Decree-Law no. 121 of 10/09/2021, art. 2, in force since 10 November 2021, the suspension of toll increases was extended until

31 December 2021.

The toll change request submitted by SdP with note no. 19142 of 15 October 2020 was calculated for the year 2021 at 4.91%, as detailed below:

Table 3 2021 Toll change calculation

Toll component	SdP request
Target inflation	0.50%
X factor	2.56%
K _{investments}	0.24%
K _{validation}	1.55%
ΔQ quality	0.06%
Total change	4.91%

Based on the inter-ministry decrees for accepting toll increases – excepting 2021 for which it has not yet been possible to access the documents – the “suspended” toll increase percentage to which the Operator would be entitled is 28.55%, as detailed below:

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

Year	Decree	Change	Notes
2018	No. 615 of 29.12.17	12.89%	
2019	No. 589 of 31.12.18	5.59%	
2020	No. 31626 of 31.12.19	5.16%	
2021	Not available	4.91%	SdP request – ref. no. 19142/2020
Total 2018-2021		28.55%	

Due to the tariff increase suspensions, in 2021 the Company suffered a decrease in toll revenues for a total of € 46,612 thousand, which, however, has been recognised herein on an accruals basis, in line with the previous years. The 2021 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 granting authority in contrast with the rules of the concession agreement. In the 2021 financial statements, “Other receivables” for suspension of fare increases amounted to € 145,266 thousand, obtained as the sum of amounts due in 2015 (€ 7,459 thousand), in 2016 (€ 8,561 thousand), in 2017 (€ 15,172 thousand), in the last quarter of 2018 (€ 4,920 thousand), in 2019 (€ 31,245 thousand), in 2020 (€ 31,296), and in 2021 (€ 46,612 thousand). A summary of revenues and receivables for suspension of fare increases recognised by SdP from 2016 is provided in the table below:

Table 5 Revenues and receivables for lost toll increases broken down by year

<i>SdP in €/thousand</i>	2016	2017	2018	2019	2020	2021
Revenues for toll recovery [Item A.1) c) - <i>Other revenues</i>]	16,021	15,172	4,920	31,245	31,296	46,612
Receivables from the Grantor	16,021	31,193	36,113	67,358	98,654	145,266
<i>(only “Recovery of lack of toll increases”)</i>						

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.

Table 6 Receivables from the Granting Authority for the year

(€/ thousand)	2016	2017	2018	2019	2020	2021
Commuter discount	813	1,165	1,165	1,165	1,165	1,165
Toll recovery	16,021	31,193	36,112	67,358	98,654	145,266
(less) Bad debt provision	0	0	(6,750)	(1,830)	(1,830)	(1,830)
Receivables from the Grantor	16,834	32,357	30,527	66,693	97,989	144,601

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, paragraph 30 of OIC 15 establishes that *"Receivables originating for reasons other than the exchange of goods and services (e.g. loan transactions) shall be recognised in the financial statements if a "right" to the receivables exists, 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 (establishing the "suspension" of fares which, within the meaning of Interministerial Decree no. 589 of 31 December 2018, is a condition for the recovery of the increases). Therefore, also in this respect, recognition takes place in the year the Operator would be entitled to apply the toll adjustment.

Moreover, the receivables in question can be regarded as a liquid asset in that the case-law (see Court of Cassation ruling no. 17989/2016; Court of Cassation ruling no.19958/2005) defines receivables as liquid assets if the amount is determined or can be determined on the basis of strict criteria, such that the result can be 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, its due date is determined by the completion of the procedure to determine whether the conditions for continuing the concession agreement are fulfilled, a procedure currently underway at the same time as the review of the BP. Therefore, in line with OIC 15 (par. 22), the receivables for contractual fare increases can be classified as short-term receivables (due within one year), since the contract makes no provision for medium or long-term maturity. 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.

Extraordinary checks of gallery and viaduct safety

Following the introduction of new ministerial guidelines on motorway tunnel inspections in order to regulate the performance of inspections and the scheduling of maintenance and safety measures for tunnels, the company had to plan and organise some new and demanding urgent measures, launched in 2020 and continued for all of 2021, in addition to an important inspection in the field through numerous and complex surveys.

The Tunnel Inspection Handbook (issued by the Ministry of Infrastructure and Transport in May 2020) required the motorway operators to carry out a series of complex investigative and verification activities that, together with the "Guidelines for the classification and management of risk, safety assessment and monitoring of existing bridges", entailed a significant increase in the survey, inspection, and maintenance costs compared to those set forth in the Agreement.

As a result of what emerged during the in-depth inspection pursuant to the new regulatory framework, it was necessary to perform unforeseeable works that could not be scheduled in order to ensure the operation of some works (e.g. Roviano tunnel concerned first by the installation of a traffic protection shield in the first phase and execution of structural works on the final linings in the second phase).

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 (art. 52-*quinquies*, paragraph 1 of Decree-law 50/2017, converted into Law no. 96 of 21 June 2017) postponing the obligation to pay the concession fees for 2015 and 2016 due to ANAS S.p.A. (€ 111.7 million) until 2028, 2029 and 2030, thus enabling SdP to finance itself using the amounts already set aside to pay said concession fees; (ii) the second (art. 16-*bis* of Law no. 123 of 3 August 2017) authorising a grant of € 250 million for the Operator to carry out urgent works, but with a time frame (annual instalments of € 50 million starting from 2021) that was 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 Granting Authority to provide the remaining funds (€ 192 million) allocated under Decree-law 50/2017 in order to speed up the completion of the urgent works. With Law no. 130 of 16 November 2018, "Converting and amending Decree Law No. 109 of 28 September 2018, introducing urgent provisions for the city of Genoa, the safety of the national infrastructure and transport network, the earthquakes of 2016 and 2017, work and other emergencies", the Government established that the € 192 million government grants, originally only to be disbursed in annual instalments of € 50 million starting from 2021, should be made available to the Operator in the amount of € 50 million in 2018 and € 142 million in 2019. 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, which established the reduction of the instalment for 2019 by € 142 million, and again with the Supplement dated 9 February 2022, with which the overall amount of the contributions was raised to € 177 million and it was, at the same time, established that the payment and use of the remainder of the government grant, up to the maximum amount of € 192 million, will occur in accordance with the progress of the works and the availability of the amount in the relevant category of expenditure (chap. 7701 of the MIMS estimate) and will be subject to a subsequent supplement.

Works for around € 42 million were carried out in 2021. These, together with those undertaken in previous years, mean that works worth about € 143 million have now been completed, as shown in the table below:

Table 7 Detail of works MISU (excluding anti-step works)

<i>(In thousands of Euros)</i>		Progress		Total
Contract	Before 2021	2021		
Bussi junction viaduct	4,155	44	4,199	
S. Onofrio viaduct	8,577	5,920	14,497	
Popoli Viaduct	5,174	4,650	9,824	
Roviano landslides	5,407	35	5,441	
Arsoli landslides	6,164	68	6,232	
Column adaptation	12,115	5,431	17,546	
A24/A25 SOS stations	1,047	0	1,047	
A24 Temperino	7,182	5,644	12,826	
A25 Palazzo	13,498	-5	13,493	
Fornaca	7,142	4,367	11,509	
Group 1	11,128	3,665	14,793	
Group 3	14,704	7,587	22,292	
Genzano	4,640	4,892	9,532	
TOTAL	100.932	42.300	143.232	

In 2021, grants of € 33.3 million were obtained for a total of € 99.8 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" works (Orsara, Vaccarini, Le Pastena, Cerqueta and Valle Monito viaducts) and asked the engineer to re-design the works according to the new L=100 standard instead of the L=50 used up until that time. In this context, as a result of the re-design carried out and resubmitted to the Granting Authority, the latter approved the following projects during 2021: (i) Fornaca viaduct – Decree of the MIMS of 14/04/2021; (ii) Group 1 - 1st Part (Le Pastena, Cerqueta, and Valle Monito viaducts) – Decree of the MIMS of 02/07/2021; therefore, for the above-mentioned projects, work was duly restarted during last year.

In addition, including due to greater safety costs (so-called COVID-19 Charges"), the company submitted variance reports during the year. Despite the savings generated by the reduction of some financial items, the overall expenditure increased. Therefore, the Granting Authority will be required to identify additional forms of financing to cover it.

It should be noted, finally, that the MIMS approved the variance report for Arsoli on 20/07/2021 and, in the early months of 2022, that of Roviano as well.

Updating/revision of the BP

On 5 May 2021, SdP sent to the attention of the Acting commissioner, Sergio Fiorentino, appointed by the Council of State, for the finalisation of the updating/revision of Strada dei Parchi's BP, its BP proposal. On 3 June 2021, SdP forwarded to the Acting commissioner an update to the BP sent in May. The document was drafted based on the guidelines received during the meetings held with 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, and with the MIMS Granting Authority. The proposal included an investment by the concession company of € 2.1 billion, which would have represented only part of the effort required to upgrade the infrastructure: a project totalling € 6.5 billion, to be implemented in two phases, the first of which is worth approximately € 5.1 billion and is to be completed by 2030 (i.e., the expiry date

of the existing concession granted to SdP), and would have substantially achieved the objectives of Law no. 228/2012. The works not covered by the BP would have been financed using the government grants already identified (€ 2.0 billion), supplemented by the funds provided by the Italian Recovery and Resilience Plan ("PNRR") which, under the "Safe Roads" section includes an extraordinary plan for monitoring and ensuring the safety of bridges, viaducts and tunnels on the A24 and A25 motorways, works for the implementation of a dynamic monitoring system of this infrastructure and the optimisation of the Gran Sasso tunnel system.

The BP presented by SDP was 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 same Special Commissioner, to whom the BP proposal had been sent for information, with note no. 0009 of 14 May 2021, communicated that the business plan sent "appears to have been developed in accordance with the legal requirements and with an approach of effective and quick implementation of investments", and that "it also appears to ensure coherence between the commitments calculated by the company for the execution of the first and most important phase of the investments plan, equal to € 5.1 billion, and the sources available (government grants plus the BP presented), leading him to believe as far as regards his remit that: "the updating of the BP prepared may be usefully submitted to the approval of the acting commissioner", given "that the plan also appears to satisfy the characteristic of proposing sustainable tolls for the user (requirement established by Law 228/2012)";

The acting Commissioner, with note no. 13448 of 5 July 2021, partly as a result of the assessments of the Special Commissioner, asked the Interministerial Committee for Economic Planning and Sustainable Development (CIPESS) to schedule the statement relating to the updating of the BP prepared, highlighting, in particular, that the same provides for the possibility of implementing, via self-financing, approximately 2.1 billion in investments and, therefore, if the proposal of the Concession Company were deemed acceptable, the commitments determined by the special Commissioner and the other sources would be in line with each other. The acting Commissioner with a subsequent note no. 21842 of 2 August 2021, notified the concession company that it had urged the CIPESS, inviting it to *"assess the inclusion of a statement relating to the updating and revision of the BP of the above-mentioned concession in the agenda of the first possible meeting of the Committee"*.

With note no. 21842 of 2 August 2021, the acting Commissioner notified the Concession Company that the Consultative nucleus for the implementation of guidelines for the regulation of public utilities services (NARS) had highlighted "some findings" regarding the BP proposal submitted. In a note (no. 230364 of 10/08/2021) of the Ministry of Economy and Finance, which responded to a letter requesting a meeting sent by Strada dei Parchi, it was stated that *"In the context of NARS, it was found that, currently, there are still some essential requirements to be defined for the preparation of a BP proposal that is in line with the reference regulatory framework, on which it must defer to the relevant assessments of the granting Ministry, the special Commissioner and the acting Commissioner"*. The findings put forward by the NARS, albeit briefly, had been communicated in advance by the Acting Commissioner to the concession company in a meeting held on 4 August 2021. Despite the generic nature of the reasoning, on 10 October 2021, Strada dei Parchi sent to the acting Commissioner and to all Administrations concerned, a detailed response to each of the findings put forward by the NARS based on the solidity of the assumptions used in constructing the BP.

On 29 October 2021, during a meeting held between the Concession Company and the Acting Commissioner, the latter invited the Concession Company to consider alternative BP versions, suitable for ensuring the equilibrium

and, thus, its sustainability, hereby including the possibility that this is limited to adjusting the business operations and the payment of the concession fee, excluding any additional charges linked to new investments. With note no. 0034297 of 11 December 2021, the acting Commissioner, on the instructions given by the MIMS with note no. 0031460 of 29 November 2021, invited *"the Concession Company to consider alternative BP versions, suitable for ensuring the equilibrium and, thus, its sustainability, hereby including the possibility that this is limited to adjusting the business operations and the payment of the concession fee, excluding any additional charges linked to new investments"*.

Though immediately representing the critical issues such a request presented, Strada dei Parchi, with a spirit of faithful collaboration, presented on 16 December 2021, with note no. 0025234, a new BP plan that, in particular, did not involve new investments ("zero investments") and contained ordinary maintenance commitments for an amount equal to that already in force.

On 23 December 2021, the acting Commissioner, in confirming reception of the BP plan of 16 December 2021, notified the Company that it had shared the document with the Administrations concerned, which it had requested to provide, with all urgency:

- (i). a preliminary check regarding the actual correspondence of the draft BP plan with the parameters indicated in the note no. 43769 on 29 November 2021 of the Ministry of Infrastructure and Sustainable Mobility, sent to the Commissioner and regarding the economic and financial sustainability of the plan;
- (ii). an assessment regarding the sustainability of the proposed toll increases for the user, with indication of any alternative/compensatory measures that were deemed feasible to achieve, where held desirable, the goal of limiting tolls. This, in consideration of the availability of the Concession Company to develop, in the short term, a partially alternative proposal to the BP, which involves reduced toll increases (in the order of 2% per annum), as long as they are balanced by suitable compensatory measures.

Determination of serious non-compliance and the Granting Authority's delay

The obligation to complete the BP review procedure, set forth by the Single Agreement and reiterated by the Council of State, was not fulfilled, neither by the Granting Authority, nor by the acting Commissioner, so that clear non-fulfilment and inertia persisted. These delays generated and continue to generate charges, incurred by the concession company, and are the cause of the impossibility of scheduling and implementing necessary upgrade and safety works on the motorway required by law, as well as ensuring a reasonable return on invested capital.

On 7 December 2021, with note no. 24304, Strada dei Parchi, in disputing the above-mentioned non-fulfilments of the Granting Authority, reserving the exercise of every right, requested that the Granting Authority provide for the above-mentioned fulfilments within 30 days, in order not to be forced to have the Concession declared terminated.

Not having obtained any response from the Ministry within the term specified, with note no. 305/2022 of 7 January 2022, Strada dei Parchi acknowledged the situation, communicating that it would proceed, as a result, to protect its interests and that of its stakeholders.

Objection relating to the concession relationship

On 28 December 2021, with note no. 33797, the granting Ministry notified the concession company that during the management of the relationship some of the contractual obligations had not been complied with, including

those relating to: the obligations to outsource works, services, and supplies; the application of administrative sanctions and penalties pursuant to Annex N of the Agreement; the recalculation of discounts applicable to direct works contracts; the agreement obligations established by art. 3 of the Agreement; the procedure relating to updating the concession relationship; toll increases.

Strada dei Parchi immediately identified some unlawful elements. The first unlawful grounds are procedural and concern the term assigned to the claimant to submit its own counter-arguments. The procedure provides, in this regard, that the "counter-arguments must arrive within the final term of 45 days beginning from receipt of this note" and this term appears incongruous and unreasonable, in that the contractual provisions, for historical reasons classified as a serious non-compliance that may even lead to the opening of revocation proceedings, provide for a period at least equal to 90 days for the counter-arguments. In addition, the manifest lack of reasoning is highlighted, since the Granting Authority exclusively limited itself to listing its objections without the slightest discussion of any in relation to these.

The Concession Company, sure of its own grounds, immediately worked on preparing the counter-arguments.

Please refer to what is described in the "Significant events after the reporting date - Concessions BU" for further details.

Relations with ANAS S.p.A.

Foreword

On 18 November 2009, SDP signed the New Single Agreement with ANAS, which was approved with Law 191/2009, which, among other things, extended the expiration of the concession to 31/12/2030 and that took effect on 29 November 2010, following the implementation of the CIPE requirements. SDP's 2021 financial statements were prepared on the basis of these conditions.

* * *

Having included this necessary foreword, please note that, on the basis of the concession agreement, SDP pays ANAS S.p.A.: a) the annual concession fee under art. 3.0(a) of the Single Agreement (€ 55.8 million plus VAT); b) the concession fee on tolls under art. 14 of the Single Agreement, due under art. 1(1020) of Law No 296/2006; c) the supplement to the concession fee on tolls pursuant to art. 19(9)bis, of Law no. 102/2009; d) the reimbursement of the Italian Guarantee Scheme pursuant to art. 5-ter of the Single Agreement and Annex E to the Single Agreement.

Since SDP, based on sentence no. 181 of 5 June 2019 of the Constitutional Court, is entitled to offset the amounts due to ANAS S.p.A., as the party designated (delegated) by the Ministry pursuant to article 1188 of the Italian Civil Code, against the amounts due from the Granting Authority, the operator has, as a result, suspended the payments pending the settlement of a potential offset against its amounts receivable, essentially comprising receivables for tariff increases, COVID-19 relief and relief for ordinary maintenance work carried out in addition to the commitments envisaged in the Single Agreement, as detailed below.

On 27 October 2020, ANAS S.p.A. obtained a court order for payment (without enforcement clause) for € 82.6 million. The Company opposed the order (for additional information, reference should be made to the section of the Report on Operations: "Litigation with ANAS S.p.A." Rome District Court, General Register no. 47339/2020). On 15 July 2021, another court order for payment (without enforcement clause) for € 74.9 million was served. The Company also opposed this order on 24 September 2021 (for additional information, reference should be made

to the section of the Report on Operations: "Litigation with ANAS S.p.A." Rome District Court, General Register no. 58561/2021).

As shown in the table below, the amount claimed by ANAS based on the non-enforceable injunctions is € 157.4 million, of which € 124.3 million relates to concession instalments.

Amount due to ANAS - subject of court order for payment			
Description	Decree for payment 27/10/2020	Decree for payment 15/07/2021	Total €/000
Total concession fee owed pursuant to art. 14 of the Single Agreement	1,000	758	1,758
Total fee supplement under art. 19(9-bis) of the Single Agreement	15,401	7,532	22,933
Total ANAS instalment owed under art. 3 of the Single Agreement	61,967	62,333	124,300
Total ex-FCG payable owed pursuant to art. 5-ter of the Single Agreement	4,228	4,228	8,456
Total payables to ANAS at 30 June 2021	82,596	74,851	157,447

On the other hand, the SDP receivables deriving from the concession relationship amount to € 314 million, as detailed below, and are, therefore, greater than the payables to ANAS, even if the 2021 ANAS instalment of € 55.7 million, to expire on 31 March 2022, were added:

SdP receivables from the MIMS (€/000)	31/12/2021
Receivables for lack of toll adjustment	145,266
Receivables for commuter discounts	1,165
Receivables for greater maintenance 107,577	
Receivables for recovery of Covid-19 losses	59,602
Total receivables	313,610

As fully described, the reduction in toll revenues (due to the toll suspensions and COVID-19), the increase in maintenance costs due to the new Guidelines for Monitoring and Maintaining the Structures and, above all, the delays in the process for approving the new Business Plan, have impacted the financial situation that has, as described above, led the company to suspend payments to ANAS.

As far as regards the evolution of relations with ANAS, reference should be made to the sections of the Explanatory Notes relating to "Going concern" and "Significant events after the reporting date - Concessions BU".

Construction BU

Toto S.p.A. Costruzioni Generali

Order book

At 31 December 2021, TOTO CG's order book amounted to € 346.2 million (€ 558.3 million at 31 December 2020).

Table 6 Order book

Contract	Customer	Contract value	Share (%) Toto CG	Order book 31 Dec. 2021	Order book 31 Dec. 2020	Difference
Cefalù	Italfer	374.5	93%	271.2	320.9	(49.7)
MISU	SDP	169.6	100%	39.0	74.4	(35.4)
Poland - S61	Gdckia	94.6	100%	0.0	87.8	(87.8)
Ritiro viaduct	C.A.S.	52.8	100%	7.8	24.5	(16.7)
Res. Bridge over Po	Province of Mantua	25.3	100%	7.3	12.5	(5.1)
Marana - SS 260 Picente	Anas	46.1	100%	14.7	36.0	(21.3)
MOR	SDP	33.6	100%	6.2	2.3	3.8
Total				346.2	558.3	(212.1)

The order book at 31 December 2021 was reduced, compared to the end of financial 2020, as a result, on the one hand, of the restart in work site operations that in the course of the first 6 months of financial 2020 had basically been blocked due to the effects determined by the spread of the COVID-19 pandemic and, on the other hand, due to the termination of the contract relating to the "Poland - S61" contract communicated by the Company to the customer on 27 May 2021.

Energy BU

ITALY

Arbitration award – Ponte Albanito S.r.l.

With respect to the arbitration award brought about by ETS, which is described in detail in the 2020 financial statements, to which reference should be made, the first appeal hearing (L'Aquila Court of Appeal, RG 290/17), which was held on 13 June 2017, resulted in the adjournment to the hearing for the closing arguments on 14 January 2020, upon suspension. At the end of the preliminary investigation performed during the proceedings, the case was pending decision by the judge. The Court, with the judgement of 23 June 2021, ruled that the appeal of the award was inadmissible. On 6 August 2021, the Company settled its position with C.v.A. S.p.A. and ETS, as it had already accrued the relevant amounts in a specific provision in the previous years.

Acquisition of 100% of CW1 S.r.l.

On 25 October 2021, Renexia S.p.A. acquired 100% of the share capital of CW1 S.r.l.. CW1 is developing a wind farm consisting of three wind turbines, having a total power of 9MW, which will be built in Cerignola (Foggia). CW1 holds the single authorisation, which was obtained by Executive Decree no. 2 of 22 February 2018.

Incorporation of Med Wind Italia S.r.l.

Med Wind Italia S.r.l. was incorporated by Renexia S.p.A. on 15 March 2021. Its corporate purpose is the development and construction of wind farms, including off shore.

During the year, Med Wind Italia S.r.l. began developing the construction project for a wind farm off the port of Trapani for a total of 850 square kilometres. The wind farm, located in the Sicilian channel, will consist of 190 floating turbines for an installed capacity of 2.8 GW and an estimated annual production of 9 TWh.

ABROAD

United States

In 2021, Renexia S.p.A. received a dividend totalling USD 45.51 million (net of federal withholding tax) from its US subsidiary US Wind Inc. This dividend derives from the use transfer transaction of December 2018 for the body of water concluded by US Wind Inc. with EDF. Specifically, it concerns the deferred fee, totalling 240 million dollars, of which 62.5 million dollars were collected in the year by US Wind Inc.. The residual price will be collected by the US subsidiary in accordance with the agreements based on the MWs actually installed in the New Jersey area included in the sale.

Financial highlights

Toto Group

Below are:

- 1) the reclassified profit and loss account for 2021;
- 2) the reclassified 2021 balance sheet and
- 3) the 2021 NFP.

Table 7 – Reclassified Consolidated Profit and Loss Account

Profit and Loss Account <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Production revenues - Construction BU	158,831	90,840	67,991	75%
Production revenues - Concessions BU	221,404	174,451	46,953	27%
Production revenues - Energy BU	63,691	6,244	57,447	920%
Production revenues - Engineering BU	29,080	7,429	21,651	291%
Production revenues - Services BU	17,100	118	16,982	14392%
Production revenues - Holding and minor BUs	506	1,413	(907)	-64%
Total production revenues	490,612	280,495	210,117	75%
Operating costs	374,656	210,824	163,832	78%
EBITDA	115,956	69,671	46,285	66%
<i>EBITDA Margin</i>	<i>23.6%</i>	<i>24.8%</i>	<i>(1.20)</i>	
D&A	18,016	21,485	(3,469)	-16%
EBIT	97,940	48,186	49,754	103%
<i>EBIT Margin</i>	<i>20.0%</i>	<i>17.2%</i>	<i>2.78</i>	
Net financial charges	(29,492)	9,780	(39,272)	-402%
Equity investments and adjustments to financial assets	399	(527)	926	-176%
EBT	68,847	57,439	11,408	20%
<i>Margin</i>	<i>14.0%</i>	<i>20.5%</i>	<i>(6.44)</i>	
Income taxes	(34,071)	(971)	(33,100)	3409%
Net loss for the year including the portion attributable to minority interests	34,776	56,468	(21,692)	-38%
Minority interests in the profit (loss)	15,736	13,245	2,491	19%
TOTO group net loss for the year	19,040	43,223	(24,183)	-56%
<i>Margin</i>	<i>3.9%</i>	<i>15.4%</i>	<i>-11.51%</i>	

2021 ended for the Group with a net profit of € 19.0 million. As far as regards the "Production Revenue", the year reported a significant increase in relation to the previous year that had been strongly impacted by the negative effects of the spread of the COVID-19 pandemic. The pandemic mainly concerned the sectors relating to Concessions and Construction, which, during 2021, recorded revenue increases of € 47.0 million and € 68.0 million respectively.

The operating costs had an impact of € 374.7 million, leading to a positive EBITDA of € 116.0 million, with an increase of € 46.3 million compared to the previous year.

For the year 2021, the amortisation/depreciation and write-downs ("D&A") item had an impact of € 18.0 million compared to € 21.5 million total in 2020. The € 3.5 million decrease can be attributed to the combined effect of:

- greater amortisation/depreciation of tangible and intangible fixed assets for € 3.6 million.
- lower write-downs and allocations recorded in 2021 for € 7.1 million.

It is important to remember that for the year 2020, the Group had made use of the right introduced by Law 126/20 (and subsequent amendments) suspending amortisation/depreciation for a total value of € 57.7 million; for 2021, this right was only exercised by SDP for a total value of € 63.5 million of lower amortisation/depreciation.

As described, the EBIT for the year is positive for € 97.9 million against a positive balance of € 48.1 million in 2020.

The net financial income, negative for € 29.5 million, is conditioned by a twofold effect: on the one hand, interest expense that had a negative effect of € 82.1 million; on the other hand, the positive effect, for € 52.8 million (equal to USD 62.5 million), to be attributed to the fee received from US WIND, as described in the section "*Significant Events - Energy BU*" in this document.

The EBT closes 2021 with a value equal to € 68.8 million, also improving compared to the 2020 value equal to € 57.4 million.

The effect of the period's taxes stands at € 34.0 million; thus, 2021 closes with an overall net profit, including minority interests, of € 34.8 million.

Graph 4 – Percentage distribution of production revenues by business unit

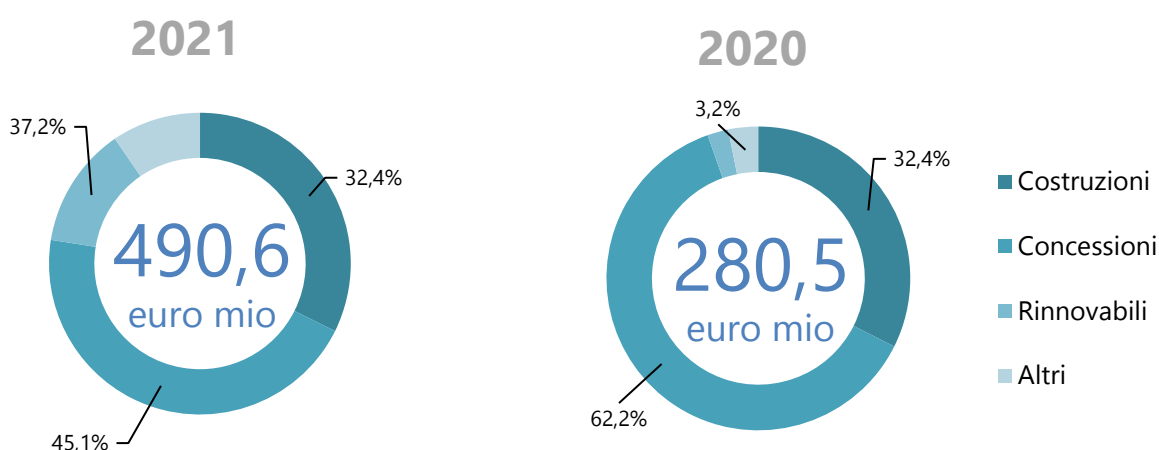


Table 8 – Reclassified consolidated balance sheet

Balance sheet <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Intangible fixed assets	59,573	40,165	19,408	48%
Tangible Fixed Assets	1,456,105	1,299,467	156,638	12%
Financial Fixed Assets	13,343	38,927	(25,584)	-66%
Total fixed assets	1,529,021	1,378,559	150,462	11%
NWC	290,415	217,017	73,398	34%
NIC	1,819,436	1,595,576	223,860	14%
Provisions	(124,906)	(109,137)	(15,769)	14%
Employee termination indemnities	(8,537)	(8,766)	229	-3%
Invested capital	1,685,993	1,477,673	208,320	14%
Net equity	280,927	236,613	44,314	19%
Self-liquidating loans	6,913	6,829	84	1%
Asset finance	593,478	477,230	116,248	24%
Project finance	38,770	36,625	2,145	6%
Corporate debts	23,437	20,848	2,589	12%
Bond loan	37,377	39,945	(2,568)	-6%
Securitisation	22,820	18,914	3,906	21%
Cash and cash equivalents (including restricted cash)	(99,167)	(123,356)	24,189	-20%
Net financial position	623,628	477,035	146,593	31%
Payable to ANAS	781,438	764,025	17,413	2%
“Adjusted” net financial position	1,405,066	1,241,060	164,006	13%
Total coverage	1,685,993	1,477,673	208,320	14%

Net invested capital increased by approximately € 223.9 million standing at € 1,819 million:

- intangible fixed assets increased by € 19.4 million mainly due to the consolidation of Beleolico and of CW1 whose authorisations are thus valued at € 18.4 million;
- tangible fixed assets increased by € 156.6 million. This increase is mainly owing to the investments under way by several group BU;
- financial fixed assets, finally, decreased by € 25.6 million, mainly due to the consolidation of Beleolico, whose capital positions are eliminated starting from this year.

NWC increased by € 73.4 million from € 217.0 million at 31 December 2020 to € 290.4 million. The increase essentially reflects the combined effect, mainly, of (i) the rise in inventory (€ 94.8 million), trade receivables (€ 28.0 million) and, with the opposite effect, the increase in trade payables (€ 40.0 million) and social security charges payable (€ 3.9 million).

Net equity (including minority interests), amounting to € 280.9 million, was affected by SDP's recognition of hedging reserves for a negative € 35.3 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 € 44.3 million increase in net equity is

essentially due to the effect of the profit for the period and the positive change, compared to 2020, in the fair value of derivatives.

The net financial position ("**NFP**") of € 623.6 million worsened by € 146.6 million on the previous year end (€ 477.0 million). For additional information, reference should be made to the next section describing net financial indebtedness.

Finally, the payable to ANAS rose by +€ 17.4 million (equal to € 781.4 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

The net financial position (NFP) for 2021 is negative by € 623.6 million, up € 146.6 million (+31%) on December 2020.

Movements in NFP by nature

Table 9 – Financial liabilities by nature

NFP by Nature <i>in thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Asset finance	6,913	6,829	84	1%
Project finance	593,478	477,230	116,248	24%
Self-liquidating loans	38,770	36,625	2,145	6%
Corporate debts	23,437	20,848	2,589	12%
Bond loans	37,377	39,945	(2,568)	-6%
Securitisation	22,820	18,914	3,906	21%
Total	722,795	600,391	122,404	20%
Liquid funds	(86,152)	(123,356)	37,204	-30%
Liquid funds available Encumbered and Current Assets	(13,015)	0	(13,015)	N.A.
Total	(99,167)	(123,356)	24,189	-20%
Net financial position	623,628	477,035	146,593	31%

Net financial indebtedness may be analysed as follows:

- The payables based on collateral on owned assets or leased assets, so-called *Asset Finance* are basically in line with the previous year, having gone from € 6.8 million in 2020 to € 6.9 million in 2021;
- the structured payables under "Project Finance" (without-recourse) went from € 477.2 million to € 593.5 million; the change is basically owing to the combined effect determined by (i) the increase of € 71.6 million on US WIND linked to the drawdowns of the bond carried out in the year (ii) the increase of € 74.9 million as a result of the consolidation of BELEOLICO and (iii) the reduction of € 30.5 million attributable to reimbursements of the year by SDP;
- *Self-liquidating* loans amount to € 38.8 million and increased by approximately € 2.1 million compared to the value recorded in December 2020. The change is mainly attributable to the combined effect of repayments made by TOTO CG and by SDP for € 7.9 million overall and by the drawdown of the contract advance for € 10 million made by INFRA;
- corporate debts amounted to € 23.4 million and show an increase of 12% compared to the value of 2020 mainly determined by the net effect of new disbursements for € 5 million of Renexia S.p.A. and decreases recorded in TOTO CG (€ 0.5 million), in PGS (€ 0.4 million), in US WIND (€ 0.9 million), and in INFRA (€ 0.6 million);
- the Bond Loans decreased by € 2.6 million mainly due to the payment of the interest on coupons carried out in the first half;
- the TOTO CG *Securitisation transaction*, following the sale of part of its technical provisions relating to certain contracts and factoring operations, increased by € 3.9 million due to the interest accrued and new advances received during the year;
- total cash and cash equivalents decreased by € 24.2 million standing at € 99.2 million. This item also includes restricted cash for € 13.0 million.

The calculation of the NFP does not take into account the SDP S.p.A. payable for the concession fee (€ 773.5 million) and the loan of the former operator (SARA S.p.A.) to the former Italian Guarantee Scheme (€ 7.9 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 granting authority in the event of withdrawal, termination and/or early termination of the agreement.

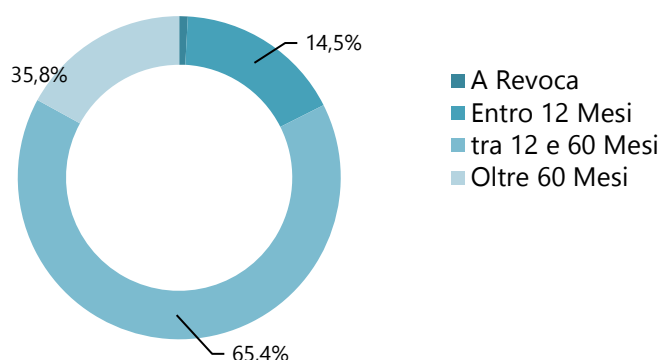
Analysis of NFP by Due date

The analysis of the net financial position by due date shows that 17.0% of financial liabilities are due after 5 years. The € 2.7 million of asset financing due within 12 months include the principal to be repaid within 12 months of loans and financing contracted, such as, for example those relating to the mortgages of AMBRA in relation to the "Agorà" residential complex located in Chieti; the item includes the leased assets recognised according to IFRS 16. The € 36.4 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. The Corporate Debts due are basically attributable to the current bank accounts of the Group company. The € 22.8 million relating to the TOTO CG securitisation transaction will be repaid when the technical provisions partly sold to third-party lenders and the collection of invoices paid in advance.

Table 10 – Breakdown of 2021 financial liabilities by nature and due date

NFP by Due date <i>in thousands of euro</i>	Until cancellation	Within one year	Between 12 and 60 months	Over 60 months	Total
Asset finance	0	2,656	3,558	699	6,913
Project finance	0	46,435	425,341	121,702	593,478
Self-liquidating loans	0	36,374	2,396	0	38,770
Corporate debts	6,205	7,157	9,430	645	23,437
Bond loan	0	5,525	31,852	0	37,377
Securitisation	0	22,820	0	0	22,820
Total	6,205	120,967	472,577	123,046	722,795
Liquid funds					(86,152)
Liquid funds available Encumbered and Current Assets					(13,015)
Total					(99,167)
Net financial position	6,205	120,967	472,577	123,046	623,628

Graph 6 – Breakdown of 2021 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 <i>in thousands of euro</i>	Until cancellation	Within one year	Between 12 and 60 months	Over 60 months	Total
Payable to ANAS	0	175,509	144,639	461,290	781,438

Performance of the main group companies

Energy Business Unit

US Wind Inc.

Table 18 – Reclassified profit and loss account of US Wind Inc.

Profit and Loss Account <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Production revenues	4,130	117	4,013	3430%
Operating costs	16,779	3,699	13,080	354%
EBITDA <i>EBITDA Margin</i>	(12,649) -306%	(3,582) -3062%	(9,067) 2755.27%	253%
D&A	28	177	(149)	-84%
EBIT <i>EBIT Margin</i>	(12,677) -307%	(3,759) -3213%	(8,918) 2905.87%	237%
Net financial charges	40,585	(3,129)	43,714	-1397%
Equity investments and adjustments to financial assets	0	0	0	N.A.
EBT <i>Margin</i>	27,908 676%	(6,888) -5887%	34,796 6562.92%	-505%
Income taxes	(6,702)	1,856	(8,558)	-461%
Net Profit <i>Margin</i>	21,206 513%	(5,032) -4301%	26,238 4814.32%	-521%

The economic structure of US Wind Inc. perfectly reflects that of a company undergoing development: the revenues ("Production Revenues" - € 4.1 million) represent the securitisation carried out in the year. Obviously, not all the "Operating Costs" incurred in the year, totalling € 16.8 million find justified grounds for being capitalised, as a result we record a negative EBITDA standing at € 12.6 million. The Operating Costs also include the bonuses allocated to staff to be paid upon the realisation of the conditions stipulated for the maturation of the right to receive it.

The amortisation/depreciation and write-downs item ("D&A") is not significant; therefore, the EBIT closes at € 12.7 million, basically similar to the EBITDA.

Net financial income, positive for € 40.6 million, basically includes the net effect of:

- interest expenses accrued on the bond issued in 2020 equal to € 12.3 million;
- income deriving from a structured financial transaction connected to the use transfer of the body of water concluded by US Wind Inc. with EDF in December 2018. More specifically, it concerns the deferred fee, totalling 240 million dollars, of which 62.5 million dollars (approximately € 52.8 million) were collected in the year. The residual price will be collected according to negotiated agreements depending on the MW actually installed in the New Jersey area that is the subject of the transfer.

The year 2021 ended with a net profit of € 21.2 million after having deducted taxes of € 6.7 million.

Table 19 – Reclassified balance sheet of US Wind Inc.

Balance sheet	Dec. 2021	Dec. 2020	Change	% Change
<i>In thousands of euro</i>				
Intangible fixed assets	49	67	(18)	-27%
Tangible Fixed Assets	62,933	25,951	36,982	143%
Financial Fixed Assets	0	0	0	N.A.
Total fixed assets	62,982	26,017	36,965	142%
NWC	17,927	12,075	5,852	48%
NIC	80,909	38,092	42,817	112%
Provisions	(8,077)	(203)	(7,874)	3879%
Employee termination indemnities	0	0	0	N.A.
Invested capital	72,832	37,889	34,943	92%
Net equity	(7,415)	11,752	(19,167)	-163%
Self-liquidating loans	0	0	0	N.A.
Intercompany payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	100,095	28,390	71,705	253%
Corporate debts	888	1,795	(907)	-51%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	0	0	0	n.a.
Cash and cash equivalents (including restricted cash)	(20,736)	(4,048)	(16,688)	412%
Net financial position	80,247	26,137	54,110	207%
Payable to the granting authority	0	0	0	N.A.
“Adjusted” net financial position	80,247	26,137	54,110	207%
Total coverage	72,832	37,889	34,943	92%

The change in fixed assets (totalling € 37.0 million) represents the activities connected to the off-shore wind farm that the American company is developing.

The change in the balance of the item relating to the NWC totals € 5.9 million and basically represents the recognition of deferred tax assets for approximately € 5.7 million.

The funds increased for approximately € 7.9 million, mainly including the bonuses allocated to staff to be paid upon the realisation of the conditions stipulated for the maturation of the right to receive it.

Equity is negative for € 7.4 million.

The NFP is negative for € 80.2 million, up (with a negative sign) by € 54.1 million compared to the previous year (€ 26.1 million). This increase includes the issuing of new bonds for € 71.7 million and the repayment of a corporate loan for € 0.9 million. Cash goes from € 4.0 million at end-of-year in 2020 to € 20.7 million this year.

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 <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Production revenues	165,648	103,640	62,008	60%
Operating costs	164,107	103,230	60,877	59%
EBITDA	1,541	410	1,131	276%
<i>EBITDA Margin</i>	<i>1%</i>	<i>0%</i>	<i>0.53%</i>	
D&A	10,886	14,860	(3,974)	-27%
EBIT	(9,345)	(14,450)	5,105	-35%
<i>EBIT Margin</i>	<i>-6%</i>	<i>-14%</i>	<i>8.30%</i>	
Net financial charges	(10,956)	(10,479)	(477)	5%
Equity investments and adjustments to financial assets	(346)	(249)	(97)	39%
EBT	(20,647)	(25,178)	4,531	-18%
<i>Margin</i>	<i>-12%</i>	<i>-24%</i>	<i>11.83%</i>	
Income taxes	2,119	4,426	(2,307)	-52%
Net Profit	(18,528)	(20,752)	2,224	-11%
<i>Margin</i>	<i>-11%</i>	<i>-20%</i>	<i>8.84%</i>	

"Production revenues" (€ 165.6 million) increased by € 62.0 million compared to 31 December 2020 (€ 103.6 million). The item essentially represents fees that refer to works accepted by customers and the production carried out in the year 2021.

The "Operating Costs" (€ 164.1 million) record, overall, growth totalling € 60.9 million compared to 31 December 2020. The increase in costs is proportional to the trend in business volume.

The EBITDA has a positive balance of € 1.5 million with an increase of € 1.1 million compared to the same value recorded in the previous year; it should be recalled that 2020 will, unfortunately, be recorded as a year conditioned by the spread of the pandemic globally, which in Italy led to the blocking of the economy's production and, for the Company, led to the halting of construction sites. The 2021 EBITDA has increased, but shows the difficulties that the Construction BU has had to face, since, despite the recovery in activities, increases in costs were recorded, mainly depending on external factors, which reduced the contract profit margins since not all of them were restored by the clients.

The amortisation/depreciation and write-downs "D&A" item (€ 10.9 million), includes (i) amortisation/depreciation for € 3.6 million, (ii) prudential write-downs of receivables for € 0.6 million, write-downs of fixed assets for € 4.1 million, and allocations for future charges for € 2.4 million.

As illustrated, the Operating Result (EBIT) stands at a negative value totalling € 9.3 million. The item represents an improvement compared to the previous year (negative for € 14.4 million): this figure attests to the difficulties that the division has had to face during the last two years.

The net financial charges in 2021 closed with a negative balance of € 11.0 million, basically in line with 2020 (negative for € 10.5 million). Interest payable to the parent TH (€ 5.2 million), the financial charges related to the

securitisation of the technical provisions (€ 2.3 million), bank interest (€ 2.5 million), and unpaid default interest and deferred payments (€ 1 million) had an impact on the item.

The item concerns adjustments to financial assets, whose balance is negative for € 346 thousand, essentially includes the write-down at 31 December 2021 of the investment of the affiliated Interporto S.r.l.

Taxes had a positive effect for € 2.1 million; the balance represents the net effect of tax charges and income, the latter more significant than the former.

In light of what has been described, the year of the Construction BU reports a loss totalling € 18.5 million.

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

Balance Sheet <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Intangible fixed assets	89	87	2	2%
Tangible fixed assets	84,638	63,738	20,900	33%
Financial Fixed Assets	10,891	10,748	143	1%
Total fixed assets	95,618	74,573	21,045	28%
NWC	(26,207)	(13,429)	(12,778)	95%
NIC	69,411	61,144	8,267	14%
Provisions	(14,090)	(11,927)	(2,163)	18%
Employee termination indemnities	(472)	(459)	(13)	3%
Invested capital	54,849	48,758	6,091	12%
Net equity	26,496	9,334	17,162	184%
Self-liquidating loans	14,467	21,923	(7,456)	-34%
Inter-company payables	2	5	(3)	-52%
Asset finance	5,401	4,571	830	18%
Project finance	0	0	0	n.a.
Corporate debts	10,676	11,147	(471)	-4%
Bond loan	0	0	0	n.a.
Factoring	22,820	18,912	3,908	21%
Inter-company Receivables	(13,167)	(13,969)	802	-6%
Cash and cash equivalents (including restricted cash)	(11,847)	(3,165)	(8,682)	274%
Net financial position	28,353	39,424	(11,071)	-28%
Payable to the granting authority	0	0	0	N.A.
"Adjusted" net financial position	28,353	39,424	(11,071)	-28%
Total coverage	54,849	48,758	6,091	12%

The Fixed assets (€ 95.6 million) increased by € 21.0 million compared to the previous year and includes, essentially, the change due to the investment in TBM (€ 14.2 million) that will be used for excavating the tunnels in the Cefalù contract.

The NWC (negative for € 26.2 million) increased the negative balance of the previous year by € 12.8 million. This trend can be attributed, among other things, to the net decrease in the deferred tax assets for € 3.5 million, the reduction in current financial assets for € 4.2 million, and to the increase in social security charges payable for € 4.1 million.

Net equity (€ 26.5 million) increased by € 17.2 million basically following the combined effect determined by the end-of-year losses in 2021 (€ 18.5 million), the positive effect of the translation reserve (€ 0.3 million), and the positive effect of the shareholder's waiver of receivable for € 35.0 million.

The Net Financial Position (negative) improved by € 11.1 million mainly due to the decrease in "Self-liquidating loans" (€ 7.5 million) and the increase in the cash and cash equivalents for € 8.6 million, to which the opposite effect of the increase in positions relating to the securitisation transactions, which recorded an increase of € 3.9 million, is added.

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 <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Production revenues	221,653	174,663	46,990	27%
Operating costs	136,754	104,607	32,147	31%
EBITDA	84,899	70,056	14,843	21%
<i>EBITDA Margin</i>	<i>38%</i>	<i>40%</i>	<i>-1.81%</i>	
D&A	4,933	2,687	2,246	84%
EBIT	79,966	67,369	12,597	19%
<i>EBIT Margin</i>	<i>36%</i>	<i>39%</i>	<i>-2.49%</i>	
Net financial charges	(56,882)	(60,478)	3,596	-6%
Equity investments and adjustments to financial assets	0	0	0	N.A.
EBT	23,084	6,891	16,193	235%
<i>Margin</i>	<i>10%</i>	<i>4%</i>	<i>6.47%</i>	
Income taxes	(16,600)	(4,277)	(12,323)	288%
Net Profit	6,484	2,614	3,870	148%
<i>Margin</i>	<i>3%</i>	<i>1%</i>	<i>1.43%</i>	

The "Production Revenue" item (€ 221.7 million) includes:

- as a core asset,
 - "gross toll revenue" totalling € 159.5 million (€ 133.1 million in 2020)
 - "other revenues from core business" totalling € 46.6 million (€ 31.3 million in 2020)
- as an accessory asset:
 - "sub-concessions and collateral activities" totalling € 4.1 million (€ 3.9 million in 2020)
 - "Other revenues and income" totalling € 7.8 million (€ 2.9 million in 2020)
- Increases in internal work capitalised totalling € 3.6 million (€ 3.4 million).

The toll revenues in 2021 increased by approximately 20% compared to last year: a significant increase, but still not enough to enable the full recovery of pre-COVID traffic levels, compared to which there is still a gap of approximately 10%.

The "Other revenues from core business" include € 46.6 million (€ 31.3 million in 2020) relating to lost revenues deriving from the suspensions of toll changes established by art. 9 tricies semel of Decree-Law no. 123 of 24 October 2019, recognised, in any case, on an accruals basis and calculated as the difference between (i) tolls collected on the basis of the tolls established by the interministerial decrees and (ii) earnings to which the Concession Company would have been entitled by applying the tolls under the concession agreement and based on the investigations (where available) drawn up by the General Directorate of the Supervisory Body of the Ministry of Infrastructure and Sustainable Mobility.

Revenues from sub-concessions and other revenues increased by € 5.1 million, excluding a transaction concluded during the year with a supplier that entailed a positive effect on revenues for € 4.6 million; the increase is closely linked to the recovery in traffic and connected activities.

The operating costs increased by € 32.1 million compared to the previous year; this increase is mainly due to the greater costs incurred for the maintenance carried out on the motorway network and, to a less degree, the greater "other costs" recorded (+ € 4.4 million, including € 2.5 million deriving from the greater costs for concession, sub-concession, and toll supplementation fees, owed pursuant to law).

The effects described above entail an increase in the EBITDA of approximately 21 percentage points, rising from € 70.0 million in 2020 to € 84.9 million in 2021.

In line with the operating choice for the financial statements ending at 31 December 2020, in this year too SDP opted to suspend amortisation/depreciation as permitted by art. 60, paragraph 7-bis of Law no. 126 of 13 October 2020, converting Decree-Law no. 104 of 14 August 2020. For additional information, reference should be made to the Explanatory Notes. The suspended amortisation/depreciation will be recovered in the following years as provided for by law.

Financial charges decreased both due to the fact that part of the principal was repaid in the year and as a result of low variable interest rates, to which a portion of the overall financial charge is linked. Capitalised financial charges amount to € 2.9 million and relate to assets under construction.

The net profit for the year amounts to € 6.5 million, up by € 3.9 million on 2020.

Table 17 – Strada dei Parchi S.p.A. reclassified balance sheet

Balance sheet <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Intangible fixed assets	9,292	8,629	663	8%
Tangible Fixed Assets	1,238,284	1,172,265	66,019	6%
Financial Fixed Assets	45	57	(12)	-22%
Total fixed assets	1,247,621	1,180,951	66,670	6%
NWC	30,482	62,999	(32,517)	-52%
NIC	1,278,103	1,243,950	34,153	3%
Provisions	(98,110)	(91,170)	(6,940)	8%
Employee termination indemnities	(6,252)	(6,604)	352	-5%
Invested capital	1,173,741	1,146,176	27,565	2%
Net equity	36,677	18,732	17,945	96%
Self-liquidating loans	14,304	14,700	(396)	-3%
Inter-company payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	371,359	401,836	(30,478)	-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.
Cash and cash equivalents (including restricted cash)	(30,036)	(53,118)	23,082	-43%
Net financial position	355,627	363,418	(7,791)	-2%
Payable to the granting authority	781,437	764,025	17,412	2%
“Adjusted” net financial position	1,137,064	1,127,444	9,620	1%
Total coverage	1,173,741	1,146,176	27,565	2%

Fixed assets increased in value as a result of the investments of the year. They are shown net of capital grants received during the year. As mentioned earlier, SDP opted to suspend amortisation/depreciation as provided for by the law in 2021 as well.

Net working capital is down by € 32.5 million due to greater payables to group companies and suppliers, partially compensated for by the increase in credits (especially from the Granting Authority) and the reduction in other payables.

Provisions for risks and charges essentially increased due to the combined effect of (i) the recognition of deferred tax liabilities (€ 17.6 million) on the temporary difference for IRES purposes relating to the reduction in taxable income calculated on the 2021 amortisation/depreciation not recognised for statutory purposes; (ii) the reduction in the risk fund for derivatives totalling € 15.8 million.

Invested Capital amounted to € 1,174 million, with an increase of approximately € 27.6 million compared to 2020. The increase in Net Equity is owing to the net profit for the year and the change in the hedging reserve.

Net Financial Indebtedness to third parties decreased from € 366.3 million to € 355.6 million; this decrease is attributable to the repayment of working capital in the year.

The “Adjusted” Net Financial Position that includes the payable to the granting authority increased by € 9.6 million; the change is owing to the interest accrued in the year on the concession instalment not yet paid. It should be noted that the shareholder loans (€ 42.3 million) are included in the NWC.

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 <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Production revenues	52,909	35,615	17,294	49%
Operating costs	33,488	23,809	9,679	41%
EBITDA <i>EBITDA Margin</i>	19,421 37%	11,806 33%	7,615 3.56%	65%
D&A	206	231	(25)	-11%
EBIT <i>EBIT Margin</i>	19,215 36%	11,575 33%	7,640 3.82%	66%
Net financial charges	1,018	1,176	(158)	-13%
Equity investments and adjustments to financial assets	0	0	0	N.A.
EBT <i>Margin</i>	20,233 38%	12,751 36%	7,482 2.44%	59%
Income taxes	(6,358)	(3,570)	(2,788)	78%
Net Profit <i>Margin</i>	13,875 26%	9,181 26%	4,694 0.45%	51%

The "Production Revenue" item (€ 52.9 million), increased by € 17.3 million (+49%) compared to the end of the previous year. The item includes the fees that refer (i) to the recurring ordinary maintenance (MOR) and to the fire-fighting service in the tunnels carried out by SDP, (ii) to the maintenance of the tunnels along the A24 and A25 motorways and (iii) to the activities linked to temporary signs to support the TOTO CG construction sites in the context of the urgent safety measures carried out by TOTO CG for the A24 and A25 motorways.

The core costs, totalling € 33.5 million, increased by 41% compared to 31 December 2020. The increase in production costs is mainly attributable to the increase in the costs of external work, hiring, and materials. The Operating Costs include labour costs: in absolute value, the increase of these costs totals € 1.5 million, while in percentage terms it is 22%. To understand the reason for this trend, it needs to be mentioned that the average number of employees during 2021 rose to 155 units, while in 2020 it totalled 138 units.

In light of the trend in costs and revenues described above, the gross operating margin recorded an increase totalling € 7.6 million (+65%) at 31 December 2021. Thinking in terms of the EBITDA's percentage impact on the turnover, at 31 December 2021, this totalled 37%.

Amortisation/depreciation, totalling € 206 thousand, did not have significant impacts on margins. While the net financial charges recorded a positive final balance of € 1.0 million, essentially attributable to the interest income accrued on the loan granted to the parent company TH in part offset by the interest expense accrued on current tax positions and loans received. The net profit for the year totalled € 13.9 million, up by € 4.7 million compared to the previous year (+51%).

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

Balance sheet <i>In thousands of euro</i>	Dec. 2021	Dec. 2020	Change	% Change
Intangible fixed assets	29	28	1	4%
Tangible Fixed Assets	1,533	865	668	77%
Financial Fixed Assets	4	0	4	n.a.
Total fixed assets	1,566	893	673	75%
NWC	(19,833)	(28,439)	8,606	-30%
NIC	(18,267)	(27,546)	9,279	-34%
Provisions	0	0	0	n.a.
Employees' leaving entitlement	(865)	(729)	(136)	19%
Invested capital	(19,132)	(28,275)	9,143	-32%
Net equity	27,286	13,410	13,876	103%
Self-liquidating loans	179	2	177	8736%
Inter-company payables	0	0	0	N.A.
Asset finance	0	0	0	n.a.
Project finance	0	0	0	n.a.
Corporate debts	4,583	5,016	(433)	-9%
Bond loan	0	0	0	n.a.
Factoring	0	0	0	n.a.
Intercompany receivables	(50,064)	(40,938)	(9,126)	22%
Cash and cash equivalents (including restricted cash)	(1,116)	(5,765)	4,649	-81%
Net financial position	(46,418)	(41,685)	(4,733)	11%
Payable to the granting authority	0	0	0	N.A.
"Adjusted" net financial position	(46,418)	(41,685)	(4,733)	11%
Total coverage	(19,132)	(28,275)	9,143	-32%

The fixed assets recorded an increase of € 0.7 million relating to investments made by the company on capital goods for carrying out its activities.

NWC is negative for € 19.8 million and comprises payables of € 47.5 million and current assets of € 27.7 million. Payables mainly relate to tax payables (€ 21.6 million) and trade payables and those to related companies for € 21.8 million overall.

As illustrated, the Net Invested Capital was negative for € 18.3 million.

With respect to hedges, the NFP amounts to € 46.4 million and essentially relates to the financial receivable from the parent TH and liquid funds of € 1.1 million. Net equity amounts to € 27.3 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.

Liquidity risk

The management of the Company's cash flows and, as a result, of the Group's, suffered from the effect of the pandemic that broke out at the start of 2020 with repercussions that partially continued through 2021 as well. This context entailed consequences never before seen nationally and globally that also struck the ordinary management of the Group, reducing the flows normally generated thereof.

Due to the reduced availability of liquid funds, the Group had to undertake a number of initiatives, including extraordinary ones, to address the challenges of the period.

In order to mitigate liquidity requirements and reduce the effects of the pandemic on its profitability, TOTO Holding S.p.A. committed to evaluating all available options, also following the issue of Decree-Law no. 23 of 8 April 2020, converted into Law no. 40/2020 of 6 June 2020 published in the Italian Official Journal no. 143, concerning liquidity support measures for businesses (the "**Liquidity Decree**") and subsequent amendments and/or extensions. To this end, in April 2022, the Group's financing transaction closed for € 92.1 million guaranteed by SACE up to 90%. The overall funding of € 92.1 million is immediately available for € 50 million and € 42 million can be used starting in 2023 upon reaching some goals for 2022.

At the Group level, in order to attain additional resources in particular for the development of activities and for improving the financial structure, in mid-March 2022 a structured sales process began (the so-called "*Beauty Contest*" or "*Broader process*") of the investment held by Renexia S.p.A. in the American subsidiary US Wind Inc. The sales process is managed by primary international consultants specialising in similar transactions (the "**Advisors**" - JP Morgan in the front row) that involved several stages that would have concluded with the presentation of binding offers. The Beauty Contest has still not concluded. This transaction, as envisaged by the respective financing contracts, would allow (i) the simultaneous repayment of the debenture loan issued by the subsidiary US Wind equal, at the date of drafting this document, to USD 165 million, plus interest accrued, and the repayment of the SACE-guaranteed loan, equal, at the date of drafting this document, to € 92.10 million (gross of the restricted cash that can be used for this purpose up to € 42 million), and (ii) at the same time, would allow the recovery of the Group's financial equilibrium and the generation of additional cash flows available to support the operational activities and investment for the Group. For further information, please refer to the sections of the Explanatory Notes: "Significant events after the reporting date" and "Going concern".

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

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. and APFL 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. In any case, currently the foreign activities of the Construction BU are absolutely residual; therefore, no exchange rate hedges are planned. If, in the future, the activity in foreign markets should grow, Management could assess the use of suitable hedge 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 2021, 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. The same information is also provided for the derivative entered into by Beleolico S.r.l. in the context of the financing contract signed in 2018 for constructing its off-shore wind farm.

Operational risk

The main risk situations regard specific disputes with a number of customers and counterparties in cases pending from previous years or brought in the current year. We refer, in particular, to the settlement of the disputes regarding the La Spezia, Poland - S5 and Czech contracts described in the section "Other risks - TOTO CG", to which reference should be made, or other types that we list below.

SDP

Litigation with the Grantor

a) Limits on inter-company work Commissions

SDP has started several proceedings in relation to the Ministry of Sustainable Infrastructure and Mobility, which are still pending, aimed at reversing measures with which the Ministry contested the methods of awarding works within the group by the same (i.e. (i) Lazio Regional Administrative Court (TAR), General Register No. 732/2014 (ii) Council of State, General Register No. 7350/2016, (iii) Lazio TAR, General Register No. 11744/2019, (iv) Lazio TAR, General Register No. 13998/2019, (v) Lazio TAR, General Register No. 271/2021, (vi) Lazio TAR, General Register No. 2480/2021, (vii) Lazio TAR, General Register No. 1772/2022). With the judgement no. 11114 of 20/12/2022, the Council of State, pending the decision of General Register no. 7350/2016, as well as having confirmed the lack of applicability in relation to SDP of art. 253(25) Legislative Decree no. 163/2006, also specified that this provision (and those that followed it) cannot apply in the case of concessions entrusted via public tender.

b) Application of Administrative Sanctions and Penalties

The Ministry of Sustainable Infrastructure and Mobility applied some administrative penalties to SDP for presumed non-fulfilments in managing the motorway section A24/A25 pursuant to the Single Agreement, which were contested by SDP and are the subject of proceedings (i.e. (i) Lazio Regional Administrative Court (TAR), General Register No. 10257/2011, (ii) Lazio TAR, General Register no. 13414/2015, (iii) Lazio TAR, General Register no. 10130/2016, (iv) Lazio TAR, General Register no. 10943/2016, (v) Lazio TAR, General Register No. 10012/2017 (vi) Council of State, General Register No. 3410/18, (vii) Lazio TAR, General Register no. 5028/2018, (viii) Lazio TAR, General Register no. 7687/2018, (ix) Lazio TAR, General Register no. 15612/2019, (x) Council of State, General Register no. 9314/2020, (xi) Lazio TAR, General Register no. 2744/2021, (xii) Council of State, General Register no. 4700/2021 (xiii) Lazio TAR, General Register no. 16/2022, (xiv) Council of State, General Register no. 2610/2022).

c) Recalculation of Discounts Applicable to Works Contracts

The Ministry of Sustainable Infrastructure and Mobility contested some discounts applied by SDP in certain works contracts and SDP contested these measures for the related reversal (i.e. (i) Lazio Regional Administrative Court (TAR), General Register No. 5490/2012, (ii) Lazio TAR, General Register no. 8330/2012, (iii) Lazio TAR, General Register No. 10289/2012, (iv) Lazio TAR, General Register No. 7996/2013, (v) Lazio TAR, General Register No. 7997/2013, (vi) Lazio TAR, General Register No. 6902/2014, (vii) Lazio TAR, General Register No. 7552/2014, (viii) Lazio TAR, General Register no. 2258/2018, (ix) Council of State, General Register no. 10017/2020, (x) Lazio TAR, General Register no. 10032/2021, (xi) Council of State, General Register no. 2073/2021, (xii) Council of State, General Register no. 2074/2021, (xiii) Council of State, General Register no. 6225/2021, (xiv) Lazio TAR, General Register no. 2026/2022, (xv) Lazio TAR, General Register no. 2057/2022, (xvi) Lazio TAR, General Register no. 5791/2022, (xvii) Lazio TAR, General Register no. 5793/2022, (xviii) Lazio TAR, General Register no. 5815/2022, (xix)

Lazio TAR, General Register no. 11062/2022, (xx) Lazio TAR, General Register no. 11474/2022, (xxi) Lazio TAR, General Register no. 11475/2022, (xxii) Lazio TAR, General Register no. 11476/2022, (xxiii) Lazio TAR, General Register no. 11477/2022, (xxiv) Council of State, General Register no. 5199/2022, (xxv) Council of State, General Register no. 158/2023).

d) Conventional Requirements

The Ministry of Sustainable Infrastructure and Mobility contested some non-fulfilments of SDP pursuant to the Single Agreement that were refuted by the company and are still pending (i.e. (i) Council of State, General Register no. 5775/2016, (ii) Lazio TAR, General Register no. 11881/2015, (iii) Lazio TAR, General Register No. 10731/2015, (iv) Lazio TAR, General Register No. 12756/2015, (v) Council of State. These proceedings are an extraordinary appeal under art. 8 of Presidential Decree 1199/197 aimed at reversing notice no. 0004153 of 10/03/2017 of the Rome Territorial Inspection Office at the Granting Authority, (vi) Lazio TAR, General Register no. 3156/2017. Action for annulment of measure no. 001293-P, (vii) Lazio TAR, General Register no. 3751/2017, (viii) Council of State, General Register No. 9636/2020, (ix) Lazio TAR, General Register no. 12013/2017, (x) Lazio TAR, 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, (xi) Lazio TAR, General Register no. 6483/2018, Council of State, General Register no. 7784/2019, (xii) Lazio TAR, General Register no. 8802/2018, (xiii) Council of State, General Register no. 80/2020, (xiv) Council of State Lazio TAR, General Register no. 5018/2019, (xv) Lazio TAR, General Register no. 5606/2019, (xvi) Lazio TAR, General Register 6380/19, (xvii) Lazio TAR, General Register no. 7973/2019, (xviii) Lazio TAR, General Register no. 4007/2020, (xix) Lazio TAR, General Register no. 7984/2019, (xx) Lazio TAR, General Register no. 12474/2019, (xxi) Lazio TAR, General Register no. 521/2020, (xxii) Lazio TAR, General Register no. 985/2020. (xxiii) Extraordinary appeal to the President of the Republic pursuant to article 8 of Presidential decree no. 1199/1971, (xxiv) Lazio TAR, General Register no. 5150/2020: these proceedings are aimed at reversing order no. 4976 of 19/02/2020 issued by the MIT, concerning the "Procedure for updating and reviewing the Business Plan", with which the Granting Authority communicated the conclusion of the corresponding administrative procedure, judging it to be inadmissible, (xxv) Lazio TAR, General Register no. 7667/2020: proceedings to annul measure no. 16185 of 30/06/2020 issued by the MIMS concerning "Management of concession arrangements. 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. The objection raised appears to be completely illogical when considering (i) the suspension of the fare increase until 31/10/2021, with consequent application of the fare in force at 31/12/2017, with Decree-law 123/2019, converted into Law 156/2019, (ii) the Granting Authority's failure to comply with all the fare increases from 2015 to date and (iii) the lack of approval of the new BP, (xxiv) Lazio TAR, General Register no. 9368/2020, (xxv) Lazio TAR, General Register no. 974/2021, (xxvi) Lazio TAR, General Register no. 1292/2021, (xxvii) the Rome District Court, General Register no. 66300/2021, (xxviii) Lazio TAR, General Register no. 10476/2021, (xxix) Council of State, General Register no. 8785/2021 whereby the Company filed an appeal requesting that the Council of State would, in fulfilment of judgement no. 5022/2019, have the business plan updating and review procedure concluded by the acting Commissioner, as well as requiring the respondent Administration to pay compensation for the damage suffered and being suffered by the Operator, (xxix) Lazio TAR, General Register no. 1058/2022, (xxx) Lazio TAR, General Register no. 1453/2022 whereby the company filed an appeal to annul measure no. 33797 of 28/12/2021,

concerning the “Objection relating to the concession relationship. Serious non-compliance”, and any preliminary, connected or consecutive measures. The Ministry accused the Concession Company of “serious and extended non-compliance with the contractual and legal obligations to maintain operations on the infrastructure under concession”, highlighting the supposedly “negligent conduct of the Concession Company in carrying out its maintenance activities and managing the infrastructure under concession, and of its own surveillance obligations”. The first unlawful grounds are procedural and concern the term assigned to the claimant to submit its own counter-arguments. In addition, the manifest lack of reasoning is highlighted, since the Granting Authority exclusively limited itself to listing its objections without the slightest discussion of any in relation to these. During the closed session held on 21 March 2022, the Judge upheld the precautionary injunction of the Concession Company, recognising the lawfulness of the request to adjust the time limit to 90 days from the report of the Minister’s commission, upholding the request for an extension until 29/04/2022 for filing the observations governed by art. 8 bis of the agreement, without further action”, (xxxi) Lazio TAR, General Register no. 1048/2022. Appeal whereby the Company filed an appeal to annul measure no. 10382 of 27/11/2021 of the MIMS concerning the “alteration of the contractual reciprocity and concession imbalance”. In this sense, it seems appropriate to highlight that the Concession Company, with the note dated 12/10/2021, identified the need to offset mutual claims between the parties to the concession relationship, in order to remedy an increasingly unsustainable situation for the company and, not receiving any response, the Company viewed itself as forced, with note no. 22562 dated 17/11/2021, to issue an injunction against the Granting Authority, asking for suitable compensation. With the contested measure, in any case, the Ministry dismissed every request and denied every charge. In this regard, we highlight that, during the concession relationship, the parties must behave in compliance with the principle of good faith and fairness, in the context of their mutual obligations, and none of the parties may require compliance in the absence of their own. Considering the stagnation relating to the BP, it was up to the Granting Authority both to place the Concession Company in the condition to be able to fulfil their obligations and to recover a fair contractual relationship, which has been altered by the unilateral suspension of the toll adjustment and by the increase in ordinary maintenance costs, without the corresponding provision for compensatory measures. With judgement no. 2525/2022, the TAR dismissed the appeal and the Company filed an appeal, (xxii) Lazio TAR, General Register no. 8748/2022, (xxiii) Lazio TAR 8175/2022. On 11/07/2022, Strada dei Parchi filed an appeal to reverse the decree of the General Directorate for roads and motorways, the high surveillance of road infrastructure, and the supervision of motorway concession contracts of the Ministry of Sustainable Infrastructure and Mobility no. 29 of 14/06/2022 approved on 07/07/2022, still not served, nor otherwise communicated, to the plaintiff and by this party only known since mentioned in art. 2 of Decree-Law no. 85/2022. The action promoted by the plaintiff contests the resolution provided by law and dictatorially by the concession, activated through a legislative provision contained in Decree-Law no. 85/2022, in the absence of any requirement and without accounting for the reasons that led to this measure.

In the first place, it seems appropriate to highlight that the resolution in question violates EU law, including due to the absolute lack of grounds for the law-measure. Articles 3 and 31 of Directive 2014/237UE (“concessions” Directive) are to be considered as self-executing in the part whereby they exclude a member state from arranging the removal of the concession ownership and its allocation to a different market operator without demonstrating that it was impossible to wait for the invitation to tender.

To this we add that arts. 1 and 2 of Decree-Law no. 85/2022 have a regulatory nature and, therefore, are subject to a close scrutiny regarding constitutionality, since the legal measure in question does not have the features of

generality and abstractness that belong to the law, since it is in marked contrast to the ordinary model of primary source; in fact, the law targets recipients specifically and identified by name by the legislator.

The laws objected to were, furthermore, adopted by a Decree-Law affected by clear gaps regarding the requirements of extraordinary nature and urgency fixed by art. 77 of the Constitution; in this case, there are no exceptional events such as to induce the legislator to make use of emergency decrees. In this case, there is also the requirement of danger in delay, since the termination of the concession relationship entails the elimination of the sole, corporate purpose of the Company; in this way, the plaintiff cannot count on cash flows coming from the motorway tolls nor on the compensation that it is owed based on the Agreement. Finally, if the appeal is upheld on its merit, the state would be sentenced to pay a huge sum, well above what is owed in the event of withdrawal for an event that cannot be attributed to the Operator.

With ruling no. 4364 of 12/07/2022, the execution of the contested acts was suspended, until the closed session of 07/09/2022, for which the collective discussion of the application for interim relief is fixed. The Judge highlighted the grounds expressed by the plaintiff in the introductory proceedings, taking into account the danger of default by the Company, of the prospect of firing staff not required by ANAS, as well as an injury to the public interest in the safety of road traffic. Following the filing by the State Counsel of the urgent application to advance the hearing in closed session, Decree no. 5258 of 14/07/2022 was published, which upheld the request submitted by the respondent Administrations and fixed the closed session for 27/07/2022. Leave to intervene “ad adiuvandum” was submitted by Unicredit S.p.A., Dexia Crediop S.p.A., and Altea SPV, as well as by some directors of the plaintiff company. Leave to intervene “ad opponendum” was also submitted by Codacons. On 22/07/2022, the Company filed an appeal for added grounds. With order no. 4809 of 28/07/2022, the application for interim relief proposed was upheld and the hearing of 20/09/2022 was fixed for the purposes of discussing the merit of the dispute. The grounds for the ruling highlighted various aspects that require particular attention as a precautionary measure: significance was given to the injury that an immediate transfer of management would be susceptible to causing, to the maintenance of SDP staff employment levels, and, finally, to the economic arrangements of the parties involved that, due to the size of finances involved, prove susceptible to being irreversible. Following the precautionary appeal promoted by the Ministry, with Decree no. 3917 of 01/08/2022, the precautionary injunction appealed against was suspended and the closed session for the discussion was fixed for 25/08/2022. With the subsequent order no. 4086/2022 of 26/08/2022, the Council of State definitively upheld the appeal and, accordingly, reformulated the order contested dwelling, among the main grounds adopted, on the financial incapacity of the Company to meet the necessary maintenance obligations for the infrastructure due to the submission on 16/08/2022 of the appeal under art. 44 of Italy's Code of Business Crisis and Insolvency, thus holding, that if the management remained with Strada dei Parchi SpA, the same would not, thus, be able to ensure the regular continuation of ordinary maintenance activities, thus leading to the progressive deterioration of the infrastructure and the need to assume increasing restrictions on the same, to the detriment of the already paying users, at the occurrence of this hypothesis, by the payment of a toll not reasonably proportionate to the service ensured. With the subsequent order no. 5993 issued by the Lazio TAR on 26/09/2022, the request to access documentation relating to the withdrawal procedure was partially upheld including the subordinate procedure (especially with regard to the documents attached to the report of Mr Migliorino), requiring the MIMS to send it within 60 days, while the application for interim relief was dismissed, given that, according to the administrative Court of first instance, currently, it cannot “any longer usefully consider any need to maintain business continuity for Strada dei Parchi, given that, for more than a month and a half, the aforementioned responsibilities are no longer exercised by the latter”.

The request, made alternatively in relation to the management takeover, to have " - even provisionally - Strada dei Parchi retain revenues deriving from the management of the infrastructure by ANAS, potentially less the costs", in order to ensure "the business continuity necessary for the positive settlement of the negotiated procedure with the resulting satisfaction of creditors and without need of any liquidation", was also dismissed, deeming this an obstacle in the legal provisions (referred to in art. 7-ter of Decree-Law No 68 of 16 June 2022, converted, with amendments, into Law No 108 of 5 August 2022; which reproduced the provisions originally contained in Decree-Law No 85 of 7 July 2022, repealed pursuant to art. 1(2) of the above-mentioned conversion law, maintaining, however, valid the acts and measures adopted and without prejudice to the effects produced and the legal relations arising), in relation to upholding the claims in question, due to which the revenues deriving from the collecting of motorway tolls "are destined to cover management costs as well as the performance of works referred to in letter a) of paragraph 2 of this article and, for the excess part, as stipulated by article 7-bis(2) of this decree". The new public hearing was set for 07/12/2022. With the judgement of 29 December 2022 (no. 1789), the Lazio Administrative Court declared "*significant and not obviously unfounded the questions of constitutional lawfulness of art. 2 of Decree-Law No 85 of 7 July 2022 (regulations then transposed in art. 7 ter of Decree-Law No 68 of 16 June 2022, converted, with amendments, into Law No 108 of 5 August 2022)*" raised by Strada dei Parchi (with the appeals General Register 1453 of 2022 and 8175 of 2022) against the measures that, pursuant to the above-mentioned law, provided for the termination of the Single Agreement and the direct entrusting of the management of the A24 and 25 motorways to ANAS.

Accordingly, the Administrative Court suspended the proceedings relating to the appeals presented by Strada dei Parchi, ordering the immediate transmission of the documents to the Constitutional Court, which will, thus, be called to rule on the merits of the matters concerning:

- the infringement of art. 77 of the Constitution in the absence of the requirements of extraordinary need and urgency (relating to the adoption of Decree-Law No 85 of 7 July 2022) and of arts. 3 and 97 of the Constitution, in terms of the unlawful legislation of administrative acts (relating to the inclusion of Decree-Law No 85 of 7 July 2022 of the administrative measures to terminate the concession);
- the infringement of arts. 3, 24, 25, 101, 102, 103, 111 and 113 of the Constitution, due to interference in the operation of the legal system (in relation to the adoption of Decree-Law No 85 of 7 July 2022 in anticipation of appeals and proceedings already filed by Strada dei Parchi regarding alleged non-fulfilments).

e) Toll increase for the year

SDP launched several proceedings concerning the toll increases not paid to SDP starting from 2015 (i.e. Lazio Regional Administrative Court, General Register no. 3207/2016, (ii) Lazio TAR, General Register no. 1291/2017, (iii) Lazio TAR, General Register No. 2675/2018, (iv) Lazio TAR, General Register No. 2808/2019, (v) Lazio TAR, General Register 6717/2019, (vi) Lazio TAR, General Register No. 2089/2020, (vii) Lazio TAR, General Register No. 2578/2021, (viii) Council of State, General Register no. 2880/2021, (ix) Council of State, General Register no. 5812/2021, (x) Council of State, General Register no. 5813/2021, (xi) Council of State, General Register no. 5815/2021, (xii) Lazio TAR, General Register 16758/2022, (xiii) Rome District Court, General Register no. 15785/2020, (xiv) General Register no. 23272/2020 relating to an appeal by court order for payment obtained by the company in relation to the MIMS for the amount of € 30.527 million, deriving from the loss in tolls attributable to the years 2015, 2016, 2017 then paid starting from the year 2018. The proceedings were suspended as a result of the filing of an appeal before the Italian Court of Cassation by preventive jurisdictional ruling whose outcome we are still waiting for).

Litigation with ANAS SpA

- Rome District Court, General Register no. 33007/2016. Action whereby the Operator brought legal proceedings against ANAS S.p.A. and the Ministry of Infrastructure and Transport in their respective roles as Granting Authority, to ascertain the responsibility thereof for breaches resulting in various counts of damage in relation to the concession arrangement and thus obtain an order for the aforesaid authorities to pay compensation for such losses, even jointly. As a result, the case was combined with that with General Register no. 77217/2017 (with the order of 30/01/2020). On 16/11/2020, the Rome Court issued sentence no. 16036/2020 rejecting the claims filed by the Company in the two combined cases. The Company lodged an appeal (General Register no. 6914/2020). It is to be expected that the Court of Appeal issues the judgement in 2024.
- Rome District Court, General Register no. 75938/2019. Opposition to the injunction order no. 18980/2019 (General Register no. 49684/2019), issued by the Court of Rome on 24 September 2019 in favour of ANAS S.p.A., ordering the payment of € 151,966,324.08. The Judge, having acknowledged the suspension under the law of the payment of the concession fee relating to the instalments for 2017 and 2018 (Law 156/2019 converting Decree-Law 123/2019), issued the order that provides for provisional enforceability of the above-mentioned injunction order for the partial amount of € 29,050,321.30. On 26/01/2021, ANAS S.p.A. sent the Company the writ of execution. ANAS carried out a seizure against third parties for the amount owing. As a result of the agreement reached between the parties, the amounts were paid, ANAS withdrew the seizure order, and the amounts in the current accounts were once again available to SDP. Opposition to the writ of executions is pending (before the Rome District Court, General Register no. 9684/2021), whose next hearing was set for 03/07/2023.
- Rome District Court, General Register no. 47339/2020. On 23/10/2020, the Court of Rome issued injunction no. 16723/2020 requested by ANAS S.p.A. for a total of € 82.5 million and related to the following reasons: the annual instalment for 2019 of the concession fee pursuant to art. 3.0 letter c) of the Agreement, the instalment relating to the supplement of the annual fees pursuant to art. 19, paragraph 9 bis of Law No. 102/2009 from July 2019 to July 2020, the portion of the fee pursuant to art. 1, paragraph 1020 of Law No. 296/2006, as provided for by art. 12 of the Single Agreement and art. 3.6.2 of Annex E to the BP, the eleventh instalment of the debt (due on 30 April 2020) to the former Italian Guarantee Scheme provided for by art. 5-ter and Annex E to the Agreement. On 26 November 2020, the Company notified ANAS S.p.A. a writ of summons to oppose the above injunction in order to ascertain the inadmissibility of the claim for damages and therefore request its revocation. At the same time, the Court was asked to authorise the MIT to be summoned pursuant to arts. 106 and 269 of the Italian Code of Civil Procedure and, in any case, pursuant to arts. 107 and 270 of said code. The proceedings are identified with General Register no. 67037/2020. At the hearing of 25/11/2021, the Judge referred the matter to the hearing of 22/02/2022 for oral discussion for the purposes of deciding the request for the concession of the provisional execution of the opposing injunction order, or, alternatively, the rejection of the related request with simultaneous authorisation in favour of the Company to add the MIMS as a party to the action. At the hearing of 22/02/2022, the Judge reserved their decision.

With the measure of 28 March 2022, the Rome District Court dismissed the provisional execution of the court order for payment requested by ANAS in October 2020 for the payment of the concession rates for 2019. With this decision, the judicial tribunal applied the principle established by the judgement of the Constitutional Court (No 181 of 2019), which had affirmed "*the ability of the debtor to oppose all the preliminary objections even if referring to the creditor*", by virtue of which SDP claimed the lawfulness to

oppose, in relation to ANAS, the compensation with receivables claimed by SDP in relation to the MIMS as Granting Authority. The Rome court thus dismisses the provisional execution requested by ANAS upholding the request by SDP to summon the MIMS for the purposes of determining the objection to compensation with receivables held in relation to MIMS “deriving from the contested non-fulfilments” (of the MIMS) “directly related to the concession relationship”. The next hearing is set for 28/09/2023 for the admission of means of giving or obtaining evidence and it is possible to imagine that the proceedings will be decided in 2025.

- Lazio Regional Administrative Court, General Register no. 58561/2021. On 13/07/2021, the Civil Court of Rome issued the court order of payment no. 13091/2021 requested by ANAS S.p.A for the amount of € 74.8 million 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 to the BP, and the twelfth instalment of the payable to the ex-central guarantee fund, set forth by art. 5-ter and of Annex E to the Single Agreement. On 24/09/2021, the SDP filed a writ of summons in opposition to the above-mentioned Decree (Rome District Court, General Register no. 58561/2021) in order to obtain the withdrawal of the order to pay. With the measure of 21/11/2022, the presiding judge dismissed the request for the granting of the provisional execution of the court order for payment opposed, filed by ANAS, applying, in this case too, the principle established by the judgement of the Constitutional Court (No 181 of 2019), which had affirmed “*the ability of the debtor to oppose all the preliminary objections even if referring to the creditor*”, by virtue of which SDP claimed the lawfulness to oppose, in relation to ANAS, the compensation with receivables claimed by SDP in relation to the MIMS as Granting Authority. The Court thus denied the provisional execution requested by ANAS upholding the request by SDP to summon the MIMS for the purposes of determining the objection to compensation with receivables held in relation to MIMS “deriving from the contested non-fulfilments” (of the MIMS) “directly related to the concession relationship”. The Judge also assessed the opinion produced by SDP regarding the effects of Decree-Law No 123/2019 on the right to the suspended toll increases, considering the particular nature of the dispute, which originated from the overlapping of continuous regulatory changes that repeatedly governed the relationships between the Operator and the Administration, as well as the potentially irreversible consequences, economically and financially, that SDP could suffer as a result of the enforced recovery. The District Court has, as mentioned, authorised the summoning of the third-party MIMS, requested by SDP, deferring the case to the hearing of 29/03/2023.
- Rome District Court, General Register no. 51181/2022. On 17/06/2022, the Rome District Court issued the court order of payment no. 10667/2022 requested by ANAS S.p.A for the amount of € 77.6 million connected to the following causes: the annual instalment for the year 2021 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 balance of January 2021 to December 2021, 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. The decree is provisionally enforceable and was served, together with the writ of execution, on 28/07/2022. On 29/07/2022, SDP filed a writ of summons in opposition to the writ of execution decreed in order to obtain the determination of the ineligibility of the

receivable and the inadmissibility of the summary claim. On 13/08/2022, the Judge dismissed the suspension request for the provisional execution of the court order for payment. On 15/09/2022, SDP opposed the writ of execution (Rome District Court, General Register no. 58567/2022).

- Rome District Court. - chamber specialised in companies, General Register no. 49102/2022. On 30/06/2022, SDP launched a proceedings in relation to the MIMS in order to request the determination of the lawfulness of the withdrawal from the concession relationship relating to the management of the A24 and A25 and the determination of the claims and compensation for the damage owing to SDP. The next hearing will be held on 30/01/2023.

OTHER judicial and administrative DISPUTES

Several civil and administrative disputes are also pending that are linked to the management of motorway infrastructure, such as, merely by way of example, debt collection action, action for declaring the invalidity and/or unlawfulness of the payment notice for COSAP fees.

In addition, there is:

- a proceeding launched by SDP before the Rome District Court, General Register no. 8124/2019, concerning ascertaining defamation by the press and consequent compensation for damages (calculated at € 2,000,000.00) arising from the TV report broadcast during two episodes of the TV programme "Le Iene". During the report, the counterparties carried out a large-scale defamatory smear campaign against Strada dei Parchi S.p.A., with the aim of discrediting and creating alarm regarding how the A24 and A25 motorways are currently operated and maintained. At the outcome of the hearing of 17/01/2022, the Judge reserved their decision on the offers of evidence formulated. SDP requested admission of a court-appointed expert to verify and determine the damage caused by the conduct of the counterparty, in light of the negative impact produced by the television programmes objected to, including on the motorway traffic of the A24 and A25 sections and the corresponding revenues of the Strada dei Parchi concession company. Dispute pending before the Rome District Court, General Register no. 8124/2019. We are still waiting for the lifting of this reservation.
- A proceeding whereby 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 the acquisition of building areas on its property as compensation was requested under art. 42-bis of the Presidential Decree 327/2001 and regarding the obligation to provide for the same application requested, by way of compensation for the damage from the unlawful occupation.
- Various proceedings launched by some employees of the Company, including proceedings to have the employees' leaving indemnity increases, deriving from the failure to count some items such as continuous overtime, the night-time and holiday compensation for continuous and rotating shifts, and Sunday work recognised, and other items and compensation paid during the employment relationship. SDP joined the proceedings (General Register no. 741/2021, 742/2021) and objected to the issues presented by the opposing party since they are without grounds in fact or in law.

Criminal Proceedings

- Public Prosecutor's Office at the Court of Teramo, Criminal procedure with General Register No. 1960/2017. A number of (alleged) criminal offences were attributed to leading officials at the Company, accusing them of misconduct allegedly resulting in contamination of the groundwater beneath the Gran Sasso massif. On 27/10/2021, the Court declared the opening of the trial.

- Public Prosecutor's Office c/o Teramo District Court, Joint criminal proceedings nos. 3373/2018 – 4951/2018 – 6707/2018 of the General Crime Registry. On 30/03/2021, taking into account the investigation carried out and the substantial quantity of evidence and assessments collected, the dismissal order for the criminal procedure mentioned above, concerning the environmental crime referred to in art. 452 quinquies, para. 2 of the Italian Criminal Code and that referred to in art. 328 of the Italian Criminal Code: "Rejection of acts of office. Omission", in which some Directors and Managers of the Company were accused, in conspiracy with others, of having caused or in any case not prevented and in any case contributed to causing "a permanent risk of environmental pollution, and, in particular, the risk of impairment or significant and measurable deterioration of the groundwater of the Gran Sasso massif, was filed by the Preliminary Investigation Judge of the Teramo District Court. On 30/03/2021, the application to dismiss the proceedings was upheld.

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

During the performance of the contract, TOTO CG, guaranteed by a Bulgarian insurance undertaking, guaranteed, in turn, by another party, provided three separate first demand guarantees for a total of PLN 76,119 thousand (€ 16,559 thousand at the exchange rate of 31/12/2021). In detail:

- a performance bond of PLN 52,924 thousand (€ 11,513 thousand at the exchange rate of 31/12/2021) guaranteeing the correct performance of all contract obligations.

- an advance payment bond for PLN 13,880 thousand (€ 3,261 thousand at the exchange rate of 31/12/2021) to guarantee the sum paid in advance by the contracting authority.
- bonds for Milestone 1 of PLN 9,315 thousand (€ 2,026 thousand at the exchange rate of 31/12/2021) 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 (€ 5,597 thousand at the exchange rate of 31/12/2021) by way of penalties due for termination of the contract.
- PLN 9,315 thousand (€ 2,026 thousand at the exchange rate of 31/12/2021) for the failure to reach Milestone 1.
- PLN 13,019 thousand (€ 2,832 thousand at the exchange rate of 31/12/2021) for the failure to reach Milestone 2.
- PLN 57,869 thousand (€12,589 thousand at the exchange rate of 31/12/2021) 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 (€ 889 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 (€ 5,597 thousand at the exchange rate of 31/12/2021).
- The cancellation of the penalties due for failure to achieve Milestone 1 and Milestone 2 amounting to PLN 9,315 thousand (€ 2,026 thousand at the exchange rate of 31/12/2021) and PLN 13,019 thousand (€ 2,832 thousand at the exchange rate of 31/12/2021), respectively.
- The acknowledgement of the "ex TUNC" contract termination and the right to a fee equal to PLN 294,650 thousand (€ 64,098 thousand at the exchange rate of 31/12/2021).
- 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 (€ 27,426 thousand at the exchange rate of 31/12/2021).

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. The Company has filed its briefs. Upon request of the Warsaw District Court, GDDKiA had to respond within 5 months of the last brief of TOTO CG and Vianini, which was filed on 14 May 2021. The precise term for GDDKiA's response, as a result of the extension, expired on 22 April 2022 and GDDKiA filed its briefs within this time frame.

The judge, at the outcome of examining the briefs, invited the parties to start mediation proceedings in which both participated. The first mediation session was held on 7 September 2022. On this occasion, the mediator asked the parties to define the scope of the mediation. To this request, TOTO CG responded that it would be appropriate for the mediation to encompass all issues connected with the termination of the S5 contract: thus, the main case, the judicial request of GDDKiA to return what was paid to the subcontractors and the bonds.

The representatives of GDDKiA thus recalled that they have three cases underway with Euroins (one for the collection of each bond) and asked if we were willing to involve Euroins in the mediation too. TOTO CG responded positively to this request, highlighting, however, that it is, in any case, possible to reach a definitive resolution even without the participation of Euroins. TOTO CG thus proposed requesting the suspension of the recourse process for payments to subcontractors and asking Euroins if it intends to participate for the other two as well.

GDDKiA announced that it had already filed against TCG a case for the interest relating to the sums it believes due and not collected, but that probably it had not been served; in any case, it is available to bring that to mediation as well.

In the next meeting, whose date has not yet been fixed, we should outline the scope of the matters subject to mediation, subject to identification of all the procedures pending, including with subcontractors, for which the respective lawyers will directly contact each other to define the scope of the mediation.

Since the proceedings are still at a preliminary stage, considering the launch of the mediation procedure, 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. The applications lodged with the Court of Sofia, and consequently also with the Rome District Court, against the enforcement of the performance and milestone bonds have been allowed. However, the first was appealed before the Bulgarian Court of Cassation. 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. The oral discussion of the procedure before the European Court of Justice occurred on 15 July 2021. With the judgement of 6 October 2021, the European Court of Justice established:

- that the dispute is a civil one and, as a result, subject to European Regulation;
- that a court of another state could have jurisdiction, even if there has already been a negative ruling by the court with jurisdiction on the merit of the issue. The European Court referred the decision on jurisdiction to the Bulgarian Court of Cassation;
- that any precautionary action will need to be judged according to internal regulations.

Having restarted the proceedings in Bulgaria, at the outcome of the above-mentioned ruling of the European Court of Justice, the Bulgarian Court of Cassation upheld the appeal of GDDKiA with the judgement of 9 March 2022. At the moment GDDKiA has not communicated the judgement.

In addition, the applications to prevent the enforcement of the advance payment bond in Poland, Bulgaria, and Italy were dismissed. On 16 October 2020, the counter-guarantor notified TOTO CG of an order to pay the advance payment bond initially opposed by the Company, noting, inter alia, that the main guarantor did not pay the amount enforced; in fact, in March 2022 GDDKiA claimed of the failure to pay. 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, the Company, in order to avoid enforcement actions, reached an agreement with the counter-guarantor for the payment of the sum ordered of approximately € 900 thousand. For the Company, this payment, made in the second half of 2021, does not represent a recognition of what is owed, insofar as the proceeding, in relation to the counter parties, continues. The Company, with the aid of its lawyers, intends to

defend their case in the appropriate forums. Given the complexity of the affair, it is difficult, in the current state, to definitively assess the final outcome of the litigation; for this reason, prudentially, we believe an adverse outcome is possible.

In addition, the counter-guarantor Barents, which became aware of the cancellation of the Bulgarian preventive measure following the upholding by the Bulgarian Court of Cassation of the appeal by GDDKiA, requested (and obtained) a court order for payment in relation to TOTO CG and the other guarantors and relating to the Performance Bond and the Milestone Bond. The court order for payment was served on 25 October 2022 and the judge did not grant its provisional execution. Considering that there are excellent reasons to object considering that Euroins does not intend to pay GDDKiA the bonds enforced and that, in any case, with GDDKiA the mediation process is underway, the lawyers were mandated to oppose this court order for payment.

Poland S61 contract

In 2018, TOTO CG and GDDKiA signed the contract for the design and construction of the S-61 Ostrów Mazowiecka-Szczuczyn highway, section: Łomża Zachód - Kolno, for a length of approximately 12.922 km [S61] + DK64 [GP] 6.963 km. The contractual amount was PLN 427.4 million (€ 93.7 million). The initial deadline was 2 November 2021.

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

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

The procedure to obtain the construction permit has undergone several delays, for reasons not attributable to the Company. Eventually, the permit was granted on 12 November 2020.

Moreover, following site surveys in 2019 and 2020 “unforeseen geological events” emerged during the detailed technical design process which obtained different geotechnical and stratigraphic results to those supplied by the customer in the tender specifications.

As mentioned, the approval of the project occurred during 2020 and, as a result, the pandemic clearly had an impact on the Company’s organisation in preparing the resources necessary to start the activities, also given the fact that the delay in the approval of the construction permit, together with the contractually agreed winter break, has postponed the scheduled date for the start of activities to March 2021. This date is, thus, only a few months after that contractually stipulated for the completion of the project works and never modified by the Customer. Moreover, the Company, through three distinct motions that appeal to the Polish law called the “COVID Act” promulgated on 2 March 2020, asked that the contractual obligations be recalibrated as a result of the negative effects connected to the spread of COVID-19.

Unfortunately, the Customer unreasonably rejected all motions and, therefore, on 21 May 2021, the Company formally threatened to terminate the contract should the Customer not fulfil its obligations. On 27 May 2021, as the counterparty did not reply, the Company notified the contract termination.

On 28 May 2021, the counterparty, in turn, notified the contract termination, threatening that it would enforce the Advance Payment Bond of approximately € 1.1 million. TOTO CG proceeded with the reimbursement of the contractual advance in the first half of 2021.

It should be mentioned that as a result of the termination of the tender contract, the customer GDDKiA did not immediately launch the enforcement of the Performance Bond since, pursuant to art. 15r1¹ of the Law dated 2 March 2020 on “special provisions relating to the prevention, countering and battle against COVID-19, other infectious diseases and the crisis deriving from it” (hereinafter, called the “COVID Law”), some restrictions on the rights of Customers (like GDDKiA) were introduced regarding requiring a contractual penalty from the Contractor. And this for the whole duration of the threat of the epidemic or the full-blown epidemic announced in relation to COVID-19, and for 90 days from the date of the end of the state of emergency.

The Performance Bond issued by TOTO CG expired on 30 November 2021.

On 3 December 2021, GDDKiA communicated, inter alia, that it had enforced the Performance Bond via a request to the insurance company. At the outcome of the enforcement attempt communicated, TCG launched two different precautionary actions to prevent the enforcement of the guarantee.

On 17 December 2021, TOTO CG’s lawyers filed an appeal at the Warsaw District Court to prevent the enforcement of the Performance Bond. On 30 December 2021, the presiding judge dismissed the appeal. In the meantime, TOTO CG obtained from the Chieti District Court an injunction under art. 700 of the Italian Code of Civil Procedure (which will be described below); therefore, it filed a claim against the dismissal of the request for an injunction by the Warsaw District Court on 15 February 2022; this claim was dismissed, with a decision that cannot be appealed, on 6 April 2022.

As mentioned, on 21 December 2021, TOTO CG filed an appeal for issuing a preventive measure aimed at preventing the enforcement of the Performance Bond. With the measure of 22 December 2021, the presiding judge granted a preventive measure “*in ex-parte proceedings*”, under art. 700 of the Italian Code of Civil Procedure, whereby it prevented the insurance company from paying the enforcement of the Performance Bond and postponed, for the examination of questions relating to jurisdiction as well, until the hearing in joint consultation fixed initially for 16 February 2022, giving TCG until 31 December 2021 for communicating the proceeding and hearing date to the other parties to the proceedings, GDDKiA, and the insurance company.

At the hearing of 16 February 2022, the judge referred the matter to the hearing of 6 April 2022. On 18 March 2022, the GDDKiA lawyers requested access to the district court file. On 5 April 2022, GDDKiA joined the proceedings, but at the following hearing of 6 April 2022, due to the absence of the presiding judge, the replacement automatically referred the matter to the hearing of 4 May 2022; the hearing of 4 May was also postponed until the end of the month. With the measure of 26 May 2022, communicated to the parties on the same date, the presiding judge upheld the preliminary objection of the Italian court’s lack of jurisdiction raised by the GDDKiA lawyers.

In relation to this order, a claim had been filed that was discussed on 14 July 2022.

With the order of 21 July 2022, the Chieti District Court sitting in a bench, definitively ruling, disregarding any other deduction and counter objection:

- A. amending the order contested, ruled that Italy did have jurisdiction over the dispute in question;
- B. dismissed the request of the Company;
- C. compensated half the expenses for both proceedings.

Considering the impossibility of filing additional forms of appeal, the Company started discussions with the insurance company and lawyers of the Customer in order to verify the possibility of settling the question in the

context of the mediation launched with the Customer and relating to the S05 contract (previous section), or of launching a separate one. In any case, every attempt was futile, the reason for which, on 23 September and 10 October 2022, the insurance company paid the amount enforced, plus interest, as per Polish law and asked the Company, with a letter of 20 October 2022, to return what had been paid: € 11,932,796.00 including € 11,110,235.00 as principal and € 822,561.00 by way of interest. The Company, in accordance with the insurance company, repaid € 4.1 million in December 2022 with the commitment to repay the remaining part in 2023.

Finally, with reference to the action in question, on 11 March 2022, TOTO CG filed an appeal with the Warsaw District Court to have GDDKiA sentenced to pay the contractual penalty for terminating the contract of PLN 78,852,291.00 declared by the same company. We expect that the district court will grant the terms for the notifications and the summoning of GDDKiA. To this end, given the complexity of the affair, it is difficult, in the current state, to definitively assess the final outcome of the litigation; for this reason, prudentially, we believe an adverse outcome is possible.

Czech Republic contract

Regarding the matter in question, there are no significant updates to provide in relation to what was included during the drafting and approval of the Financial Statements at 31 December 2020 except for marginal updates. For completeness of information, however, we summarise what is already known below with the case updates.

There are two pieces of litigation underway in the Czech Republic: the first against the customer by the Joint Venture ("JV" - TOTO CG/GEOSAN); the second between the members of the JV, i.e. TOTO CG and GEOSAN.

Litigation with the customer Ředitelství Ssilnic a dálnic ČR (RSD)

RSD (Ředitelství Ssilnic a dálnic ČR) awarded TOTO CG, in joint venture with the local partner GEOSAN GROUP and the Kazakh SP Sine Midas Stroy LLC, a contract to upgrade 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. These attempts (presented both in Italy and the Czech Republic) did not make it possible to avoid the payment; therefore, the Company settled the amount enforced relating to the Performance Bond owing to it. 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. TOTO CG and the former partner GEOSAN have reached an agreement to file a single case on the merits against the customer RSD to obtain declaration of the legitimacy of the termination carried out by the JV and the right to compensation for the damage incurred. In all probability the two proceedings will be combined. The Company and GEOSAN, with the support and assessments of their lawyers, believe that the outcome of the litigation underway will be positive for the members of the JV and, following this favourable conclusion, the affairs that are listed below and that concern the relations between the Company and GEOSAN will also be resolved.

On 30 November 2020, GEOSAN and TOTO served a writ of summons to the Customer RSD to pay damages for the termination of the contract, requesting compensation of approximately CZK 789.6 million (capital and interest). The Customer RSD joined the proceedings filing the documentation on 13/04/2021; the presiding court has not yet fixed the date for replies (needing to lift a preliminary objection relating to the eligibility of video evidence filed by TOTO CG and GEOSAN) and, as a result, has not yet fixed the date of the first hearing or provided provisions regarding the filing of briefs.

As mentioned above, RSD has also, in turn, declared the contract terminated due to the actions and fault of the TOTO GEOSAN JV; however, in 2021, RSD served TOTO CG, as leader of the JV, with a writ of summons requesting damages from it that RSD estimated to be approximately 93,890,355.86 Czech korunas subsequently increased by an additional 771,491,242.39 Czech korunas for the extra cost of awarding the work again. TOTO CG joined the proceedings within the time frame in July 2022. A similar writ was received by GEOSAN and, considering the close connection of this case with that brought by JV against RSD, the respective lawyers coordinated the defences and are assessing whether to ask for the proceedings to be combined.

Litigation with GEOSAN

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 award, 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 Prague Court, with a request to suspend its enforcement 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 issued an interim measure in *ex parte* proceedings, suspending the enforcement 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. With a judgement of 28 December 2021, the Prague Court dismissed the appeal of TOTO CG of the award. Said judgement was contested before the Supreme Court on 18 January 2022; said court, at the hearing of 8 November 2022, dismissed the appeal.

On 20 May 2020, TOTO CG was, in any case, served notice of the *exequatur* of the award issued by the L'Aquila Court of Appeal. 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. After the first hearing, the Aquila Court of Appeal adjourned the case to the hearing of 22 April 2022 for closing arguments. The hearing was, at the last minute, automatically moved to 25 October 2022 and, in this hearing, time limits were granted for filing observations and replies (60 days for observations and 20 days for replies) and the case is pending decision.

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.

Cefalù contract

In a note dated 30 October 2019, ITALFERR agreed to set up a Committee for the amicable settlement procedure (hereinafter, the "Committee") pursuant to article 240 of Legislative decree no. 163/2006, to calculate the claims recognised by Company.

The matter concerned claims 1-46 recognised up to Progress billing no. 22 dated 30 April 2019, for a total of € 233,208 thousand, of which € 171,704 thousand accrued at the reporting date.

The Company adhered to the request; the Committee was established and conducted its activities with the resulting release, on 26 June 2020, of the report containing the assessments of the Chairperson and of the members appointed by the parties. Based on this report, the Company informed RFI of its willingness to reach an amicable settlement by accepting the Chairperson's proposal.

The request failed and, consequently, the Company (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 (General Registry ruling 44455/2020) to obtain full payment of the claims already covered by the settlement agreement procedure, for a total amount of € 252,997,280 as 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.

The preliminary hearing was held on 16 September 2021 and, following this, the briefs under art. 183(6) of the Italian Code of Civil Procedure were filed in compliance with the time frames assigned.

The next hearing, initially set for 5 October 2022, was deferred to 9 February 2023.

In fact, the Parties are deciding whether to refer every determination on the amount of the claims that can be recognised to the judgement of the Technical Advisory Board referred to in art. 6 of Decree-Law No 76 of 16/07/2020, converted into Law No 120/2020, being established.

It must, in addition, be noted that the reserves that are the subject of the proceedings, have subsequently been updated, and new claims have been recognised, from no. 47 to no. 76, until the date of the last progress billing issued (progress billing no. 56 for works until 30 September 2022), for the overall amount accrued of approximately € 457.7 million, including the amount that is the subject of the proceedings under way.

"La Spezia" contract

As known, the combined proceedings: General register no. 65886/2017 and General register no. 49268/2018, both put forward by the Company, the first to ask for the payment of the claims for repayment and greater compensation recognised during the contract and that constituted the subject of the amicable agreement procedure that concluded without an outcome (*petitum* € 99,305,665, including € 93,160,485 accrued), the second so that the contract was verified and declared terminated due to ANAS's serious failure to fulfil its terms. The conduct of the latter, in fact, never permitted the resolution of significant issues that, right from the Company's entering into the contract (end of 2014) affected the project, preventing, in fact, the regular execution of work. The Company also asked that ANAS be sentenced to pay damage compensation for € 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.

With respect to these combined rulings, it should be noted, especially regarding the case with General register no. 65886/2017 in relation to the claims recognised, that the 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 (€ 8,273,758). Clearly, the subsequent termination of the contract will result in an increase in safety charges upon completion of the works.

In addition to this, during the filing of the brief under art. 183(6)(1) of the Italian Code of Civil Procedure, 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 progress billing no. 13 for works up to 9 April 2018, totalling € 22,546,335. Consequently, the total amount was determined as € 115,706,820 (€ 93,160,486 + € 22,546,335).

Conversely, the amount related to ruling General registry no. 49268/2018, of € 47,537,469, is unchanged.

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 court-appointed expert, specifying the assessments to be carried out, which were then further described in an order issued at the request of the Company's counsel.

The court-appointed expert filed his final report in compliance with the time frame of 10 November 2021, and in it:

- a) He calculated the amount owing for the claims, declaring that the grounds adopted by the Company were valid for the main claims (those relating to the anomalous progress of works and consequent damages from reduced production), but calculated the production loss in an incorrect manner: in fact, he calculated the quantity of works that could not be indemnified as a percentage much lower than in reality, and then based himself on the time period stipulated by the initial contract for the completion of the works and not on the shorter time frame granted after TOTO took over the contract. In reality, these are errors (or, if you like, incorrect assessments) that can be easily demonstrated since they can be found in the documentation in the records, and, therefore, the lawyers and technical consultant of the Company trust they can demonstrate, with the final briefs, that the production loss is greater than that assessed by the court-appointed expert, with a consequent increase in the amount to be paid;
- b) He found that ANAS had terminated the tender contract without there being grounds, which entails the Company's right to compensation: he calculated these damages as approximately € 52,289.

The hearing was, thus, held on 25 November 2021, in which the Judge ruled that it was "not necessary to supplement the appraisal requested by the respondent" (ANAS), and fixed the hearing for concluding arguments for 5 July 2023.

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Case (General Registry 3285/18) initiated by the Company in April 2017 before the Court of Appeal of Rome to obtain € 7,183,985 related to the claims recognised by RTI, the predecessor of the company up to progress billing no. 5 for work up to 6 March 2013, ended. In this case, the Company 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 the above-mentioned ruling.

With ruling no. 1620/2020, the Court of Appeal of Rome rejected TOTO CG's appeal. The Company has appealed against the ruling to the Court of Cassation, also on the basis of the assessment made by its lawyers, considering 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.

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On 31 August 2020, the Company 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 tollgates 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 properly completed for € 13,209 thousand.
- Indemnities for temporary occupation for € 3,738 thousand.

Even before the Company 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 from TOTO CG, net of the Company's residual receivable for the work carried out.

In a note dated 15 September 2020 sent to ANAS, the Company 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 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 the Company will use them once the test certificate has been signed.

In its letter dated 18 September, ANAS accepted the Company's proposals and suspended the enforcement of the

surety policy.

The acceptance of works, with the issuing of the related certificate that the Company signed the following 29 September, took place in June 2021. In it, the Inspectors:

- Increased the amount of the works performed by the Company by approximately € 2,113 thousand, recognising part of the payables requested by the latter; in addition, they stated that the Company actually carried out additional works for approximately € 485 thousand "*relating to accounting items for works created and altered at work sites but not agreed upon due to the contract termination*" ruling that it is up to the General Directorate whether to pay said last amount or not (that, if they did not pay, this would constitute the unlawful enrichment of ANAS with obvious consequences);
- Reduced, by approximately € 2,360 thousand, the charge of € 3,101 thousand relating to the damage suffered for various activities not performed by the Company;
- Acknowledged some (minimum) restoration works carried out by the Company and checks performed by the Designer, and reduced the charge for the tunnel works to approximately € 1,358 thousand.

In conclusion, the test certificate shows a payable for the Company of approximately € 103 thousand; should, however, the ANAS General Directorate recognise said amount for greater works of € 485 thousand, this will constitute a receivable for the Company of approximately € 383 thousand.

Today, the ANAS General Directorate still has not expressed an opinion on what was decided by the Approval Board.

Due to the above, in any case, the grounds for the execution of the surety policy have expired.

The Company recognised specific claims (from no. 77 to no. 80) in order to dispute the majority of the amount of the accounting differences and of said residual payables, and for these (together with claims no. 65 to 76, previously recognised and not part of the above-mentioned combined rulings underway) will institute additional civil proceedings as soon as, with the approval of the test certificate, the decision of the ANAS General Directorate is known regarding the payment of said amount of € 485 thousand.

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 "Pescina 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.);
- subsequently, with effect from 1 November 2011, the Company took over the contract from Toto S.p.A. pursuant to article 116(1) of Legislative decree no. 163/2006, as transferee of Toto S.p.A.'s "Construction" business unit, by virtue of a notary deed dated 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 total amount of the work was € 16,870,695.38, or £ 32,666,221,338 (net of the 31.31% discount offered), including safety charges of € 413,165.52 (or £ 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 nos. 71 of 12 July 2007 and no. 80 of 3 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, underlining 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 reservation was recorded in the accounting ledger (signed on 20 May 2008) upon the maturation of progress billing no. 1 for works up to 29 February 2008 and, given the failure to restart work, with subsequent letter, ref. no. 1288 of 27 June 2018, the Company updated the claim for a total 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. Therefore, though fundamentally contesting ANAS's ability to make use of this mechanism, during the term of the Contract, for the mere reason of defence and loyal cooperation, the Company took part in the procedure, submitting its counter-arguments.

At the end of the preliminary investigation, ANAS, almost two years after the beginning of the procedure and without the slightest consideration for the fact that the tender contract had been signed and that the works were

underway, ordered the termination, not only of the contract, but also of the tender procedure for awarding the contract, for the following reasons: *"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"*.

Consequently, the Company appealed against the decision before the Abruzzo Regional Administrative Court (Pescara section, 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.

Following the hearing for the discussion on the merits held on 28 January 2022, on 16 March 2022 the Board filed a court order wherein:

- it considered a possible lack of administrative jurisdiction;
- it granted the time frame of 30 days to the parties for filing briefs on this point;
- it fixed a new hearing on the merits for 27 May 2022.

Both the Company and ANAS filed briefs, each reiterating the jurisdiction of the Administrative Court.

As a result of the hearing fixed for 27 May 2022, with the judgement no. 306/2022 RPC, the TAR declared that it lacked jurisdiction.

As a result, the Company is about to serve the writ of summons in the civil court to request the payment of the claims recognised and compensation owed for ANAS's withdrawal from the contract.

It should be recalled that the affairs of the contract had been the subject of criminal proceedings launched by the Public Prosecutor at the Pescara District Court, during which some representatives of the current Toto Holding S.p.A., as well as the Company itself (pursuant to Legislative Decree no. 231/2001), were indicted, together with other parties outside of the Group.

After the acquittal of the natural persons, the proceedings continued in relation to the only legal entities involved. At the hearing of 6 June 2022, the pronouncement of the judgement was read, whereby all the companies indicted, including Toto Holding S.p.A., were acquitted with the formula "because the alleged facts had not been made out". The ruling has not yet been filed. It is, in any case, reasonable to presume that there will be no appeal, at least in relation to Toto Holding S.p.A., since the Public Prosecutor had already requested the full acquittal of the same.

Investigations of the Florence Public Prosecutor

The Public Prosecutor with the Florence District Court, in the context of the criminal proceedings no. 3745/2019 General Crime Registry, alleged the following offences in relation to Toto S.p.A. Costruzioni Generali, pursuant to Legislative Decree No 231/2001:

- chapter 6 administrative offence under art. 25, 5, 6 of Decree 231 in relation to the offence charged under chapter 5) (arts. 318, 321 of the Italian Criminal Code) against the then legal representative of the Company, allegedly committed in Florence with ongoing conduct: on 5 August 2016 and shortly before the date 9 April 2018;

- chapter 9 administrative offence under art. 25, 5, 6 of Decree 231 in relation to the offence charged under chapter 8) unlawful influence peddling (art. 346-bis of the Italian Criminal Code) against the then legal representative of the Company, allegedly committed in Florence on the dates of 21 December 2016, 18 January 2017, 30 June 2017, and 2 October 2017.

The hearing before the Preliminary Investigation Judge was scheduled for 4 April 2022.

At this hearing, the Preliminary Investigation Judge revealed, however, that the notice for fixing the hearing had not been communicated to any of the indicted parties and thus adjourned the case to 10 June 2022. On this occasion, the Public prosecutor filed additional, voluminous documentation; the defence teams, therefore, requested that time to be able to examine it be granted. Accepting the request, the Preliminary Investigation Judge adjourned the hearing to 19 September 2022 and, subsequently, to 25 November 2022: during the hearing, the defence teams of all the indicted parties raised preliminary objections regarding the use, by the Public prosecutor, of several documents, seized during the investigations and the Judge fixed a new hearing for 10 February 2023 for the Public prosecutor's replies to these objections and for scheduling the additional hearings. It should be noted, in the meantime, that the Public prosecutor has acquitted one of the indicted parties (Dr Bergonzi) for whom the investigations ceased.

US WIND

US WIND currently has a single piece of litigation underway in relation to Intermoor (supplier of the American company) and relating to the failed installation of the Met Tower in the summer of 2019. 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 & AGM (Case Non. 1:19-cv-02984-SAG) – Underway

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. Today, the dispute is exclusively lodged at the Federal Court of Maryland: the parties already completed the so-called discovery phase, the depositions on the factual circumstances, and the depositions of the respective experts in July 2022.

On 14 November 2022, having deliberated on the arguments admissible to the proceedings, the District Court scheduled the first official hearing for 2 October 2023.

In the meantime, on 15 August 2022, US Wind and AGM signed a transaction by which AGM paid \$400,000 to US Wind and, accordingly, AGM is no longer co-defendant in this case.

US Wind vs MARMAC LLC v. Intermoor Inc. (Case no. 2:21-cv-00115) - Ended.

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.

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. On 11 August 2022, MARMAC and US Wind signed a transaction according to which US Wind paid the sum of \$190,000 to MARMAC, as a full and final settlement of its claims and in exchange for a full and final release. Accordingly, this case has concluded.

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. 231/2001

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 (with 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 on disclosures regarding the "business outlook", the relevant information is provided in the Explanatory Notes, in a specific section placed after that entitled "Significant events after the reporting date", to which reference should be made. This approach promotes clarity and effectiveness in the reading of the consolidated financial statements and related documents.

Chairman of the Board of Directors

Paolo TOTO

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Consolidated financial statements

Balance sheet

BALANCE SHEET (in thousands of €)	31/12/2021	31/12/2020
ASSETS		
A) Share capital proceeds to be received	6	6
I) Share capital proceeds to be received	6	6
B) Fixed assets	1,529,021	1,378,559
I) Intangible fixed assets	59,573	40,165
1) Start-up and capital costs	21	25
3) Industrial patents and intellectual property rights	1,208	599
4) Concessions, licences, trademarks and similar rights	49,658	31,305
6) Assets under development and payments on account	1,092	598
7) Other	7,594	7,638
II) Tangible fixed assets	1,456,105	1,299,467
1) Land and buildings	73,317	76,470
2) Plant and machinery	13,096	12,295
3) Industrial and commercial equipment	3,276	1,788
4) Other assets	5,618	4,450
5) Freely transferable assets	1,038,924	1,038,924
6) Assets under development and payments on account	321,874	165,540
III) Financial fixed assets	13,343	38,927
1) Equity investments:	2,729	2,561
b) Associates	2,682	2,514
d-bis) Other companies	47	47
2) Financial receivables	10,614	35,563
a) From subsidiaries	0	30,460
b) From associates	4,844	5,019
d-bis) From others	5,770	84
3) Other securities	0	803
C) Current assets	772,411	679,691
I) Inventory	277,752	182,880
1) Raw materials, consumables and supplies	13,661	13,760
3) Contract work in progress	214,542	145,850
4) Finished goods	2,574	3,203
5) Payments on account	46,975	20,067
II) Receivables	373,681	308,652
1) Trade receivables	37,061	35,133
2) From subsidiaries	0	129
3) From associates	214	214
5-bis) Tax receivables	52,039	30,830
5-ter) Deferred tax assets	97,625	97,061
5-quater) From others	186,742	145,285
III) Current financial assets	47	25,719
1) Investments in subsidiaries	0	25,672
4) Other Equity Investments	47	47
IV) Liquid funds	86,152	123,356
1) Bank and postal accounts	85,438	122,621
3) Cash-in-hand and cash equivalents	714	735
V) Assets held for sale	34,779	39,084
D) Prepayments and accrued income	15,177	14,401
TOTAL ASSETS	2,316,615	2,072,657

BALANCE SHEET (in thousands of €)	31/12/2021	31/12/2020
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	5,392	4,849
VI) Other reserves	252,898	253,294
1) Extraordinary reserve	242,486	242,486
2) Translation reserve	10,412	10,808
VII) Hedging reserve	(35,343)	(44,685)
VIII) Losses carried forward	(108,625)	(163,823)
IX) Net profit (loss) for the period/year, including the portion attributable to minority interests	34,776	56,467
Minority interests in the net profit (loss) for the year	15,736	13,244
Net equity, excluding the portion attributable to minority interests	250,923	210,419
Sub-total (Share capital and reserves attributable to minority interests)	30,004	26,194
A) Net equity	280,927	236,613
B) Provisions for risks and charges	124,906	109,137
2) Tax provision	36,942	19,746
3) Derivatives	48,875	61,912
4) Other provisions	39,089	27,479
C) Employees' leaving entitlement	8,537	8,766
D) Payables	1,899,295	1,715,045
1) Bonds	184,641	115,339
1) Due within one year	6,074	5,333
2) Due after one year	178,567	110,006
3) Shareholder loans	1,999	2,964
2) Due after one year	1,999	2,964
4) Bank loans and borrowings	494,558	444,637
1) Due within one year	80,649	49,436
2) Due after one year	413,909	395,201
5) Loans and borrowings from other financial backers	825,034	804,440
1) Due within one year	215,961	163,268
2) Due after one year	609,073	641,172
6) Payments on account	43,981	28,199
1) Due within one year	43,981	28,199
7) Trade payables	210,952	160,647
1) Due within one year	189,697	139,415
2) Due after one year	21,255	21,232
9) Payables to subsidiaries	0	31,007
10) Payables to associates	27	12
11) Tax payables	99,843	87,258
1) Due within one year	92,647	68,883
2) Due after one year	7,196	18,375
13) Social security charges payable	18,496	14,536
1) Due within one year	17,719	14,066
2) Due after one year	777	470
14) Other payables	19,764	26,006
1) Due within one year	19,763	26,005
2) Due after one year	1	1
E) Accrued expenses and deferred income	2,950	3,096
TOTAL LIABILITIES	2,316,615	2,072,657

Profit and Loss Account

PROFIT AND LOSS ACCOUNT (in thousands of €)	31/12/2021	31/12/2020
A) Production revenues	490,612	280,494
1) Turnover from sales and services	302,779	221,560
2) Change in work in progress	(629)	(167)
3) Change in contract work in progress	66,502	13,279
4) Internal work capitalised	112,677	42,949
5) Other revenues and income	9,283	2,873
B) Production cost	392,672	232,309
6) Raw materials, consumables, supplies and goods	91,431	34,420
7) Services	117,332	52,659
8) Use of third party assets	18,190	12,327
9) Personnel expenses	116,928	85,483
a) Wages and salaries	77,059	61,788
b) Social security contributions	27,363	19,297
c) Employees' leaving entitlement	4,989	4,116
e) Other costs	7,517	282
10) Amortisation, depreciation and write-downs	10,491	17,677
a) Amortisation of intangible fixed assets	135	147
b) Depreciation of tangible fixed assets	5,456	1,805
c) Other write-downs	4,130	12,337
d) Write-downs of current receivables	770	3,388
11) Change in raw materials, consumables, supplies and goods	98	2,371
12) Provisions for risks	3,472	1,603
13) Other provisions	4,053	2,205
14) Other operating costs	30,677	23,564
Operating profit (A-B)	97,940	48,185
C) Financial income and charges	(29,492)	9,780
15) Income from equity investments	52,858	80,248
16) Other financial income	368	1,881
17) Interest and other financial charges	(82,152)	(70,669)
17 bis) Net exchange rate gains (losses)	(566)	(1,680)
D) Adjustments to financial assets and liabilities	399	(527)
18) Write-backs	793	10
19) Write-downs	(394)	(537)
PROFIT (LOSS) BEFORE INCOME TAXES	68,847	57,438
20) Income taxes	34,071	971
a) Current	18,279	2,590
b) Deferred and prior year taxes	15,792	(1,619)
21) Net loss for the period, including the portion attributable to minority interests	34,776	56,467
Minority interests in the net profit (loss) for the year	15,736	13,244
22) Net loss for the period attributable to TOTO Group	19,040	43,223

The Chairperson of the Board of Directors

Paolo TOTO

Cash flow statement for 2020 (indirect method)

(in thousands of €)	31/12/2021	31/12/2020
A. Cash flows from operating activities (indirect method)		
Net loss for the year/period	34,776	56,467
Income taxes	34,071	971
Net interest expense	29,492	(9,780)
(Gains)/losses on the sale of assets	(52,858)	(80,248)
1. Profit for the year before income taxes, interest, dividends and gains/losses on sales	45,481	(32,590)
<i>Adjustments for non-monetary items with no balancing entry in NWC</i>		
Accruals to provisions	7,525	3,808
Accrual to employees' leaving entitlement	4,989	4,116
Amortisation/depreciation	5,591	1,952
Write-downs for impairment losses	4,524	12,874
<i>Other adjustments for non-monetary items</i>		
Non-monetary effect - Beleolico Consolidation	56,132	
Non-monetary effect of Net equity (e.g. Translation Reserve and repayment of capital)	9,538	(14,115)
2. Cash flows before changes in NWC	133,780	(23,955)
<i>Changes in NWC</i>		
Decrease/(increase) in inventory	(94,872)	(19,173)
Decrease/(increase) in trade receivables	(1,928)	(14,333)
Increase in trade payables	50,305	10,567
Decrease/(increase) in prepayments and accrued income	(776)	843
Increase/(decrease) in accrued expenses and deferred income	(146)	486
Other changes in NWC	(97,774)	(39,931)
3. Cash flows after changes in NWC	(11,411)	(85,496)
<i>Other adjustments</i>		
Interest paid	(29,492)	9,780
Income taxes paid	0	0
Dividends received/Realised gains (US Wind)	52,858	
Use of provisions	2,988	6,119
4. Cash flows after other adjustments	14,943	(69,597)
Cash flows from operating activities (A)	14,943	(69,597)
B. Cash flows from investing activities		
<i>Tangible fixed assets</i>		
Increases	(165,332)	(59,483)
Decreases	(892)	142
<i>Intangible fixed assets</i>		
Increases	(19,565)	(512)
Decreases	22	0
<i>Financial fixed assets</i>		
(Investments)	(5,232)	(3,932)
<i>Current financial assets</i>		
(Investments)	0	855
Proceeds from disinvestments	0	0
Cash flows used in investing activities (B)	(190,999)	33,686
C. Cash flows from financing activities		
<i>Third party funds</i>		
Increase in bank loans and borrowings and loans and borrowings from other financial backers	139,817	59,562
<i>of which: Loans taken out (including the changes in ANAS' concession fee)</i>	<i>186,199</i>	<i>114,714</i>
<i>Loans repaid</i>	<i>(46,382)</i>	<i>(55,152)</i>
<i>Own funds</i>		
Dividends paid	0	(26,018)
Increase in shareholder loans for financing	(965)	1,041
Cash flows from financing activities (C)	138,852	34,585
Increase (decrease) in liquid funds (A + B + C)	(37,204)	(1,326)
Opening liquid funds	123,356	124,682
Closing liquid funds	86,152	123,356

The Chairperson of the Board of Directors

Paolo TOTO

Explanatory Notes

Dear Shareholders,

these consolidated financial statements, at 31 December 2021, show a Group net profit of € 19,040 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 2020), considering the "significant uncertainties due to the effects caused by the spread of the Covid-19 pandemic" and that had generated some liquidity risks, since the closures of the construction sites for the Construction BU and the restrictions on movements imposed by the Italian Government (in 2020 and in the early months of 2021) for the Concessions BU, in fact reduced the availability of liquid funds generated.

The Group, as described in detail in the consolidated Financial statements at 31 December 2020, in order to deal with issues that arose during the period, implemented several actions and operations — the latter also of an extraordinary nature — which made it possible to strengthen the development of assets linked to the renewable energy sector and to consolidate and lay the foundations for the Group's well-defined future planning.

In any case, the events that defined the year 2021 and, above all, the year 2022, further altered the feasible strategic choices. With reference to the Construction BU, as described, the consequences of the measures designed to

contain the pandemic, although reduced compared to 2020, were protracted, including during the first months of 2021, additionally contributing to the reduction in financial resources. The continuation of the state of emergency, thus, made it necessary to adopt measures implemented by the Government to support the liquidity of Italian companies: in particular, art. 1(1) of Decree-Law No 23 of 8 April 2020, converted, with amendments, by Law No 40 of 5 June 2020 (hereinafter, the “**Liquidity Decree**”), in order to ensure the liquidity needed for companies with headquarters in Italy hit by the COVID-19 pandemic, other than banks and other parties authorised in credit operations, laid out the possibility for SACE S.p.A. (“**SACE**”) to grant guarantees until 30 June 2022, in compliance with European law on state aid, to banks, national and international financial institutions, and other parties authorised in credit operations in Italy, to finance, under any form, the above-mentioned companies, to be used to support the financial requirements connected to the liquidity needs of companies, for the purposes identified therein. Therefore, on 22 April 2022, the Company signed a loan contract for an overall amount of € 92.1 million (including € 67.7 million for the Construction BU), 90% guaranteed by SACE. The overall funding of € 92.1 million is immediately available for € 50 million and € 42 million that can be used starting in 2023 upon reaching some goals for 2022.

As far as regards, on the other hand, the Concessions BU, at the start of May 2022, the Interministerial Committee for Economic Planning and Sustainable Development (CIPESS) communicated that it has expressed “*an unfavourable opinion regarding the proposal for updating/reviewing the Business Plan (BP) relating to the concession between the Ministry of Sustainable Infrastructure and Mobility (MIMS) and Strada dei Parchi for the A24-A25 motorway sections*”, a proposal that had been prepared and sent in December 2021 by SDP upon the request of the acting commissioner and based on the assumptions indicated by the same (please refer to the section “Significant events after the reporting date - Concessions BU”). As a result of this umpteenth episode, having reasoned that

- (i) there were no longer the conditions for achieving an updated BP;
- (ii) the tolls had been unilaterally blocked, and unlawfully, for five years at this point; and
- (iii) needing to meet the increasingly onerous maintenance costs due to the delay in launching the structural works plan,

on 12 May 2022, SDP exercised its right to withdraw (the “**Withdrawal**”) set forth by art. 11.11 and *9bis* of the Single Agreement, asking the granting authority to start work on determining the value of claims calculated according to art. 9bis(2)(a), (b), and (c) of the concession agreement and that, based on the calculations made by SDP, it amounts to no less than € 2.4 billion. With the same letter, SDP requested that a meeting be arranged to define the next steps in the best interest of the project. We should specify that art. 9.2 of the Single Agreement stipulates that, if the concession is revoked (for any reason: withdrawal, revocation, termination) “...[] *The Operator is still obliged to continue the ordinary administration of the operation of the motorways until their management is transferred.*” In addition, you read, in the same article, that “*The transfer [of the concession] is subject to the payment by the Granting Authority to the former Operator...[]*” of compensation; finally, it is established that “...[] *The compensation must be paid within the 120th (one hundred and twentieth) day from the date of expiry of the concession, in a single payment.*” Interest, in the event of a delay in payment starting from the 121st day, is also stipulated. Finally, in art. 9bis(4) of the Single Agreement, the case of “revocation” is specifically regulated and it is established that “...[] *The efficacy of the revocation of the concession is subject to the condition of the payment by the Granting Authority of all the amounts stipulated in the previous paragraphs*” and that this refers to what is already specified in the previous paragraphs. In conclusion, the Single Agreement clearly establishes that the return

of the motorway infrastructure must be conditioned upon the payment of the compensation by the Granting Authority.

In any case, without any response having been given to the communication of the Withdrawal and notwithstanding the provisions set forth in the Single Agreement of 2009 (time frames and methods for launching the procedure for a potential revocation of the concession), on **7 July 2022** the Italian Government adopted Decree-Law No 85 ("Decree 85") pursuant to which:

- (i) the Single Agreement was annulled due to SDP's (presumed) non-fulfilment, as "Operator", pursuant to the Directive Decree of the Ministry of Sustainable Infrastructure and Mobility (MIMS) No 29 on 14 June 2022 ("MIMS Resolution Decree"), adopted on 7 July 2022 with the interministerial decree by the MIMS (as Granting Authority) and by the Ministry of the Economy and Finance ("Interministerial Decree"), both communicated to the Operator;
- (ii) starting from 8 July 2022, the operation of the A24 and A25 motorways has been managed, temporarily, by ANAS S.p.A. which also has the right to collect tolls.

In this case too, it is important to highlight and make known that, with Decree 85, the Italian Government applied article 35 of Decree-Law No 162 of 30 December 2019 (then converted by Law No 8 of 28 February 2020) to SDP. It should be remembered that this decree was issued as a result of the collapse of the Morandi Bridge in Genoa that had 43 victims. Decree 85, in addition to what has already been listed in i) and ii), established that the amount owing to SDP at the outcome of the termination of the concession, to be calculated pursuant to what was stipulated in art. 35 just referred to (compensation), is determined no more than twelve months from the termination of the concession, without prejudice to the right of the Granting Authority to compensation for the presumed damage caused by the operator's (SDP's) non-fulfilment. This additional ruling clearly reveals how, in relation to what was stipulated in art. 9 and 9bis of the Single Agreement, there is a clear temporal discrepancy between the effective date of the termination with the immediate takeover by ANAS S.p.A. and the payment of the compensation that, by law, is calculated within the twelve months following the issuing of Decree 85. SDP was therefore in a situation where the asset capable of generating the cash flows needed to meet its obligations, with respect to the right to receive compensation recognised in the event of the termination of the concession (delayed by twelve months), was immediately withdrawn.

Having made these necessary clarifications and returning to the chronology of events, at the outcome of the appeal filed on **11 July 2022** by the SDP against the validity of the MIMS Termination Decree and the Interministerial Decree:

- the Regional Administrative Court on 12 July 2022 granted the request for a preventive measure immediately suspending the MIMS Termination Decree and the Interministerial Decree, returning SDP to the management of the infrastructure ("Administrative Court Decision"), later confirming the decision at the hearing of 25 August;
- the Council of State, on appeal by the MIMS on **1 August** revoked the Decision of the Administrative Court, restoring the efficacy of the MIMS Termination Decree and the Interministerial Decree and, accordingly, returning ANAS to the management of the infrastructure;
- on 7 December, the hearing on the merits was held before the Lazio Regional Administrative Court that was asked to rule on the numerous preliminary issues of constitutionality. With the judgement of 29 December 2022 (no. 1789), the Lazio Administrative Court declared *"significant and not obviously unfounded the questions of constitutional lawfulness of art. 2 of Decree-Law No 85 of 7 July 2022 (regulations then transposed in art. 7 ter of Decree-Law No 68 of 16 June 2022, converted, with*

amendments, into Law No 108 of 5 August 2022)" raised by Strada dei Parchi (with the appeals General Register 1453 of 2022 and 8175 of 2022) against the measures that, pursuant to the above-mentioned law, provided for the termination of the Single Agreement and the direct entrusting of the management of the A24 and 25 motorways to ANAS.

Accordingly, the Administrative Court suspended the proceedings relating to the appeals presented by Strada dei Parchi, ordering the immediate transmission of the documents to the Constitutional Court, which will, thus, be called to rule on the merits of the matters concerning:

- the infringement of art. 77 of the Constitution in the absence of the requirements of extraordinary need and urgency (relating to the adoption of Decree-Law No 85 of 7 July 2022) and of arts. 3 and 97 of the Constitution, in terms of the unlawful legislation of administrative acts (relating to the inclusion of Decree-Law No 85 of 7 July 2022 of the administrative measures to terminate the concession);
- the infringement of arts. 3, 24, 25, 101, 102, 103, 111 and 113 of the Constitution, due to interference in the operation of the legal system (in relation to the adoption of Decree-Law No 85 of 7 July 2022 in anticipation of appeals and proceedings already filed by Strada dei Parchi regarding alleged non-fulfilments).
- On 27 January 2023, the Ministry of Infrastructure and Transport notified Strada dei Parchi of the appeal against the TAR ruling, requesting the Council of State to rule on the alleged lack of jurisdiction of the Administrative Court.
- The judgement of the TAR of 29 December 2022 represents an essential, positive element in favour of the Group in the context of the litigation underway with MIMS and ANAS.

Despite the fact that the time frames of Decree 85 (then repealed by Decree-Law No 68 of 16 June 2022, which brought together the related measures, converted with Law No 108 of 5 August 2022) stipulated the payment by the MIMS to ANAS of the *"instalments of the concession price owing and not yet paid as of 7 July 2022"*, on **28 July 2022**, ANAS (in its role as party delegated to collect the concession price pursuant to the Single Agreement of 2009) served SDP with a provisionally enforceable court order for payment (requested 6 June and obtained with provisional enforceability on 16 June) for an amount of more than € 77 million, relating to the payment of the 2021 instalment of the concession price (the **"Injunction Order"**).

Although on 29 July 2022, the Rome District Court, at SDP's request, had issued an urgent order suspending the immediate execution of the Injunction Order, subsequently, on **13 August 2022**, the Rome District Court withdrew this preventive measure, restoring the temporary enforceability of the Injunction Order. Therefore, as a result of the situation that came to be created with the entry into force of Decree 85 (and subsequent developments) and due to the measure of the Rome District Court on 13 August 2022, SDP found itself forced to adopt, without further delay, the necessary measures to protect its assets, including in the interest of its stakeholders and on **15/16 August 2022**, it filed an appeal under art. 44 of Legislative Decree No 14 of 12 January 2019, as amended and supplemented (the **"CCII"**), before the Rome District Court (hereinafter, the **"Preventive Request"**).

Subsequently to filing the Preventive Request, the Rome District Court:

- with a decree dated 6 September 2022, confirmed, in relation to SDP, the protective measures under art. 54(2), first and second point, CCII until 14 October 2022, subsequently extended at the request of a party until 13 December 2022;
- with a decree dated 7 September 2022, it granted the extension until 14 October 2022, subsequently extended at the request of a party until 13 December 2022, (the **"End date"**) for filing, alternatively, (i) a

proposal for an arrangement with creditors accompanied by the plan, the declaration of the truthfulness of the data and feasibility, and the documentation referred to in art. 39(1) and (2), CCII; or, (ii) a request to approve the debt restructuring agreements, with the documentation referred to in art. 39(1), CCII; (iii) or, a request to approve the restructuring plan referred to in art. 64-Bis CCII accompanied by the documentation referred to in art. 39(1), CCII;

- On 13 December 2022, Strada dei Parchi filed a formal appeal for the admission of the arrangement with creditors referred to in arts. 40 & ff. and 84 & ff. CCII to the procedure, together with the proposal, plan, declaration of truthfulness of the data and feasibility, as well as the documentation referred to in art. 39(1) and (2), CCII, and simultaneous request for extension under art. 55(4) CCII up to 16/08/2023 of the protective measures under art. 54(2) CCII ("Appeal");
- As a result of filing the appeal, the District Court (i) with the measure of 16 December 2022, fixed the end date of 13 January 2023 for the submission by the Commissioners of the *"opinion serving to verify that, in the event of a liquidation agreement, art. 47(1)(a) CCII"* and (ii) with the measure dated 19 December 2022 fixed the *"extension in relation to Strada dei Parchi S.p.A. of the protective measures under art. 54(2) first and second period CCII until 16/08/2023"*;
- SDP is currently waiting for the admission measure by the Rome District Court.

As a result of the Withdrawal exercised by SDP first and the withdrawal of SDP's concession imposed by the Italian Government afterwards, as can be easily intuited by reading the events that followed, the situation linked to the Group's liquidity was affected by the impossibility of collecting receivables accrued in relation to Strada dei Parchi pending the settlement of the bankruptcy proceedings activated by the latter. In addition, as a result of the above-mentioned measures, in relation to the in-house awards made by SDP for some Group companies, some contracts were taken over by the new operator (ANAS), others were cancelled or the activities were significantly reduced, with an additional negative impact on the Group's business and on its cash situation, in fact cancelling the positive effects deriving from obtaining, in April 2022, the above-mentioned SACE-guaranteed loan; it is useful to note how, in a normal situation, these latter actions, undertaken by management, would have at least permitted the re-establishment of favourable conditions for the gradual, general recovery of various Group businesses with related economic and financial benefits.

In addition, the Withdrawal formalised by SDP on 12 May 2022 and the subsequent Withdrawal that occurred with Decree 85, represent a case of default relating to the debenture issued by the subsidiary US Wind and of cross-default relating to the SACE-guaranteed loan contract. The directors immediately acted to request waivers. The relations between the Company and financial backers continue with the shared intent and interest in managing this delicate and unexpected situation with respect to their common needs. Continuous dialogue allowed the financial backers, specifically the bondholders of US Wind, on 6 October 2022 and 23 November 2022, to subscribe to the bond issue for an additional 31 million dollars in the context of the above-mentioned financing transaction, demonstrating that they have no intention of terminating the relationship and, instead, that they believe in the development of the project and, therefore, the directors believe it is possible to obtain the respective consents.

In relation to the above, the events that followed in the SDP affair created unexpected and unforeseeable situations, forcing management to act in the immediate term through unplanned transactions to sell strategic assets belonging to the Group. These include the sale of Beleolico S.r.l., owner of the first *off-shore* wind farm in Italy constructed off the Taranto port, for an immediate fee of approximately € 47 million and a deferred fee (so-called *"earn out"*) of € 5 million upon the occurrence of certain events. The closing of the transaction was finalised on 22 December 2022. The Group contractually provided for the possibility of repurchasing Beleolico in upcoming years.

The additional, supplementary measures planned in the short-term by the directors, in addition to the postponement of scheduled investments, include other transactions: among these, we note the transaction for the sale of the investment in APFL, whose closing concluded on 28 December 2022 with the collection of € 4.5 million and an additional earn-out that depends on the occurrence of a certain event in future years.

In this context, activities continued relating to the sales process for the American subsidiary US Wind, which at the beginning of 2022 had been the subject of interest of an international share fund of primary standing, which concluded, after an exclusivity period, without reaching an agreement. In mid-March 2022 a structured sales process started (the so-called "Beauty Contest" or "Broader process") managed by leading international consultants specialising in similar transactions (the "**Advisors**" - JP Morgan in the front row) that involved several stages that would have concluded with the presentation of non-binding offers. On 14 September 2022, a non-binding offer was received for a significant amount by two international investors operating in the reference sector, which was granted an exclusivity period until the end of November 2022 and for which the analyses of the case are underway, while continuing to assess additional opportunities.

This transaction, as envisaged by the respective financing contracts, would allow (i) the simultaneous repayment of the debenture loan issued by the subsidiary US Wind equal, at the date of drafting this document, to USD 165 million, plus interest accrued and the repayment of the SACE-guaranteed loan, equal, at the date of drafting this document, to € 92.1 million (gross of the restricted cash € 42 million of which can be used for this purpose), and (ii) at the same time would allow the improvement of the Group's financial equilibrium and the generation of additional cash flows available to support the Group's operational and investment activities.

In addition, again in relation to the activities implemented by the directors to manage the Group, with reference to the SACE financing and to the possibility of using the restricted cash equal to € 42 million, it should be recalled that management took action requesting the release of the same from the financial backer though not having completely reached the performance goals set forth in the contract for 2022. In this direction, dialogue actively continues among the parties.

As described, after a careful and well thought-out analysis of the current situation, based on the information available, of the assessment of the future scenarios and action underway, and based on the cash plan at 12 months, the directors prepared the Group financial statements on a going concern basis though in the presence of significant uncertainty that may raise significant doubts in terms of business continuity, attributable to the conclusion of the sale of the subsidiary US Wind.

In addition to what was already described in relation to the investment in US Wind Inc., the Group possesses additional assets not reflected in the financial statements such as, for example, those relating to the development pipeline of the Renewables BU (totalling approximately 382.5 MW of on-shore and 2.9 GW of off-shore) for which the authorisation release activities are underway. Considering the goals linked to the energy transition and in light of the consequent, favourable market conditions, the Group is assessing, with interest, the entry of third-party shareholders into the companies that own these initiatives. All this will guarantee (i) significant earnings that can be realised in the short-term and (ii) sources needed for completing the development and construction activities for the initiatives.

Format and content of the consolidated financial statements

The consolidated financial statements at 31 December 2021, 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 2021 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 2021, which coincides with that of the financial statements of the parent TOTO Holding S.p.A..

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

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

Consolidated assets and liabilities have been considered in full.

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

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

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

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

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

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

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

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

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

Measurement criteria

The criteria used in preparing the consolidated financial statements at 31 December 2021 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 that 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

The Group made use, with reference to the sole subsidiary SDP, of the waiver set forth by art. 60(7-bis) of Law 126/2020 approved on 13 October 2020, as amended by art. 1(711) of Law 234/2021, approved on 30 December 2021 and subsequently by art. 3(5-quinquiesdecies) of Decree-Law 228/2021. SDP, therefore, did not amortise intangible fixed assets or depreciate tangible fixed assets and maintained their carrying amount as per the most recently approved financial statements, i.e., those at 31 December 2020.

In addition, the following measurement criteria were adopted.

Fixed assets

Intangible fixed assets and tangible fixed assets - Amortisation/depreciation 2020 and 2021

The subsidiary SDP opted, in preparing the Financial Statements at 31 December 2020, to exercise the right introduced by **paragraph 7-bis** of art. 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 art. 2426(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 when this law comes into force, 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 "*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 art. 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”.

For 2021, on 24 February 2022, the Senate definitively approved the draft of the conversion law for Decree-Law no. 228 of 30 December 2021. The measure contains several provisions to extend legal terms about to expire and some organisational measures relating to various administrations. Based on what is set forth by art. 3, para. 3 c. 5-quinquiesdecies, *“In article 60, paragraph 7-bis of Decree-Law no. 104 of 14 August 2020, converted, with amendments, by Law no. 126 of 13 October 2020, regarding the deferral of amortisation/depreciation, the last sentence is replaced by the following: “In relation to the development of the economic situation as a result of the SARS-CoV-2 pandemic, the application of the provisions of this paragraph is extended to the subsequent year to that referred to in the first sentence”.* The extension until 2021 of the right to suspend amortisation/depreciation - exercised by the subsidiary SDP - leaves both the disclosure requirements and the establishment of the unavailable reserve unchanged.

Concerning the information to be provided in the Notes to the Financial Statements, please note the following.

The decision of the subsidiary SDP to exercise the statutory right to suspend amortisation/depreciation, thus departing from the general principles, relies on the exceptional and significant reduction in traffic also recorded during 2021 as a consequence of the measures restricting the circulation of vehicles and people passed by the government in order to tackle the spread of COVID-19. The suspension of 2021 amortisation/depreciation had a positive effect on the profit and loss account (before tax) of € 61 million, mitigating the shortfall in revenues caused by COVID-19.

The effects of the waiver exercised in these financial statements may be analysed as follows:

	<i>in thousands of euros</i>
Lower depreciation/amortisation for suspension pursuant to paragraph 7- <i>bis</i> of Law 126/20	61,022
Deferred taxes for deduction of depreciation/amortisation pursuant to paragraph 7- <i>quinquies</i> of Law 126/20	(17,587)
Net impact on the profit and loss account	43,435

Notwithstanding the traffic forecast, in the next few years, depreciation is expected to increase by an amount equal to the 2021 (and 2020) reduction, thus ensuring full depreciation of the infrastructure at the end of the concession. Had no suspension taken place, the net profit at 31 December 2021 would have been lower by € 43.4 million and, as a result, the financial performance for the year would have been negative.

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 2021 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 following depreciation rates are applied based on when the assets come into use (zero in 2020):

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

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 Sp.A. and Renexia Wind Offshore S.p.A., from 2021, Renexia Recharge S.r.l. and Med Wind Italia S.r.l., have opted to participate in the national tax consolidation scheme, which allows for IRES (corporate income tax) to be calculated according to a taxable basis corresponding to the total of positive and negative taxable amounts of the individual participating companies.

Financial transactions between the tax parent and its subsidiaries, in addition to their mutual responsibilities and obligations, are set out in the Consolidation Regulations for group companies signed on 16 June 2009, as subsequently integrated and amended.

Deferred tax assets and liabilities

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

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

Finance leases

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

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

For information regarding the significant events that took place in 2021, 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. Specifically, 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. 2021		Dec. 2020	
	Dec.2021	Average exchange rate Dec. 2020	Dec. 2020	Average exchange rate Dec. 2020
Euro/US Dollar	1.1326	1.1827	1.1271	1.1422
Euro/Tunisian Dinar	3.2603	3.2881	3.2943	3.1997

The financial statements or the reporting packages prepared for the consolidation of the individual companies at 31 December 2021 were used for consolidation purposes.

The scope of consolidation underwent a change from 31 December 2020 as a result of:

- the consolidation of the company Med Wind Italia S.r.l., founded on 24 March 2021 by the parent company Renexia S.p.A., as part of the project relating to the creation of an off-shore wind farm off the Trapani coast, the first year of operations closed on 31 December 2021.
- the consolidation of the company Beleolico S.r.l., a company operating in the development of an off-shore wind farm in the outer harbour of Taranto Port, a subsidiary of Renexia Wind Offshore S.p.A., which with the resolution of the Sole director, on 28 June 2021, designated the holding as a long-term investment and not as an "Asset held for Sale". As a result of the new classification, beginning from 1 January 2021, the holding is wholly consolidated.

Workforce

The following table shows the changes in the group's headcount broken down by category at 31 December 2021.

Description	Dec. 2021	Dec. 2020	Changes
Senior managers	36,00	32,28	3,72
White collars and junior managers	513,00	479,21	33,79
Blue collars/Toll Team	1,028,00	860,03	167,97
Other	6,00	3,06	2,94
Total	1,583.00	1,374.58	208,42

Balance sheet

Intangible fixed assets

In 2021, intangible fixed assets changed as follows:

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid. id.	Amort.	Dec. 2021	Changes
Start-up and capital costs	25	3	0	0	0	7	21	(4)
Development costs	0	0	0	0	0	0	0	0
Industrial patents and intellectual property rights	599	668	0	28	0	87	1,208	609
Concessions, licences and trademarks	31,305	18,372	0	0	0	19	49,658	18,353
Goodwill	0	0	0	0	0	0	0	0
Assets under development and payments on account	598	522	0	(28)	0	0	1,092	494
Other intangible fixed assets	7,638	0	22	0	0	22	7,594	(44)
Goodwill arising on consolidation	0	0	0	0	0	0	0	0
Total	40,165	19,565	22	0	0	135	59,573	19,408

It should be recalled that, as described in the "Waivers" and "Fixed assets" sections, to which reference should be made, SDP, for 2021, made use of the waiver allowed by art. 60(7-bis) of Law 126/2020 approved on 13 October 2020, as amended by art. 1(711) of Law 234/2021, approved on 30 December 2021 and subsequently by art. 3(5-quinquiesdecies) of Decree-Law 228/2021, thus suspending the amortisation of intangible fixed assets.

START-UP AND CAPITAL COSTS

The breakdown of this item is as follows:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Start-up and capital costs	21	25	(4)
Total	21	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 € 7 thousand.

INDUSTRIAL PATENTS AND INTELLECTUAL PROPERTY RIGHTS

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Software	1,208	599	609
Total	1,208	599	609

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2021	Changes
Software	599	668	0	28	0	87	1,208	609
Total	599	668	0	28	0	87	1,208	609

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:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	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
Beleolico Authorisation	17,439	0	17,439
CW 1 Authorisation	848	0	848
Other	846	780	66
Total	49,658	31,305	18,353

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

Increases in the year amounted to € 18,353 thousand and refer mainly to:

- € 17,439 thousand relating to the consolidation of the company BELEOLICO purchased in May 2018 by Renexia Wind Offshore S.p.A., a subsidiary of Renexia S.p.A.. BELEOLICO has not yet been consolidated as it is held for sale. However, the sale transaction was not completed and the group's management changed the corporate strategy of the Renewables BU by deciding to qualify the project as strategic to the creation and consolidation of a group's MW portfolio.
- € 848 thousand related to the consolidation of the investment in CW1, purchased in October 2021 by Renexia S.p.A.. CW1 is developing a wind farm consisting of three wind turbines, having a total power of 9MW, which will be built in Cerignola (Foggia). CW1 holds the single authorisation, which was obtained by Executive Decree no. 2 of 22 February 2018.

ASSETS UNDER DEVELOPMENT AND PAYMENTS ON ACCOUNT

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Assets under development and payments on account	1,092	598	494
Total	1,092	598	494

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec. 2021
Fixed assets under construction and payments on account	598	522	0	(28)	0	0	1,092
Total	598	552	0	(28)	0	0	1,092

Increases during the year mainly 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 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

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Other	7,594	7,638	(44)
Total	7,594	7,638	(44)

(amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021
Other intangible fixed assets	7,638	0	22	0	0	22	7,594
Total	7,638	0	22	0	0	22	7,594

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

Tangible fixed assets

The table below shows the balances of tangible fixed assets at 31 December 2021 and their changes from the previous year end.

(amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	June 2021	Changes
Land and buildings	76,470	217	2,406	0	0	964	73,317	(3,153)
Plant and machinery	12,295	4,660	652	517	0	3,724	13,096	801
Industrial and commercial equipment	1,788	1,782	35	0	0	259	3,276	1,488
Other assets	4,450	1,810	133	0	0	509	5,618	1,168
Freely transferable assets	1,038,924	0	0	0	0	0	1,038,924	0
Assets under development	165,540	156,863	12	(517)	0	0	321,874	156,334
Total	1,299,467	165,332	3,238	0	0	5,456	1,456,105	156,638

It should be recalled that, as described in the "Waivers" and "Fixed assets" sections, to which reference should be made, SDP, for 2021, made use of the waiver allowed by art. 60(7-bis) of Law 126/2020 approved on 13 October 2020, as amended by art. 1(711) of Law 234/2021, approved on 30 December 2021 and subsequently by art. 3(5-quinquiesdecies) of Decree-Law 228/2021, thus suspending the depreciation of tangible fixed assets.

LAND AND BUILDINGS

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Land	52,135	52,872	(737)
Buildings	21,182	23,598	(2,416)
Total	73,317	76,470	(3,153)

(amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021	Changes
Land and buildings	76,470	217	2,406	0	0	964	73,317	(3,153)
Total	76,470	217	2,406	0	0	800	73,317	(3,153)

This item (€ 73,317 thousand) decreased by € 3,153 thousand on the corresponding balance at 31 December 2020 (€ 76,470 thousand). The change can essentially be attributed to the combined effect of decreases (€ 2,406 thousand), depreciations (€ 964 thousand) and investments for the year (€ 217 thousand).

The decreases during the year mainly refer to € 2,300 thousand for the sale of a building concluded by TOTO RE.

The depreciations for the year (€ 964 thousand) mainly refer to the depreciation of the properties owned by TOTO RE (€ 684 thousand) and by the CONSTRUCTION BU (€ 253 thousand).

Land can be analysed as follows:

- € 43,169 thousand related to the carrying amount of the land owned by Alitec S.p.A.;
- € 1,122 thousand related to the carrying amount of the land recognised in the financial statements of Toto S.p.A.. Costruzioni Generali;
- € 7,165 thousand related to the carrying amount of the land recognised in the financial statements of TOTO RE;
- € 459 thousand related to the carrying amount of the land recognised in the financial statements of AVISUN;
- € 181 thousand represent the value of the land entered in the financial statements of the company BELEOLICO;
- € 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, in relation to the carrying amount on 31 December 2021, for which possible impairment indicators were identified. 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 8.13% rate. The impairment test confirmed the recoverability of the carrying amount of the recognised complex.

PLANT AND MACHINERY

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Plant and machinery	13,096	12,295	801
Total	13,096	12,295	801

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021	Changes
Plant and machinery	12,295	4,660	652	517	0	3,724	13,096	801
Total	12,295	4,660	652	517	0	3,724	13,096	801

The balance of this item (€ 13,096 thousand) increased by € 801 thousand compared to its balance in 2020 (€ 12,295 thousand). The increases during the year (€ 4,660) refer to the investments mainly made by TOTO CG and by its subsidiaries belonging to the construction sector (€ 4,452 thousand).

The depreciation of the year totalled € 3,724 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

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Industrial and commercial equipment	3,276	1,788	1,488
Total	3,276	1,788	1,488

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021	Changes
Industrial and commercial equipment	1,788	1,782	35	0	0	259	3,276	1,488
Total	1,788	1,782	35	0	0	259	3,276	1,488

This item decreased by a net € 1,488 thousand and essentially reflects the combined effect of:

- Increases of € 1,782 thousand relating to the investments of the year carried out mainly by TOTO CG and subsidiaries (€ 826 thousand), by Parchi Global Services S.p.A. (€ 216 thousand), and by SDP (€ 685 thousand);
- Depreciation of the year (€ 259 thousand).

OTHER ASSETS

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Other assets	5,618	4,450	1,168
Total	5,618	4,450	1,168

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021	Changes
Other assets	4,450	1,810	133	0	0	509	5,618	1,168
Total	4,450	1,249	133	0	0	509	5,618	1,168

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

FREELY TRANSFERABLE ASSETS

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Freely transferable assets	1,038,924	1,038,924	0
Total	1,038,924	1,038,924	0

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021	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

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Assets under construction	321,874	165,540	156,334
Total	321,874	165,540	156,334

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Reclass./ Contr.	Deconsolid.	Amort.	Dec.2021	Changes
Assets under construction	165,540	156,863	12	(517)	0	0	321,874	156,334
Total	165,540	156,863	12	(517)	0	0	321,874	156,334

In 2021, fixed assets under construction and payments on account increased by € 156,334 thousand compared to the previous year (€ 165,540).

The € 321,874 balance includes € 196,446 thousand recognised by SDP following the investments in the construction of transferable assets which, at 31 December 2021, had not yet been placed into operation and for which final testing had not yet been obtained from the MIT. Furthermore, this item also includes € 42,488 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 increases recorded included:

- € 65,071 thousand relating to 2021 investments in SDP just described;
- € 22,039 thousand relating to the payments on account by TOTO CG in relation to the purchase of equipment;
- € 36,960 thousand relating to capitalised costs incurred by US WIND for the construction of the wind farm under development;

- € 20,875 thousand relating to capitalised costs incurred by BELEOLICO for the construction of the wind farm under development in the outer harbour of the Taranto port;
- € 7,182 thousand related to capitalised costs incurred by MED WIND for the preliminary development and construction of the wind farm off the Trapani Port;
- € 3,593 thousand relating to capitalised costs incurred by PECH for the construction of the wind farm under development;
- € 613 thousand related to the other investments in the remaining Group companies

Financial Fixed Assets

(in €'000)	Dec. 2021	Dec. 2020	Changes
Equity investments	2,729	2,561	168
Receivables	10,614	35,563	(24,949)
Other securities	0	803	(803)
Total	13,343	38,927	(25,584)

EQUITY INVESTMENTS

The value of equity investments amounted to € 2,729 thousand (€ 2,561 thousand in 2020) and comprises:

- investments in the associates of TOTO S.p.A. Costruzioni Generali for € 2,682 thousand (€ 2,514 thousand in 2020) and TH for € 26 thousand (€ 0 thousand in 2020);
- investments in other companies for € 47 thousand (€ 47 thousand at 31 December 2020).

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.	Net Equity	8,000	49.9%	5,262	(712)	2,649
Novigal scarl	Cost	10	33.12%	10	-	3
Tagfin Srl	Net Equity	14	25.00%	103	39	26
Total					(673)	2,682

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. 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 2021, which reported a loss of € 712,523.

This investment is measured using the equity method (€ 2,649 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.

In October 2021, said court-appointed experts filed, in compliance with the time frames granted, their respective provisional briefs, to be submitted for the counter-arguments of the technical consultants. In particular, Tempesta calculated that, for the rebalancing of the BP until the end of 2014, the amount of € 10,900 thousand is needed, compared to the amount calculated by Interporto as € 13,900 thousand. He also calculated that each party should incur a proportion of said amount equalling the percentage with which each of them incurred the investment necessary for the creation of Interporto (Region: 66%, Intermodale: 34%), and that, thus, the Region need only pay Interporto the amount of € 7,194 thousand (€ 10,900 thousand x 66%). Apart from the reduction of the amount, it should be highlighted that the calculation of the court-appointed expert on the percentage division of it cannot be shared, and, in any case, has no reference to current legislation and to the contract that governs the concession. Therefore, it will be disputed by the Company's technical consultants in their counter-arguments, and, following

this, by their lawyers in the concluding briefs, just as the reduction of the amount in relation to that calculated by the Company will be disputed.

TAGFIN SRL

On 22 July 2021, TOTO Holding S.p.A. purchased a significant investment (25%) in Tag Fin S.r.l., for a fee of € 13 thousand, underwriting the increase in capital resolved upon by Tag Fin S.r.l..

Tag Fin S.r.l. is a company operating in the digital publishing sector.

OTHER COMPANIES

Name (amounts in €/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

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
From subsidiaries	0	30,460	(30,460)
From associates	4,844	5,019	(175)
Receivables from others	5,770	84	5,686
Total	10,614	35,563	(24,949)

FROM SUBSIDIARIES

The decrease in the item, equal to € 30,460 thousand, is due to the consolidation of Renexia Wind Off Shore S.p.A.'s holding in Beleolico S.r.l., as already described in the section "Scope of Consolidation".

FROM ASSOCIATES

These amount to € 4,844 thousand and mainly relate to the interest-bearing loan from Intermodale S.r.l. (€ 4,589 thousand).

FROM OTHERS

The item is described below:

(amounts in €/000)	Dec. 2020	Increases	Reclassifications	Repayments	Dec. 2021
Receivables from others	84	5,698	0	(12)	5,770
Total	84	5,698	0	(12)	5,770

The increase for the year (€ 5,698 thousand) mainly consists of the holding, by TH, of a sum of € 5,690 thousand in response to a proposal to purchase a minority share. The proposal was accepted in 2022.

There were no changes recorded in the bad debt provision during the financial year:

Description (amounts in €/'000)	Dec. 2020	Accruals	Reclassifications	Dec. 2021
Provision for bad debts	1,596	0		1,596
Total	1,596	0	0	1,596

OTHER SECURITIES

Description (amounts in €/'000)	Dec. 2021	Dec. 2020	Changes
Other securities	0	803	(803)
Total	0	803	(803)

The decrease in the Other Securities item is attributable to the collection in the year of the bonds of a credit institute by TH.

Inventory

At 31 December 2021, the inventory amounts to € 277,752 thousand (31 December 2020: € 182,880 thousand).

This item is broken down as follows:

Description (amounts in €/'000)	Dec. 2021	Dec. 2020	Changes
Raw materials, consumables and supplies	13,661	13,760	(99)
Contract work in progress	214,542	145,850	68,692
Finished goods	2,574	3,203	(629)
Payments on account	46,975	20,067	26,908
Total	277,752	182,880	94,872

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 € 99 thousand.

Contract work in progress (€ 214,542 thousand, compared with € 145,850 thousand at 31 December 2020) mainly refers to TOTO S.p.A.. Costruzioni Generali for € 156,791 thousand (€ 136,776 thousand in 2020), to Renexia Services S.r.l. for € 55,795 thousand (€ 3,988 thousand in 2020), and to Infraengineering S.r.l. for € 1,956 (€ 5,086 thousand in 2020).

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:

Description (amounts in €/'000)	Dec. 2020	Increases	Decreases	Dec. 2021
Toto S.p.A. Costruzioni Generali	136,776	156,791	(136,776)	156,791
Renexia Services S.r.l.	3,988	55,795	(3,988)	55,795
Infraengineering S.r.l.	5,086	1,956	(5,086)	1,956
Total	145,850	214,542	(145,850)	214,542

TOTO S.P.A. COSTRUZIONI GENERALI

Contract work in progress amounts to € 156,791 thousand and mainly includes the contracts in portfolio, calculated as the difference between actual production and the latest progress billings approved by the respective customers for each contract at 31 December 2021 (€ 14,080 thousand), pre-operating costs (€ 20,419 thousand) and claims totalling € 122,292 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, claims for additional costs, some of which are the subject-matter of disputes, will have a positive outcome. Therefore, these amounts will be recoverable, based on past experience and taking into account independent experts' assessments and opinions.

RENEXIA SERVICES S.R.L.

Contract work in progress (€ 55,795 thousand compared to € 3,988 thousand at 31 December 2020) reflects the percentage progress of the following contracts:

- the construction of PECH's wind farm for € 1,955 thousand;
- the construction of Beleolico S.r.l.'s wind farm for € 53,840 thousand.

INFRAENGINEERING S.R.L.

The balance of work in progress to order (€ 1,956 thousand compared to € 5,086 thousand recorded on 31 December 2020) refers to the works performed for which not all the requirements for invoicing have matured.

"Finished goods" amount to € 2,574 thousand (€ 3,203 thousand in 2020) and include:

Description (amounts in €/000)	Dec. 2020	Increases	Decreases	Dec.2021
Finished goods (Construction BU)	3,203	0	(629)	2,574
Total	3,203	0	(629)	2,574

The item decreased by € 629 thousand: the decrease refers to the buildings held by the company Ambra S.r.l.. During the year, the company sold some buildings and 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 € 26,908 thousand. It may be analysed as follows:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Payments on account	46,975	20,067	26,908
Total	46,975	20,067	26,908

The increase is mainly due to Renexia Services S.r.l. (€ 43,019 thousand) and includes the advances paid to suppliers in 2021 to purchase the supplies necessary to perform the contracts in portfolio.

Receivables

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

Description (amounts in €/000)	Due within one year	Due after one year	Due after 5 years	Dec. 2021	Dec. 2020	Changes
Trade receivables	37,061	0		37,061	35,133	1,928
From subsidiaries	0			0	129	(129)
From associates	214			214	214	0
Tax receivables	52,039			52,039	30,830	21,209
Deferred tax assets	97,625			97,625	97,061	564
From others	173,087	13,477	178	186,742	145,285	41,457
Total	360,026	13,477	178	373,681	308,652	65,029

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 associates	Tax receivables	Deferred tax assets	From others	Total
Italy	35,662	214	51,994	97,625	186,574	372,069
EU	1,399		45		168	1,612
Non-EU	0					0
Total	37,061	214	52,039	97,625	186,742	373,681

TRADE RECEIVABLES

Description (amounts in €/000)	Dec.2021	Dec. 2020	Changes
Trade receivables	37,061	35,133	1,928
Total	37,061	35,133	1,928

At 31 December 2021, this item (€ 37,061 thousand compared to € 35,133 in 2020) is mainly comprised of the receivables of:

- TOTO CG and its subsidiaries (€ 29,033 thousand compared to € 23,255 thousand at 31 December 2020), net of the provision for bad debts, and
- SDP for € 7,637 thousand (€ 8,428 thousand in 2020).

The increase in the 2021 balance is mainly attributable to the Construction BU in relation to the invoicing carried out and to be carried out for works certified by the customer in the 2021 financial year.

The nominal amounts of trade receivables are adjusted to their estimated realisable value through the bad debt provision which, at 31 December 2021, amounted overall to € 1,683 thousand.

The provision for bad debts changed as follows during the period:

Description (amounts in €/000)	Dec. 2020	Accruals	Utilisations/deconsolidation	Dec. 2021
Provision for bad debts	1,964	250	(531)	1,683

RECEIVABLES FROM ASSOCIATES

The receivables in question amount to € 214 thousand at 31 December 2021 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

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
VAT credits	46,637	24,631	22,006
VAT claimed for reimbursement	2,014	2,496	(482)
Other tax receivables	3,388	3,703	(315)
Total	52,039	30,830	21,209

The item detailed in the table above shows a significant increase in VAT receivables for € 22,006 thousand, basically attributable to the carrying amount of SDP (€ 4,592 thousand), APFL (€ 9,701 thousand), the Construction BU (€ 17,586), RENEXIA SERVICES (€ 1,548 thousand), PECH (€ 3,574 thousand) and BELEOLICO (€ 8,570 thousand).

DEFERRED TAX ASSETS

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Deferred tax assets	97,625	97,061	564
Total	97,625	97,061	575

This item amounts to € 97,625 thousand at 31 December 2021, compared to € 97,061 thousand at 31 December 2020.

The increase is mainly determined by a twofold opposite effect: on the one hand, deferred tax assets were recognised for € 5,763 thousand on USWIND and for € 2,677 on BELEOLICO; on the other hand, € 3,809 thousand were used on TH, € 3,575 thousand on the Construction BU, and € 1,245 thousand on SDP.

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

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
From others	186,742	145,285	41,457
Total	186,742	145,285	41,457

This item amounts to € 186,742 thousand (31 December 2020: € 145,285 thousand). The € 41,457 thousand increase is mainly attributable to:

- i. the increase related to SDP (€ 25,010 thousand), mainly due to the recognition of the receivables from the MIMS for the recovery of omitted tariff adjustments;

- ii. the increase related to the Construction BU (for € 11,521 thousand) is mainly owing to the lien granted for a leading credit institution in the context of advances received.

Furthermore, this item includes receivables from related parties (€ 6,903 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 2021, amounted to € 3,521 thousand.

The provision for bad debts changed as follows during the period:

Description (amounts in €/'000)	Dec. 2020	Accruals	Utilisation	Dec.2021
Provision for bad debts	3,180	341	0	3,521
Total	3,180	341	0	3,521

Current financial assets

Description (amounts in €/'000)	Dec. 2021	Dec. 2020	Changes
Investments in subsidiaries	0	25,719	(25,719)
Other investments	47	0	47
Other securities	0	0	0
Total	47	25,719	(25,672)

The item "Other Investments" includes the value of the shares of Intersun S.r.l. held (5% of the capital), which will be sold when certain conditions set forth in the sales contract are met. The majority of the company (95%) was sold on 18 September 2020.

The decrease (€ 25,672 thousand) compared to 31 December 2020 refers to the investment in Beleolico S.r.l., consolidated at the beginning of the current financial year, as already described in the "Scope of Consolidation" section in this document.

Cash and cash equivalents

This item, totalling € 86,152 thousand, includes bank and postal accounts of € 85,438 thousand and cash-in-hand and cash equivalents of € 714 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

Description (amounts in €/'000)	Dec. 2021	Dec. 2020	Changes
Assets held for sale	34,779	39,084	(4,305)
Total	34,779	39,084	(4,305)

Description (amounts in €/'000)	Dec. 2020	Increases	Decreases	Dec. 2021
Assets held for sale	39,084	0	(4,305)	34,779
Total	39,084	0	(4,305)	34,779

This item consists of assets held for sale, specifically land, buildings and industrial areas for a total of € 12,208 thousand and industrial machinery for € 22,571 thousand.

Industrial machinery held for sale includes the HERRENKNECHT S-574 TBM (€ 22,571 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.

This item is down by € 4,305 thousand and mainly relates to the write-downs carried out during the year following the valuation of the "Martina" TBM (€ 2,782 thousand) and land, buildings and industrial areas (€ 1,348 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 € 15,177 thousand (€ 14,401 thousand at 31 December 2020), solely refers to the prepayments.

Prepayments mainly refer to:

- US Wind Inc. for € 9,005 thousand mainly relating to payments made by the company to the US authorities (including the ONRR Department of Interior) and to the owners of the areas concerned 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; in accordance with current reporting standards, prepayments released after more than 12 months amount to € 5,794 thousand;
- TOTO S.p.A. Costruzioni Generali, for € 2,943 thousand;

It mainly relates to insurance premiums, deferred interest on taxes and social security contributions payable in instalments, prepaid lease and rental instalments and infrastructure expenses.

Net Equity

Net equity amounts to € 280,927 thousand (31 December 2020: € 236,613 thousand): it increased by € 44,014 thousand on the previous year-end balance. Details are provided in the tables in annexes 3 and 4 to these consolidated financial statements. The change is essentially due to the decrease in losses carried forward (€ 55,198 thousand), the decrease in the net profit for the year (€ 21,691 thousand) and the change in the hedging reserve mainly recognised by SDP (€ 9,342 thousand).

The group's net equity decreased considerably following the recognition of the hedging reserves at fair value, negative by € 35,343 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:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Tax provision	36,942	19,746	17,196
Derivatives	48,875	61,912	(13,037)
Other provisions	39,089	27,479	11,610
Total	124,906	109,137	15,769

TAX PROVISION

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

The increases during the year (€ 17,196 thousand) are mainly attributable to the recognition in SDP (for € 17,586 thousand) of deferred tax liabilities relating to the suspended amortisation/depreciation pursuant to the waiver introduced by art. 60(7-bis) of Law no. 126 of 13 October 2020 and subsequent amendments.

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 € 46,554 thousand, to the provision recognised by SDP and for € 2,005 thousand by BELEOLICO to hedge the interest rate and, for € 316 thousand, to the provision recognised by RENEXIA for the assessment of the call option.

OTHER PROVISIONS

Other provisions for risks amount to € 39,089 thousand compared to € 24,479 thousand at 31 December 2020. The € 11,610 thousand increase is mainly due to the accruals recognised by the Construction BU, SDP and USWIND and to the release by RENEXIA.

This item is broken down below for each company:

TOTO Holding S.p.A. (€ 741 thousand)

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

TOTO S.p.A. Costruzioni Generali (€ 11,827 thousand)

This item comprises:

- accruals for ten-year post-completion policies (€ 3,735 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 the project;

- the indemnities for the temporary occupation of land claimed by ANAS in relation to the La Spezia contract (€ 560 thousand);
- work site disposal costs for € 777 thousand;
- charges for € 2,891 thousand, set aside during 2021, to be paid to a financial backer for a securitisation transaction and that will mature when the provisions sold with the transaction are collected.

APFL (€ 96 thousand)

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

Strada dei Parchi S.p.A. (€ 18,348 thousand)

- *Provision for ANAS release of liability (€ 4,082 thousand - 31 December 2020: € 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 (€ 8,538 thousand - 31 December 2020: € 8,000 thousand)*

At 31 December 2021, 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 (€ 4,928 thousand - € 1,833 thousand at 31 December 2020)*

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. (€ 0 thousand)

The fund decreased by € 3,487 thousand, a result of the settlement of the dispute brought about by Energy & Technical Services S.r.l. ("ETS") against C.v.a. S.p.A. following the sale of the investment in Ponte Albanito S.r.l. (which took place in January 2015). In 2021, the Company paid compensation to the new owner, C.v.a. S.p.A., in accordance with the ruling of the L'Aquila Court.

US Wind Inc (€ 8,077 thousand)

The funds increased for € 7,862 thousand (€ 64 thousand as of 31 December 2020), mainly including the bonuses allocated to staff to be paid upon the realisation of the conditions stipulated for the maturation of the right.

Employees' leaving entitlement

The breakdown of the provision by company is as follows:

Company (amounts in €'000)	Dec. 2021	Dec. 2020	Changes
TOTO Holding S.p.A.	370	405	(35)
TOTO CG (sub-consolidation)	472	459	13
Infraengineering S.r.l.	373	363	10
Parchi Global Services S.p.A.	865	729	136
Strada dei Parchi S.p.A.	6,252	6,604	(352)
Toto Real Estate S.r.l.	28	27	1
Avisun S.r.l.	9	7	2
Renexia S.p.A.	119	138	(19)
Renexia Services S.r.l.	49	34	15
Total	8,537	8,766	(229)

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:

Description (amounts in €'000)	Due within one year	Due after one year	Due after 5 years	Dec. 2021	Dec. 2020	Changes
Bonds	6,074	138,588	39,979	184,641	115,339	69,302
Shareholder loans	0	1,999	0	1,999	2,964	(965)
Bank loans and borrowings	80,649	330,842	83,067	494,558	444,637	49,921
Loans and borrowings from other financial backers	215,961	147,785	461,288	825,034	804,440	20,594
Payments on account	43,981	0	0	43,981	28,199	15,782
Trade payables	189,697	21,255	0	210,952	160,647	50,305
Payables to subsidiaries	0	0	0	0	31,007	(31,007)
Payables to associates	27	0	0	27	12	15
Tax payables	92,647	7,196	0	99,843	87,258	12,585
Social security charges payable	17,719	777	0	18,496	14,536	3,960
Other payables	19,763	1	0	19,764	26,006	(6,242)
Total	666,518	648,443	584,334	1,899,295	1,715,045	184,250

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 associates	Tax payables	Social security charges payable	From others	Total
Italy		1,999	491,352	824,146	29,335	203,375	27	99,833	18,475	19,669	1,688,211
EU	84,546		3,206		14,646	2,520		10	21	78	105,027
Non-EU	100,095			888		5,057		0		17	106,057
Total	184,641	1,999	494,558	825,034	43,981	210,952	27	99,843	18,496	19,764	1,899,295

BONDS

The bonds equal € 184,641 thousand (€ 115,339 thousand in 2020) and refer to:

- RENEXIA WIND for € 26,326 thousand including the accounts payable to bondholders who underwrote the bond loan issued by the company during 2018. The 12-month portion amounts to € 3,568 thousand and comprises (i) the share of interest, accrued at 31 December 2021, for the bondholders (€ 1,645 thousand), to be paid by June 2022 and (ii) the principal to be repaid, again, during 2022 (€ 1,924 thousand).
- RENEXIA PECH for € 11,051 thousand including the accounts payable to shareholders for the bond loan issued during 2019. Short-term loans due to bondholders, standing at € 1,956 thousand, consist of the principal expiring on 31 December 2021 (€ 1,000 thousand) and the share of interest expiring on 31 December 2021 (€ 956 thousand). In December 2021, the Company agreed with the bondholders to postpone the payment of the coupons falling due on 31 December 2021 to June 2022;
- PECH for € 47,169 thousand for a loan issued on 23 December 2020. The accounts payable includes the interest accrued at 31 December 2021 (€ 550 thousand) to be paid during the 2022 financial year;
- US WIND for € 100,095 thousand in relation to the current loan.

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 € 494,558 thousand (€ 444,637 thousand in 2020) and increased by € 49,921 thousand with respect to 31 December 2020.

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 (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Asset finance	1,329	1,823	(494)
Project finance	446,214	401,836	44,378
Self-liquidating loans	24,466	21,925	2,541
Corporate debts	22,549	19,053	3,496
Total	494,558	444,637	49,921

ASSET FINANCE

"Asset finance" consists of the loans taken out with collateral on owned assets and decreased by € 494 thousand; the decrease was due to:

- the Construction BU for € 266 thousand;
- TOTO RE for € 228 thousand.

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

PROJECT FINANCE

Structured loans under project finance agreements increased by € 44,378 thousand as a result of a twofold opposite effect:

- decrease for € 30,477 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;
- increase for € 74,855 thousand as a result of the consolidation of the subsidiary BELEOLICO.

SELF-LIQUIDATING LOANS

"Self-liquidating" loans increased by € 2,541 thousand from € 21,925 thousand in 2020 to € 24,466 thousand in 2021. The decrease is due to:

- increases recorded by INFRA for € 10,000 thousand;
- decreases in the loans used by TOTO CG (advances on work progress reports/internal situation reports and contract advances) for € 7,456 thousand.

CORPORATE

"Corporate" loans increased by € 3,496 thousand from € 19,053 thousand in 2020 to € 22,549 thousand in 2021. The decrease is mainly due to:

- decreases (for € 1,396 thousand) mainly due to repayments of credit lines of the Construction BU (€ 471 thousand), INFRA (€ 504 thousand) and PGS (€ 432 thousand);
- increases (for € 4,892 thousand) recorded by the company RENEXIA as a result of entering into new financing contracts.

LOANS AND BORROWINGS FROM OTHER FINANCIAL BACKERS

This item, amounting to € 825,034 thousand (€ 804,440 thousand in 2020) increased by € 20,594 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 (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Asset finance (leased assets)	5,584	5,006	578
Securitisation (TOTO CG)	22,820	18,914	3,906
Corporate (US Wind wind farm)	888	1,795	(907)
Advances	14,304	14,700	(396)
Payable to the granting authority	781,438	764,025	17,413
Total	825,034	804,440	20,594

LEASED ASSETS

Lease liabilities, amounting to € 5,584 thousand are attributable to the Construction BU for € 4,146 thousand, to SDP for € 29 thousand, to TH for € 323 thousand, to RENEXIA for € 89 thousand, to PGS for € 997 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 € 3,906 increase includes the interest and ancillary charges due at 31 December 2021 totalling € 1,464 thousand. The remainder of the increase, totalling € 2,443 thousand, includes the balance of the credit line for invoice advances granted to the Company by a financial backer, during the year, for a maximum amount totalling € 3.5 million of which € 2,4 million were used by the end of the year.

CORPORATE (US WIND WIND FARM)

This item amounts to € 888 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 GRANTING AUTHORITY

This item of € 781,438 thousand refers to SDP and consists of:

- the payable due to the granting Authority (€ 773,507 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 (€ 7,931 thousand).

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

Amounts in thousands of euro	Dec. 2020	Payments	Decreases	Increases	Dec. 2021
Residual amount due for Concession Fee deferment	407,495		0		407,495
Interest on the Concession Fee	115,356			24,668	140,024
Suspension under article 52 quinquies of Law decree no. 50/17	111,719				111,719
Suspension under Law decree no. 123 of 24 October 2019	111,719			0	111,719
Legal interest on the suspension under article 52 quinquies of Law decree no. 50/17	2,525			25	2,550
Guarantee fund	15,211		(7,280)		7,931
Total	764,025	0	(7,280)	24,693	781,438

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” (€ 43,981 thousand) include contract advances billed to TOTO CG customers in respect of contracts under way.

TRADE PAYABLES

Trade payables amount to € 210,952 thousand (€ 160,647 thousand in 2020) and increased by € 50,305 thousand on the previous year end. The increase mainly refers to the increases recorded by the Construction BU (€ 28,545 thousand), SDP (€ 10,905 thousand), and RENEXIA SERVICES (€ 8,174 thousand).

PAYABLES TO SUBSIDIARIES

The item includes the payments on account paid by Beleolico S.r.l. for the creation of its offshore wind farm near the Taranto port. The reduction (€ 31,007 thousand) relates to the consolidation of the company as described in the "Scope of Consolidation" section in this document.

PAYABLES TO ASSOCIATES

The payables to associates amount to € 27 thousand.

TAX PAYABLES

This item amounted to € 99,843 thousand (€ 87,258 thousand in 2020). 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 € 18,496 thousand (€ 14,536 thousand in 2020). 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

The "Other payables" item decreased from € 26,006 thousand at 31 December 2020 to € 19,764 thousand at 31 December 2021. 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 (€ 6,289 thousand) compared to the previous year is mainly attributable to SDP (€ 7,240 thousand) as a result of payments made.

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

- SDP for € 10,561 thousand;
- TH for € 1,902 thousand;
- the Construction BU for € 4,788 thousand.

Accrued expenses and deferred income

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Accrued expenses and deferred income	2,950	3,096	(146)
Total	2,950	3,096	(146)

These are recognised on an accruals basis.

Notes to the profit and loss account

Production revenues

The breakdown of production revenues at 31 December 2021 is as follows:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Turnover from sales and services	302,779	221,560	81,219
Change in work in progress	(629)	(167)	(462)
Change in contract work in progress	66,502	13,279	53,223
Internal work capitalised	112,677	42,949	69,728
Other revenues and income	9,283	2,873	6,410
Total	490,612	280,494	210,118

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:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Work tender and design services (**)	133,426	70,261	63,165
Motorway concession revenues	210,198	168,315	41,883
Revenues for engineering services (**)	32,207	7,315	24,892
Revenues from the energy sector (**)	464	10,222	(9,758)
Other (**)	17,079	1,408	15,671
Sub-total	393,374	257,521	135,853
(**) of which Work tender services provided to group companies	(90,595)	(35,961)	(54,634)
Total turnover from sales and services	302,779	221,560	81,219

As shown in the table, € 90,595 thousand corresponds to the payment of work tender services to group companies which were reclassified as Internal work capitalised.

REVENUES BY GEOGRAPHICAL SEGMENT

Revenues by geographical area (amounts in €/000)	Turnover from sales and services	Total
Italy	132,252	132,252
EU	1,174	1,174
Non-EU	0	0
Total	133,426	133,426

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 at 31 December 2021 is as follows:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Raw materials, consumables, supplies and goods	91,431	34,420	57,011
Services	117,332	52,659	64,673
Use of third party assets	18,190	12,327	5,863
Personnel expenses	116,928	85,483	31,445
Amortisation/depreciation and write-downs	10,491	17,677	(7,186)
Change in raw materials, consumables, supplies and goods	98	2,371	(2,273)
Provisions for risks	3,472	1,603	1,869
Other provisions	4,053	2,205	1,848
Other operating costs	30,677	23,564	7,113
Total	392,672	232,309	160,363

Raw materials, consumables, supplies and goods

This item amounts to € 91,431 thousand and decreased by € 57,011 thousand compared to the previous year.

The following purchases had a particular impact:

- raw materials for € 34,151 thousand;
- consumables for € 40,042 thousand;
- maintenance materials for € 4,159 thousand;
- fuel and lubricants of € 7,227 thousand.

Services

The balance of service costs amounts to € 117,332 thousand. This item includes, among other things, external processing and industrial services costs (€ 48,524 thousand), technical consultancy costs (€ 5,713 thousand), electricity costs (€ 4,861 thousand), sundry insurance costs (€ 8,695 thousand) and consultancy and legal fees (€ 10,764 thousand).

Use of third party assets

This item amounts to € 18,190 thousand and comprises lease payments for administrative offices, software rental fees for and user licences and miscellaneous fees.

Personnel expenses

This item amounts to € 116,928 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 (€ 5,591 thousand)

This item rose from € 1,952 thousand in 2020 to € 5,591 thousand this year.

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).

As described in the "Waivers" and "2021 amortisation/depreciation" sections of this document, the Group made use, for SDP, of the option to waive article 2426(1)(2) of the Italian Civil Code, allowed by art. 60(7-*bis*) of Law 126/2020 dated 13 October 2020, and subsequent amendments, disregarding art. 2426(1)(2) of OIC 16(56). The group, therefore, for SDP, 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 2020.

Write-downs (€ 4,900 thousand)

These comprise:

Other write-downs (item B10c) - € 4,130 thousand related to the write-downs recognised in the financial statements of the Construction BU. 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 (€ 1,349 thousand).

Write-downs of current receivables (item B10d) – € 770 thousand: the main accruals of the total balance are those recognised by the Construction BU (€ 591 thousand) and by SDP (€ 180 thousand) in a specific bad debt provision of current receivables.

Provisions for risks

This item amounts to € 3,472 thousand. The balance for the year refers to the accruals made by SDP (€ 3,179 thousand) and RENEXIA (€ 293 thousand) in relation to identified risks.

Other provisions

This item amounts to € 4,503 thousand and comprises:

- the increase of TOTO CG for € 2,479 thousand due to (i) the increase of € 329 thousand relating to the adjustment of the fund for disposal charges for work sites (ii) the release for € 741 thousand relating to the excess provision in relation to the La Spezia contract and (iii) the increase of € 2,891 thousand relating to the future charges linked to a securitisation transaction;
- accruals of SDP for € 1,574 thousand that refer, for € 774, to the provision for restoring and replacing and, for € 800 thousand, to future charges.

Financial income and charges

The item is broken down as follows:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Income from equity investments	52,858	80,248	(27,390)
Other financial income	368	1,881	(1,513)
Interest and other financial charges	(82,152)	(70,669)	(11,483)
Net exchange rate gains (losses)	(566)	(1,680)	1,114
Total	(29,492)	9,780	(39,272)

Income from investments for the year, totalling € 52,858 thousand, concern the differed fee, totalling 240 million dollars, of which 62.5 million dollars were collected in May by US Wind Inc. The residual price will be collected by

the US subsidiary in accordance with the agreements based on the MWs actually installed in the New Jersey area included in the sale.

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

Interest and other financial charges totalling € 82,152 thousand relate to:

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Banks	(31,340)	(30,665)	(675)
From others	(50,812)	(40,004)	(10,808)
Total	(82,152)	(70,669)	(11,483)

Interest and charges to banks are mainly attributable to:

- the company SDP (€ 26,395 thousand) relating to the interest expense on credit lines used for € 10,462 thousand, Interest Rate Swaps for € 15,069 thousand, interest and commissions on advances and transfer of receivables and performance bonds for € 863 thousand;
- the company BELEOLICO (€ 2,568 thousand) relating to the interest on current loans.

Interest and charges to others essentially relate to interest expenses accrued in relation to the granting authority on the extension of the payment of the concession fee and the former SARA loans of SDP (€ 25,966 thousand) and interest accrued (€ 12,299 thousand) on bonds issued.

Adjustments to financial assets

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
Write-backs	793	10	783
Write-downs	(394)	(537)	143
Total	399	(527)	926

The "Write-down" item (€ 394 thousand) includes the (negative) fair value assessment for € 39 thousand of the call option held in the context of the transaction to sell a minority share in US Wind Inc. and the write-down, for € 355 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.

The "Write-backs" item (€ 793 thousand) includes the (positive) assessment of the ineffective portion of the hedging derivative entered into by BELEOLICO on the risk in interest rate changes related to the loan obtained.

Income taxes for the year

Description (amounts in €/000)	Dec. 2021	Dec. 2020	Changes
<i>Current taxes:</i>	<i>18,279</i>	<i>2,590</i>	<i>15,689</i>
IRES	13,648	947	12,701
IRAP	4,631	1,643	2,988
<i>Change in deferred tax liabilities (assets) and prior year taxes:</i>	<i>13,725</i>	<i>(1,583)</i>	<i>15,308</i>
IRES	14,109	(942)	15,051
IRAP	(384)	(641)	257
<i>Net income (expense) due to tax consolidation</i>	<i>2,067</i>	<i>(36)</i>	<i>2,103</i>
Total	34,071	971	33,100

Other information

Off-balance sheet commitments, guarantees and contingent liabilities

Description (amounts in €/'000)	Dec. 2021	Dec. 2020	Changes
Commitments	657,316	497,009	160,307
Risks	81,478	122,449	(40,971)
Other	564,946	284,506	280,440
Total	1,303,740	903,964	399,776

The breakdown by company is as follows:

Description (amounts in €/'000)	TOTO Holding S.p.A.	Toto S.p.A. Costr. Gen.	US WIND	Parchi Global Services S.p.A.	Renexia	Strada dei Parchi S.p.A.	Renexia Services	TOTAL
Commitments	3,991	346,208	234,221				72,896	657,316
Risks	25,643			10,007	25,828	20,000		81,478
Other	471,525	93,421						564,946
Total	501,159	439,629	234,221	10,007	25,828	20,000	72,896	1,303,740

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

TOTO Holding S.p.A.

Commitments (€ 3,991 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 (€ 25,643 thousand)

They include the guarantees given by TH to third parties. Specifically, the balance consists of those granted to the buyer of Monteboli S.p.A. and substantially relate 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 (€ 471,525 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 (€ 346,208 thousand)

These are the contractual commitments to customers related to work that at 31 December 2021 is not yet performed at the reporting date ("Order book").

Other (€ 93,421 thousand)

- Insurance sureties totalling € 88,585 thousand (so-called Definitive) given to customers to guarantee the performance of works.
- Insurance sureties provided to customers as release of guarantee withholdings on work totalling € 1,428 thousand.
- Insurance sureties as a guarantee for various contractual commitments totalling € 3,408 thousand.

Parchi Global Services

Risks (€ 10,007 thousand)

The Company issued the following guarantees:

- Insurance sureties totalling € 9,852 thousand (so-called Definitive) given to customers to guarantee the performance of works.
- Insurance sureties as a guarantee for various contractual commitments totalling € 155 thousand.

Strada dei Parchi S.p.A.

Risks (€ 20,000 thousand)

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

Renexia S.p.A.

Risks (€ 25,828 thousand)

The Company issued the following guarantees:

- € 2,500 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;
- € 888 thousand, equal to the amount at 31 December 2021 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;
- € 19,304 thousand in favour of the subsidiary Renexia Services S.r.l. to guarantee the contracts signed with several suppliers;
- € 3,090 thousand in favour of the US subsidiary US Wind Inc.;
- € 45 thousand in favour of other subsidiaries.

US Wind Inc.

Commitments (€ 234,221 thousand)

This item mainly includes the guarantees issued to the concession authorities for the right to develop initiatives undertaken.

Renexia Services S.r.l.

Commitments (€ 72,896 thousand)

This item includes the main contractual commitments signed for the provision of goods and services connected to

the design and construction of the Wind Farms for which the company signed EPC contracts.

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, point 16 of the Italian Civil Code.

Position	(amounts in €/000)
Directors	3,133
Board of Statutory Auditors	594
Total	3,727

Independent auditors' fees

Pursuant to article 2427.16-bis of the Italian Civil Code, it is noted that the 2021 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:

Description (amounts in €/000)	Dec. 2021	Within one year	Due after one year
Shareholder loans	1,999	0	1,999

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	0		0		
Intermodale srl	4,590	214			75
Novigal scarl	2		2	25	
TagFin Srl	252				2
Total	4,844	214	2	25	77

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 started 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 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 started in 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 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 comprising the debenture loan were redeemed as from 31 December 2022 with an initial amount totalling € 786 thousand and subsequent half-year repayments (maturing on 31 December and 30 June) for varying 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 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 is paid in arrears, every quarter beginning on 30 June 2021.

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

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 following section: "Information relating to the fair value of derivatives".

Fair value of derivatives

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

Renexia S.p.A.

The Company, in August 2020, signed, with Apollo, at the same time as the sale agreement for 20% of the shares in the subsidiary US Wind Inc. (for a consideration of USD 100 million), an additional agreement (the put call option agreement). Based on this agreement, the parties defined the following share options:

a put option that confers Apollo the right to sell to the Company 20% of the shares covered by the sale at a specific price (put strike) that guarantees an agreed return; this right is exercisable for a defined period which, at present, coincides with the period between March 2022 and April 2022;

a call option granting the Company, at any time and through August 2025, the right to purchase all the shares covered by the sale for a specific price based on the initial price paid by Apollo to the Company, to which a multiplier that changes every year from 2021 to 2025 is applied.

To determine the fair value of the aforementioned financial instruments, given their characteristics, the Company used the Monte Carlo simulation method with the support of expert consultants in the sector and based on the following evaluation steps:

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

simulations were carried out (Monte Carlo) at 31 December 2021, determining the result through a massive replication of a stochastic process defined on the price of the underlying;

in light of the above, at 31 December 2021, the fair value of the put and call options was determined as the average value obtained from the one million interactions performed with the Monte Carlo method and totalled USD \$ 358,354.00 (negative), which is equal to € 316,399.443 at the closing rate. The Company adjusted the carrying amount of the option recognised at 31 December 2021 pursuant to OIC 32, in the profit and loss account under item "D 19) Adjustments to financial assets and liabilities - write-downs" with a balancing entry in the provision for risks and charges under item "B) 3) Derivatives".

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

Type	Underlying variable	Fair Value Positive (Negative)	
€		31/12/2021	31 December 2020
Purchase / Sales Options (Call / Put)	Shares (US Wind Inc.)	(316,399)	(278,364)

US Wind Inc.

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 2022 for an total value of USD 165 million. Today, the issuing was completed for the total maximum amount stipulated 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 2021, 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 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 2021, 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 2021: € 384,000 thousand;
- f. underlying financial risk: interest rate risk (libor);
- g. fair value of the derivative: € (46,553 thousand);
- h. liability hedged: bank debt.

It should be noted that the fair value of the derivatives entered into by the Company 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.

Beleolico S.r.l.

The Company signed, on 1 December 2020, the IRS (variable vs. fixed) agreement, to hedge a share of the loan (which involves the application of a variable interest rate).

The fair value and information on the scope and nature of each category of derivatives are provided below (art. 2427-bis(1), no. 1, of the Italian Civil Code).

Contract: INTEREST RATE SWAP

- a. type of derivative contract: unlisted financial derivative;
- b. contract start date: 03 December 2020
- c. contract end date: 31 December 2024
- d. purpose: hedging;
- e. notional amount at 31 December 2021: € 56,249,870.00;
- f. underlying financial risk: interest rate risk;
- g. fair value of the derivative: € (2,004,981.19);
- h. liability hedged: bank debt.

It should be noted that at 31 December 2021, the fair value of the derivatives entered into by the Company was recognised in the provisions for risks and charges with a balancing entry in the hedging reserve for the effective part, net of the deferred tax effect. The ineffective part of the derivative was recognised in the Profit and loss account under the item D18) Adjustments to Financial Assets - Write-backs.

These derivatives, which are not speculative in nature but exclusively to hedge the risk of changes in rates.

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) Group financing transaction
- B) Concessions BU:
 - 1) exercise of the right of withdrawal by SDP;
 - 2) concession withdrawal measure and administrative appeal;
 - 3) ANAS S.p.A. order of the court;
 - 4) filing of the preventive request;
 - 5) crisis resolution procedure.
- C) Macroeconomic and geopolitical context.

A) Group financing transaction

As described in the "Going concern" section, the consequences of the measures designed to contain the pandemic, although reduced compared to 2020, were protracted, including during the first months of 2021, additionally contributing to the reduction in financial resources at a Group level. The continuation of the state of emergency, thus, created a need to use the measures implemented by the Government to support the liquidity of Italian companies: reference should be made to Decree-Law No 23 of 8 April 2020, converted, with amendments, by Law No 40 of 5 June 2020 (hereinafter, the "**Liquidity Decree**"). Therefore, in relation to what was stipulated in the Liquidity Decree, on 22 April 2022, the Company signed a loan contract for an overall amount of € 92.1 million (including € 67.7 million for the Construction BU), 90% guaranteed by SACE. The overall funding of € 92.1 million is immediately available for € 50 million and € 42 million that can be used starting in 2023 upon reaching some goals for 2022.

B) Concessions BU

1) Exercise of the right of withdrawal by SDP

- a) With a press release dated 6 May 2022, CIPESS communicated that it has expressed an "*an unfavourable opinion regarding the proposal for updating/reviewing the Business Plan (BP) relating to the concession between the Ministry of Sustainable Infrastructure and Mobility (MIMS) and Strada dei Parchi for the A24-A25 motorway sections*".
- b) In light of this outcome, SDP acknowledged the unequivocal will of the Granting Authority not to achieve any review and update and the fact that the impossibility of reaching an agreement regarding the review of the Business and Financial Plan of the Single Agreement (already expired in 2013) justified the granting authority from withdrawing early from the Agreement. On **12 May 2022**, Strada dei Parchi reluctantly, and in part to protect the interests of its stakeholders, formally communicated to the MIMS that all the legal and contractual requirements for withdrawal and the early termination of the Single Agreement existed, inviting the administrations responsible to (i) acknowledge the fulfilment of the condition of withdrawal and, as a result, (ii) initiate the sub-procedure for determining the compensation stipulated by the Single Agreement, quantifying it preliminarily as no less than € 2,400,000,000.00 ("**Withdrawal Notice**").

2) Concession withdrawal measure and administrative appeal

- a) Without any response having been given to the Withdrawal Notice and notwithstanding the laws set forth in the Single Agreement of 2009 (time frames and methods for launching the procedure for a potential revocation of the concession), on **7 July 2022** the Italian Government adopted Decree-Law No 85 ("**Decree 85**") pursuant to which:
 - the Single Agreement was annulled for SDP's (presumed) non-fulfilment, as "Operator", pursuant to the Directive Decree of the Ministry of Sustainable Infrastructure and Mobility (MIMS) No 29 on 14 June 2022 ("**MIMS Resolution Decree**"), adopted on 7 July 2022 with the interministerial decree by the MIMS (as Granting Authority) and by the Ministry of the Economy and Finance ("**Interministerial Decree**"), both communicated to the Operator;
 - starting from 8 July 2022, the operation of the A24 and A25 motorways has been managed, temporarily, by ANAS S.p.A. which also has the right to collect tolls.
- b) At the outcome of the appeal filed on **11 July 2022** by the SDP against the validity of the MIMS Termination Decree and the Interministerial Decree:
 - the Regional Administrative Court on 12 July 2022 granted the request for a preventive measure immediately suspending the MIMS Termination Decree and the Interministerial Decree, returning Strada

dei Parchi to the management of the infrastructure ("**Administrative Court Decision**"), later confirming the decision at the hearing of 25 August;

- the Council of State, on appeal by the MIMS on **1 August** revoked the Decision of the Administrative Court, restoring the efficacy of the MIMS Termination Decree and the Interministerial Decree and, accordingly, returning ANAS to the management of the infrastructure;
- on 7 December, the hearing on the merits was held before the Regional Administrative Court, which was asked to rule, first of all, on the numerous preliminary issues of constitutionality. With the judgement of 29 December 2022 (no. 1789), the Lazio Administrative Court declared "*significant and not obviously unfounded the questions of constitutional lawfulness of art. 2 of Decree-Law No 85 of 7 July 2022 (regulations then transposed in art. 7 ter of Decree-Law No 68 of 16 June 2022, converted, with amendments, into Law No 108 of 5 August 2022)*" raised by Strada dei Parchi (with the appeals General Register 1453 of 2022 and 8175 of 2022) against the measures that, pursuant to the above-mentioned law, provided for the termination of the Single Agreement and the direct entrusting of the management of the A24 and 25 motorways to ANAS.

Accordingly, the Administrative Court suspended the proceedings relating to the appeals presented by Strada dei Parchi, ordering the immediate transmission of the documents to the Constitutional Court, which will, thus, be called to rule on the merits of the matters concerning:

- the infringement of art. 77 of the Constitution in the absence of the requirements of extraordinary need and urgency (relating to the adoption of Decree-Law No 85 of 7 July 2022) and of arts. 3 and 97 of the Constitution, in terms of the unlawful legislation of administrative acts (relating to the inclusion of Decree-Law No 85 of 7 July 2022 of the administrative measures to terminate the concession);
- the infringement of arts. 3, 24, 25, 101, 102, 103, 111 and 113 of the Constitution, due to interference in the operation of the legal function (in relation to the adoption of Decree-Law No 85 of 7 July 2022 in anticipation of appeals and proceedings already filed by Strada dei Parchi regarding alleged non-fulfilments);
- On 27 January 2023, the Ministry of Infrastructure and Transport notified Strada dei Parchi of the appeal against the TAR ruling, requesting the Council of State to rule on the alleged lack of jurisdiction of the Administrative Court.

3) *ANAS S.p.A. Order of the Court*

- a) Despite the fact that the time frames of Decree 85 (then repealed by Decree-Law No 68 of 16 June 2022, which brought together the related measures, converted with Law No 108 of 5 August 2022) stipulate the payment by the MIMS to ANAS of the "*instalments of the concession price owing and not yet paid as of 7 July 2022*", on **28 July 2022**, ANAS (in its role as party delegated to collect the concession price pursuant to the Single Agreement of 2009) served SDP with a provisionally enforceable court order for payment (requested 6 June and obtained with provisional enforceability on 16 June) for an amount of more than € 77 million, relating to the payment of the 2021 instalment of the concession price (the "**Injunction Order**").
- b) Although on 29 July 2022, the Rome District Court, at SDP's request, had issued an urgent order suspending the immediate execution of the Injunction Order, subsequently, on **13 August 2022**, the Rome District Court withdrew this preventive measure, restoring the temporary enforceability of the Injunction Order.

4) *Filing of the preventive request*

- a) Therefore, as a result of the situation that came to be created with the entry into force of Decree 85 (and

subsequent amendments) and due to the measure of the Rome District Court on 13 August 2022, SDP found itself forced to adopt, without further delay, the necessary measures to protect its assets, including in the interest of its stakeholders, and on **15/16 August 2022**, it filed an appeal under art. 44 of Legislative Decree No 14 of 12 January 2019, as amended and supplemented (the "**CCII**"), before the Rome District Court (hereinafter, the "**Preventive Request**").

b) Subsequently to filing the Preventive Request, the Rome District Court:

- with a decree dated 6 September 2022, confirmed, in relation to Strada dei Parchi, the protective measures under art. 54(2), first and second point, CCII until 14 October 2022, subsequently extended at the request of a party until 13 December 2022;
- with a decree dated 7 September 2022, it granted the extension until 14 October 2022, subsequently extended at the request of a party until 13 December 2022, (the "**End date**") for filing, alternatively, (i) a proposal for an arrangement with creditors accompanied by the plan, the declaration of the truthfulness of the data and feasibility, and the documentation referred to in art. 39(1) and (2), CCII; or, (ii) a request to approve the debt restructuring agreements, with the documentation referred to in art. 39(1), CCII; (iii) or, a request to approve the restructuring plan referred to in art. 64-bis CCII accompanied by the documentation referred to in art. 39(1), CCII;

5) *crisis resolution procedure*

a) The Company nominated the pool of advisors appointed to assist it in the crisis resolution procedure and in settling the related plan, involving top consultants; in particular, the following professional mandates were granted:

- to the legal advisor in the context of the company crisis resolution procedure;
- to the financial advisor for the purposes of preparing the plan;
- to the independent professional, with the requirements referred to in art. 2(1)(o), CCII, expert on the truthfulness of the corporate data and of the sustainability of the restructuring plan;
- to a leading consultancy company, as the party appointed to verify the calculation of the notional items and of the net invested capital as of 31 December 2021 and until 31 July 2022, for the purposes of calculating the payment of the amount stipulated by arts. 7-*bis* and 7-*ter* Decree-Law No 68 of 6 June 2022 as a result of the withdrawal of the concession ("**Compensation**");

b) The plan for solving the crisis being prepared is founded on the significant asset comprising the compensation owing to Strada dei Parchi pursuant to arts. 7-*bis* and 7-*ter* of Decree-Law 68/2022 in order to completely satisfy its creditors.

c) On 13 December 2022, Strada dei Parchi filed a formal appeal for the admission of the arrangement with creditors referred to in arts. 40 & ff. and 84 & ff. CCII to the procedure, together with the proposal, plan, declaration of truthfulness of the data and feasibility, as well as the documentation referred to in art. 39(1) and (2), CCII, and simultaneous request for extension under art. 55(4) CCII up to 16/08/2023 of the protective measures under art. 54(2) CCII ("**Appeal**");

d) As a result of filing the appeal, the District Court (i) with the measure of 16 December 2022, fixed the end date of 13 January 2023 for the submission by the Commissioners of the "*opinion serving to verify that, in the event of a liquidation agreement, art. 47(1)(a) CCII*" and (ii) with the measure dated 19 December 2022 fixed the "*extension in relation to Strada dei Parchi SpA of the protective measures under art. 54(2) first and second period CCII until 16/08/2023*;

e) The Company is currently waiting for the admission measure by the Rome District.

C) Macroeconomic and geopolitical context

As known, the start of 2022 was marked, geopolitically, by the Russia-Ukraine conflict, launched in February 2022, which is causing significant economic effects (increase in prices) including for European countries, in particular in the energy, raw materials, and logistics markets. In addition, the effects of the COVID-19 pandemic, though reduced compared to previous years, have not been completely reabsorbed by the production systems, so that the traffic levels recorded by the Company in the first quarter of 2022 are still below the pre-COVID-19 levels.

In any case, the Group believes that these circumstances do not represent a factor that can significantly impact the estimates process for the data recorded in the financial statements at 31 December 2021, nor can they impact its ability to continue as a going concern or the 2022 forecasts.

Business outlook

Based on what was described in the sections relating to “Main events in the year” in the Report on Operations, “Going concern”, and “Significant events after the reporting date” included in this document, the directors believe that the Group will successfully manage and overcome this particular period continuing in the development and implementation of projects in the various sectors of interest, mainly with reference to the renewables one, construction (to grasp the opportunities offered by the NRRP), and to the concessions sector (verifying the development of the related affairs). 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 other investments (Annex 2);
- reconciliation between net equity and the net loss of TOTO Holding S.p.A. with consolidated net equity and net profit (Annex 3);
- statement of changes in consolidated net equity (Annex 4);

Chairman of the Board of Directors

Paolo TOTO

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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
<u>PARENT</u>									
Toto Holding S.p.A.	Chieti	Italy	Holding	€	100,000,000	-	-	-	
<u>SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS</u>									
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	16,351,588	100.00%	100.00 %	-	
Avisun S.r.l.	Chieti	Italy	Real estate	€	48,048	72.77%	72.77%	-	
Beleolico S.r.l.	Chieti	Italy	Energy sector	€	8,000,000	80.10%	-	100.00 %	Renexia Wind Offshore S.p.A.
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 %		
CW1 S.r.l.	Chieti	Italy	Energy sector	€	50,000	80.10%		100.00 %	Renexia S.p.A.
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%	-	
MarWin II, LLC	Boston	USA	Energy sector	US dollar	0	64.08%	-	80.00%	Renexia S.p.A.

MedWind Sarl	Tunis	Tunisia	Energy sector	Tunisian dinar	5,000	64.08%	-	80.00%	Renexia S.p.A.
Med Wind Italia S.r.l.	Chieti	Italy	Energy sector	€	100,000	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.
Santo Stefano Scarl	Chieti	Italy	Construction	€	10,000	100.00%	-	100.00 %	Toto SpA Costruzioni Generali - Parchi Global Service 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.
US Wind NY, LLC	Boston	USA	Energy sector	US dollar	0	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									
Tag Fin Srl	Milan	Italy	Publishing	€	14,300	25.00%	25.00%		
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 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									
<i>Other investments</i>									
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%	-	
Intersun S.r.l.	Chieti	Italy	Energy sector	€	30,000	5.00%	-	5.00%	Renexia S.p.A.

The Chairperson of the Board of Directors

Paolo TOTO

ANNEX 3 – 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 31 December 2021	341,100	1,676
Elimination of investments	(91,757)	57,599
Goodwill arising on consolidation (SDP concession)	27,060	(364)
Translation reserve	10,412	0
Elimination of dividends	0	(39,804)
Other consolidation adjustments (e.g. IAS 17)	(248)	(67)
Write-down Authorisations Indaco and Volere Volare 2019	(301)	0
Cash flow hedging reserve	(35,343)	0
NET EQUITY AND NET LOSS ATTRIBUTABLE TO THE GROUP AT 31 December 2021	250,923	19,040
Net equity and net profit - minority interests	30,004	15,736

ANNEX 4 - 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	Hedging reserve	Losses carried forward	Profit/Loss for the year	Total
Opening balance 01/01/21	100,000,000	4,848,707	242,485,940	17,560,599	10,807,924	(44,684,736)	(163,822,808)	43,223,708
Changes for the year:								
Opening and consolidation entries					(10,807,924)	44,684,736	12,738,540	
Alloc. of prior year net loss		543,220					42,680,488	(43,223,708)
Effect of translating the financial statements of foreign operations					10,412,171			
Effect of IAS 17							(221,614)	
Hedging reserve						(35,343,041)		
Net profit for the year								19,039,927
Closing balance 31/12/21	100,000,000	5,391,927	242,485,940	17,560,599	10,412,171	(35,343,041)	(108,625,394)	19,039,927

The Chairperson 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 2021**



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 2021, the income statement and statement of cash flows for the year then ended and related notes.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as of 31 December 2021, and of the result of its operations and cash flows for the year then ended in accordance with the Italian laws governing the criteria for their preparation.

Basis for Opinion

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

Material uncertainty related to going concern

We draw attention to paragraph "Going-concern" of the Explanatory Notes where the Directors describe the events related to the revocation of the motorway concession of the subsidiary Strada dei Parchi on 7 July 2022 and the subsequent request for composition with creditors submitted on 15 August 2022, which resulted, on the one hand, in a significant reduction in the operating activities assigned to the Group's companies and, on the other hand, in the impossibility for the latter to collect the amounts accrued for the services rendered.

Moreover, the revocation of the motorway concession constituted a cause of default of the bonded loan of the subsidiary US Wind guaranteed by the Parent Company.

PricewaterhouseCoopers SpA

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The situation described above has led to a worsening of the Group's financial situation already aggravated by the Covid-19 pandemic with consequent impacts on the liquid assets supporting the debt.

Consequently, the Directors took a series of actions mainly consisting of the sale of the subsidiary US Wind.

The Directors, on the basis of the information available, the assessment of future scenarios and current actions and based on the 12-month cash budget, believe that this situation is surmountable and, therefore, have drawn up the consolidated financial statements under the going-concern assumption despite the presence of a significant uncertainty that may cast significant doubts on the Group's ability to continue as a going concern, which is essentially referable to the successful conclusion of the sale process of the subsidiary US Wind.

Our opinion is not qualified with regard to this matter.

Emphasis of matter

In its financial statements for the year ended 31 December 2021, the Company exercised the right not to depreciate/amortise certain tangible and intangible assets as permitted by Article 60 para. 7-bis of Law Decree no. 104/2020 (converted with amendments by Law no. 126/2020) and subsequently amended by Law no. 25/2022 (which converted Law Decree no. 4/2022).

The reasons which led the Company to adopt such derogation, the assets concerned and the amount of the 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 Assets" and "Tangible Assets".

Our opinion is not qualified with regard to this matter.

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 Parent Company Toto Holding SpA or to cease operations, or have no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

We communicated with those charged with governance, identified at an appropriate level as required by ISA Italia regarding, among other matters, the planned scope and timing of the audit and



significant audit findings, including any significant deficiencies in internal control that we identified during our audit.

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 the Toto Holding Group as of 31 December 2021, including its consistency with the relevant consolidated financial statements and its compliance with the law.

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of the Toto Holding Group as of 31 December 2021 and on its compliance with the law, as well as to issue a statement on material misstatements, if any.

In our opinion, the report on operations is consistent with the consolidated financial statements of the Toto Holding Group as of 31 December 2021 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 February 2023

PricewaterhouseCoopers SpA

Signed by

Stefano Amicone
(Partner)

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

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