



Toto Spa Costruzioni Generali

2017 Financial Statements

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

TOTO S.p.A. COSTRUZIONI GENERALI

Single-member company limited by shares managed and coordinated by TOTO HOLDING S.p.A.

Registered office in Viale Abruzzo 410 - 66100 CHIETI (CH) Share capital €50,000,000.00 fully paid up

Minutes of the ordinary shareholder's meeting

The ordinary shareholder's meeting of TOTO S.p.A. COSTRUZIONI GENERALI was held on 20 July 2018 at 03:00 pm at the company's offices at Viale Abruzzo 410, CHIETI, to discuss and resolve on the following

agenda

1. Financial statements at 31 December 2017 and directors' report thereon: related and consequent resolutions. Report of the Board of Statutory Auditors and Report of the Independent Auditors.
2. Appointment of the Board of Directors and its Chairperson for the three-year period 2018 - 2020 and calculation of the related fees.
3. Appointment of the Board of Statutory Auditors and its Chairperson for the three-year period 2018 - 2020 and calculation of the related fees.
4. AOB

The following people were physically present in the place and at the time indicated:

Alfonso TOTO	Chairman of the Board of Directors
Paolo TOTO	Director
Valentina TOTO	Director
Gianfranco RAPPOSELLI	Director
Giovanni SMARGIASSI	Chairman of the Board of Statutory Auditors
Vito Giuseppe RAMUNDO	Standing auditor
Francesco CANCELLI	Standing auditor

and the Sole shareholder, representing the entire share capital.

Pursuant to the by-laws, Alfonso Toto, Chairman of the Board of Directors, took the chair.

Those present requested Giovanni Cagna to act as secretary, renouncing the appointment of tellers.

Before identifying those present, the Chairman noted that the shareholder's meetings which were to be held on 30 April 2018 at 06.30 pm on first call and on 14 May 2018, at the same time, on second call, did not quorate as the shareholder was unavailable.

The Chairman subsequently acknowledged and had it acknowledged that the meeting was validly constituted and entitled to pass resolutions, although it had not been formally called. In fact, the entire share capital was represented and the entire Board of Directors and Board of Statutory Auditors were present. All participants were identified and stated that they were sufficiently informed about the items on the agenda.

The Chairman moved on to the first agenda item.

He asked whether someone intended to declare that they have not been adequately informed about the items on the agenda.

Having obtained the consent to discuss the item, the Chairman declared that the meeting could pass resolutions.

The Chairman asked the participants to report any disqualification situation. Nobody took the floor.

With respect to the **first item** on the agenda, the Chairman distributed to those present a copy of:

- the financial statements at 31 December 2017, comprising a balance sheet, a profit and loss account, the notes thereto and a cash flow statement;
- the directors' report thereon;
- the report of the Board Statutory Auditors on the financial statements at 31 December 2017;
- the independent Auditors' report on the financial statements at 31 December 2017;

The Chairman of the Board of Statutory Auditors, Giovanni Smargiassi, read the report of the Board of Statutory Auditors on the financial statements at 31 December 2017.

Once discussion of the various issues began, the Chairman provided the requested clarifications. After in-depth discussion, the shareholder unanimously

resolved

1. to approve the financial statements, comprising a balance sheet, a profit and loss account, the notes thereto and a cash flow statement and the directors' report at 31 December 2017, as prepared by the Chairman of the Board of Directors. These financial statements show a net profit for the year of €1,817,386 (ANNEX A) AND ARE ACCOMPANIED BY THE REPORT OF THE BOARD OF STATUTORY AUDITORS and the Independent Auditors' report thereon (Annexes B - C);
2. to approve the proposal of the Chairman of the Board of Directors about the allocation of the net profit for the year:

net profit for 2017	€	1,817,386
5% to the legal reserve	€	90,869
to retained earnings	€	1,726,517

3. to grant the widest powers to the Chairman of the Board of Directors to fulfil all the relevant legal obligations, including the "double filing" mechanism, preparing the same notes to the financial statements in accordance with the "XBRL taxonomy". The double filing mechanism is necessary since the notes to the financial statements prepared under the "XBRL taxonomy" are not sufficient to present the company's position in accordance with the principles set out in article 2423 of the Italian Civil Code.

Moving on to the **second item** on the agenda, the Chairman noted that the term of office of the current Board of Directors expired with the approval of the financial statements at 31 December 2017. Therefore, it was necessary to renew the Board of Directors. Upon the proposal of the sole shareholder, Toto Holding S.p.A., the shareholder unanimously

resolved

1. pursuant to article 20 of the by-laws, to set at four the number of directors;
2. to grant the Board of Directors, as a whole, annual fixed fees, gross of withholding taxes, of €780,000 (Euro seven hundred and eighty thousand) and an additional fee as end-of-office

entitlement at the end of the three-year term of office, equal to €120,000 (Euro one hundred and twenty thousand), allowing the Board of Directors to allocate these amounts among its members with specific roles.

3. to appoint the new Board of Directors, made up of the following people, who will remain in force until the approval of the financial statements at 31 December 2020:

- **Alfonso TOTO**, born in Chieti, on 8/01/77, tax code TTO LNS 77A08 C632G, domiciled for the purpose of his office at viale Abruzzo 410, Chieti;
 - **Paolo TOTO**, born in Chieti on 15/01/1965, tax code TTO PLA 65A15 C632T, domiciled for the purpose of his office at viale Abruzzo 410, Chieti;
 - **Valentina TOTO**, born in Guardiagrele (CH) on 30/12/75, tax code TTO VNT 75T70 E243M, domiciled for the purpose of her office at viale Abruzzo 410, Chieti;
- Gianfranco RAPPOSELLI**, born in Chieti on 13/07/1949, tax code RPP GFR 49L13 C632N, domiciled for the purpose of his office at viale Abruzzo 410, Chieti.

Alfonso TOTO was also appointed Chairman of the Board of Directors.

The above Directors accepted the position and represented that there were no reasons of ineligibility or disqualification pursuant to article 2382 of the Italian Civil Code.

The shareholder requested that in the next meeting of the Board of Directors, the Directors allocate the powers and the tasks within the Board in accordance with the above fee allocation criteria.

With respect to the **third item** on the agenda, since the term of office of the Board of Statutory Auditors has expired, the Chairman noted that a new Board of Statutory Auditors was to be renewed.

After a short discussion, the Chairman put the third agenda item up for vote.

After count and recount, the shareholder unanimously

resolved

to appoint the following people as members of the Board of Statutory Auditors:

- **Giovanni SMARGIASSI**, born in Vasto (CH) on 26/03/43, tax code SMR GNN 43C26 E372Y, domiciled for the purpose of his office in Vasto (CH), P.zza Caprioli n. 16, **Chairman**;
- **Vito Giuseppe RAMUNDO**, born in Lavello (PZ) on 29/05/62, tax code RMN VGS 62E29 E493Q, domiciled for the purpose of his office in Pescara, via Chieti 6, **Standing Auditor**;
- **Francesco CANCELLI**, born in Chieti on 27/09/63, tax code CNC FNC 63P27 C632L, domiciled for the purpose of his office in Chieti, via Baroncini 32, **Standing Auditor**;
- **Paolo PALUMBO**, born in Chieti on 22/06/1964, tax code PLM PLA 64A22 C632P, domiciled for the purpose of his office in Chieti, Strada Di Rienzo 35, **Alternate Auditor**;
- **Giovanni D'AQUINO**, born in Chieti on 17/07/61, tax code DQN GNN 61L17 C632P, domiciled for the purpose of his office in Pescara, via Elettra 92, **Alternate Auditor**

who will remain in force until the approval of the financial statements at 31 December 2020.

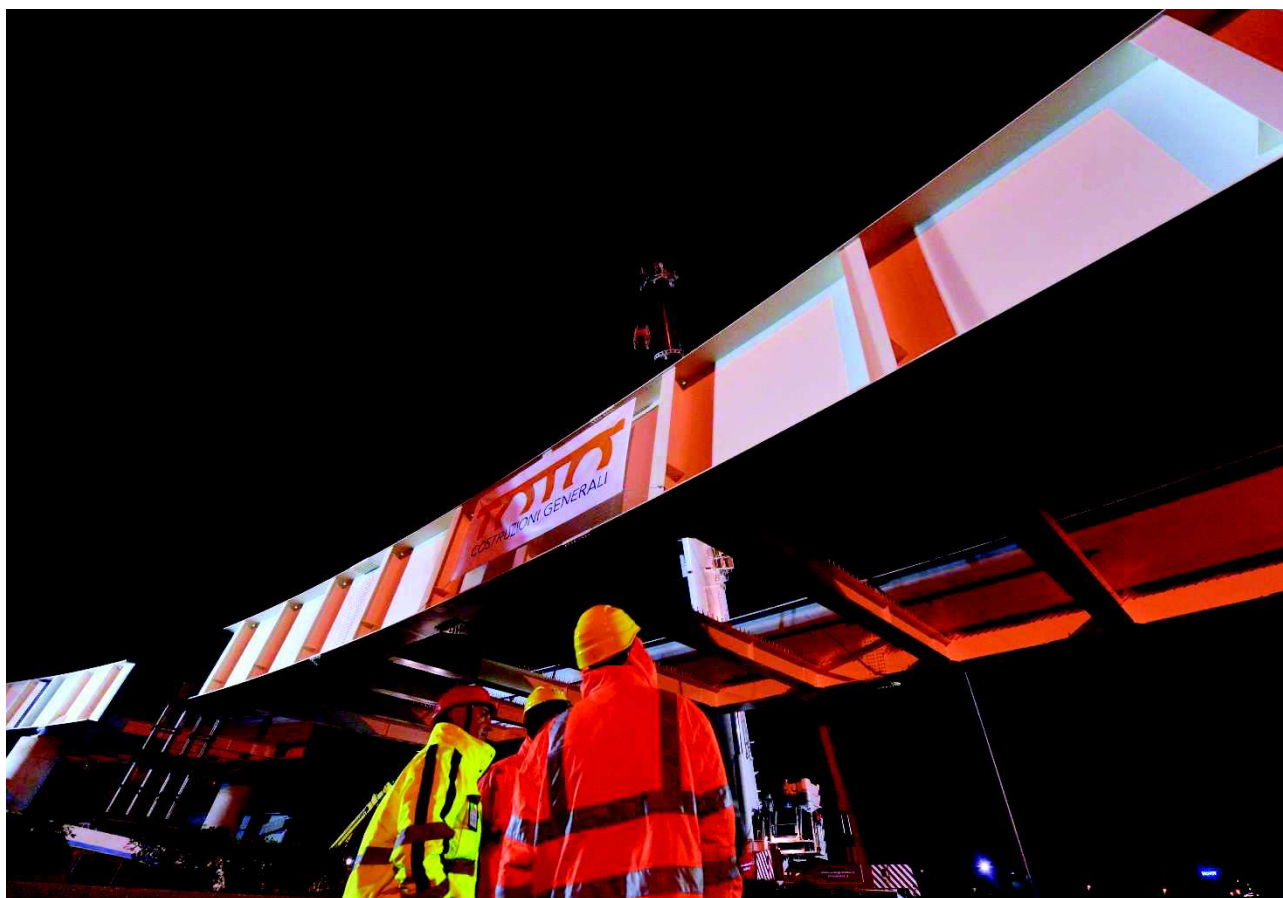
All members of the Board of Statutory Auditors are registered with the relevant register.

The annual fees for the entire Board of Statutory Auditors total €93,000.00 (Euro ninety-three thousand).

There being nothing further to discuss and since nobody asked to take the floor, the meeting is ended at 03.55 pm.

The Secretary
Giovanni Cagna

The Chairman
Alfonso Toto



2017 Financial Statements

Directors' report

TOTO S.p.A. COSTRUZIONI GENERALI

Single-member company limited by shares managed and coordinated by Toto Holding S.p.A.

Registered office in Viale Abruzzo, 410 - 66100 Chieti Scalo (CH)
Share capital €50,000,000.00 fully paid-up

Directors' report on the financial statements at 31/12/2017

BOARD OF DIRECTORS*

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

BOARD OF STATUTORY AUDITORS*

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers S.p.A.

SUPERVISORY BODY

Chairman:	Salvatore Ricci
Member:	Francesco Cancelli
Member:	Roberto Milia

COMPANY MANAGEMENT

General Manager:	Luciano D'Onofrio
Central Technical Director - Italy	Massimo Pietrantoni
Central Technical Director - abroad	Massimo Maiani

* In office until the approval of the 2017 financial statements

Dear Shareholders,

2017 ended positively. Net profit equals €1,817,386 after amortisation and depreciation of €2,022,361 and current and deferred taxes totalling €2,454,683.

Operating conditions and business development

The company operates in the large transport infrastructure construction sector and is among the top 20 general building companies in Italy, and the leading one in Abruzzo.

The company's target market is the domestic one, for which TOTO carries out projects for the main public and private customers, such as ANAS, Autostrade per l'Italia, ITALFERR, Strada dei Parchi S.p.A. and other organisations.

Operating performance

General conditions

In 2017, the world economy grew strongly in both the main advanced economies and in emerging economies.

The outlook remains positive in the short term, despite the risk that a downward adjustment in the price of financial assets may slow down economic activities.

According to OECD figures, global GDP rose by 3.7% in 2017 and the economies of developed countries contributed the most to its acceleration in the past two years.

However, the risks of a possible increase in the volatility of financial markets and the intensified geopolitical tensions as well as the uncertainties surrounding economic policies may have a negative effect on the confidence of private households and businesses.

In the Euro area, growth continued at a steady pace, mainly driven by foreign demand. Inflation remained modest, confirming the weakness of core inflation (inflation, net of energy and food prices which are characterised by more volatile prices).

Based on the more recent forecast framework developed by the Eurosystem experts, the Euro area's GDP, which rose by 2.4% in 2017, is expected to increase at a similar pace, adjusting projections considerably upwards.

In 2017, Italy's GDP rose by 1.5%. The domestic demand, fuelled, in particular by capital expenditure, and foreign trade, with exports significantly up on imports, contributed to the increase in GDP in a similar way. Specifically, added value rose in the industrial sector, while it remained stable overall in the service sector, where the decrease in the financial segment was offset by the increase in the trade and property segments.

Company surveys confirm the return of confidence to pre-crisis levels, while consumer surveys confirm the positive trend which had begun last spring.

In 2018, GDP is expected to increase by 1.5%. The European Union confirmed this percentage, however pointing out downside risks related to the fragility of the banking sector. Nevertheless, Italy remains at the tail end of the Euro zone and among the 27 members of the EU.

Target sector

According to Ance-Infoplus, 2017 shows an improvement in terms of public tenders compared to the low levels of the previous year (+6.6% in number and +33.1% in value). However, 2016 was heavily impacted by the coming into force of the new public procurement code which caused considerable uncertainties on the market.

In 2017, the demand for public work contracts returned to the growth levels recorded in 2014-2015. However, it remained well below those of 2011, when the demand amounted to approximately €30 billion, compared to €22 billion in 2017.

2018 forecasts point to further growth. Indeed, the figures for the first few months of the year show an increase in the amount of tenders, despite the slight reduction in their number.

Also in the years to come, the company will continue to pursue its strategy aimed at diversifying the order book, both in Italy - by increasing its customer base, and abroad, by expanding its presence in foreign markets, specifically in Eastern Europe, Northern Europe and the MENA Region.

Significant events of the year

- On 7 March 2017, Toto S.p.A. and Vezzola S.p.A. set up a consortium company called *Pontepo Scarl* to perform the works related to the contract: *"Mantua – Restructuring of the bridge on the Po river in the Bagnolo San Vito and San Benedetto Po municipalities"*. The consortium fund is held as follows: 77.73% Toto S.p.A. and 22.27% Vezzola S.p.A..
- On 27 March 2017, the new branch, Toto S.p.A. Costruzioni Generali CZ, odstestepny zavod was registered with the Czech Republic company register. The Czech branch was set up as a result of the recent awarding of a project in this country and the company's willingness to boost its operations in this market, where the pipeline is attractive in terms of contract type and size.
- On 4 April 2017, ANAS and the company signed the "S.S. Picente" - Dorsale Amatrice-Montereale - L'Aquila - Lot IV from the Marana to the Cavallari junctions contract. Upgrading to section C2 of M.D. 05/11/2001. Total amount: €41,942,476.
- Given the extension of the administrative procedure for the revision and update of the Business plan ("BP") of the motorway operator Strada dei Parchi S.p.A., in 2016, the latter highlighted the need to urgently implement first safety measures and submitted a work package (the MISU scheme), worth €260 million, to the Ministry of Infrastructure and Transport ("MIT"). The grantor approved these measures from a technical point of view and, later on, pursuant to article 52-quinques of Law decree no. 50 of 24 April 2017, converted into Law no. 96 of 21 June 2017, the Government awarded Strada dei Parchi S.p.A. a €50 million outright grant for each of the years from 2021 to 2025. The relevant resources were drawn from the Fund for Development and Cohesion ("FSC")- 2014-2020 period.
On 28 April 2017, the company and the associate Strada dei Parchi entered into an agreement for the performance of "interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways". The agreement covered works worth €154 million and had a term of 550 calendar consecutive days starting from the delivery date (6 May 2017).
- On 8 November 2017, the company, as the leader of the JV with SELI OVERSEAS S.p.A., was at the top of the ranking list of the tender called by COCIV for the performance of civil works and the construction of structures along the line, from pk 19+700,00 to pk 27+455,00 of the HS/HC section of the "Giovi Third Tunnel" - VALICO LOT RADIMERO.
The agreement was signed on 30 January 2018. Works are expected to begin in April. The total work amounts to roughly €189 million, while the portion pertaining to Toto is worth approximately €110 million.

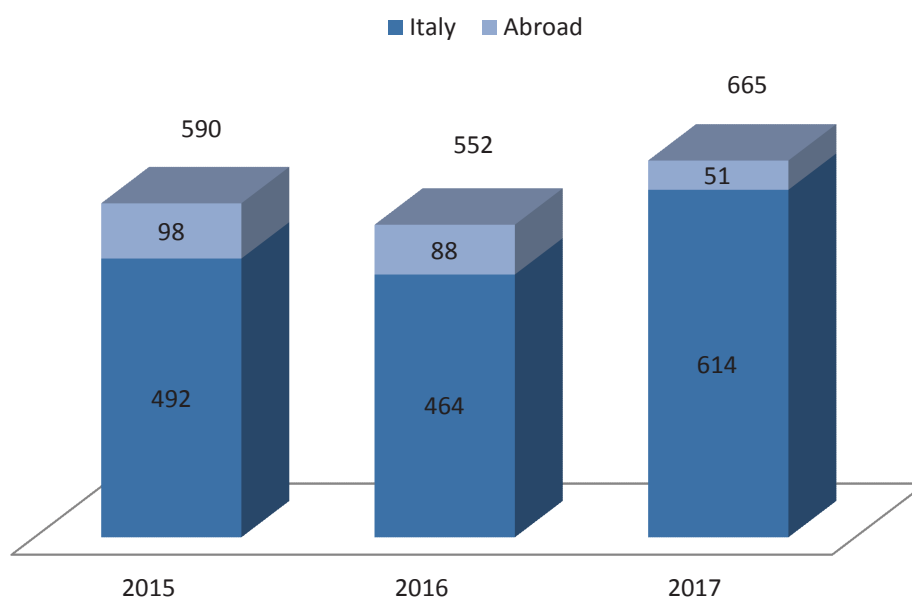
Order book

At 31 December 2017, the company's order book amounts to €665 million.

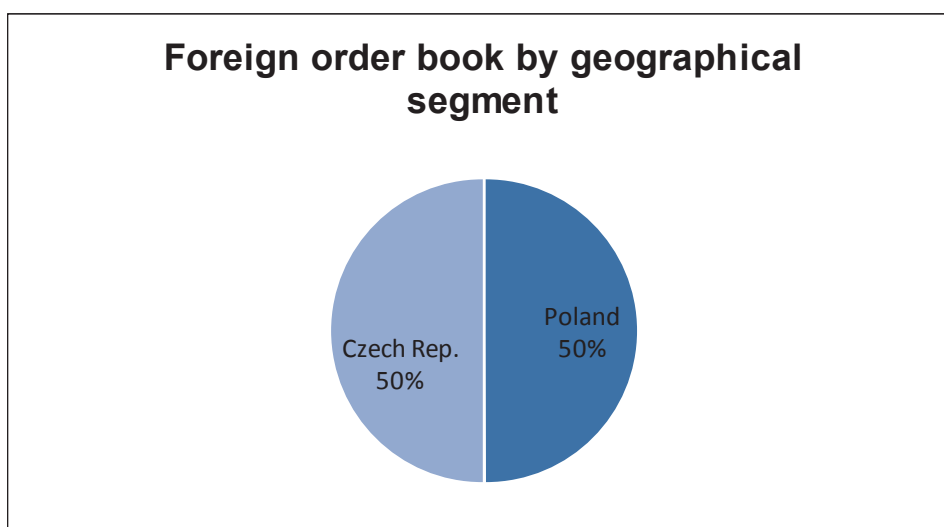
The size of the portfolio confirms the success of the many commercial actions launched by the company in Italy and abroad and ensures the continuity of operations over the next few years.

€/m

Order book



“Abroad” accounts for approximately 8% of the order book. Its geographical breakdown is shown below.



The order book at 31 December 2017 is sufficiently diversified by customer, exposing the company to lower operational risks. The table below gives a breakdown of the order book and the percentage of each customer compared to the total order book.

in millions of €

Customer	Amount	%
Italfer	253,4	38,1%
C.A.S.	35,3	5,3%
Anas	121,3	18,2%
Mantua provincial authorities	23,6	3,6%
Sdp	70,3	10,6%
Cociv	109,8	16,5%
Total Italy	613,7	92,2%
Gdckia	25,9	3,9%
RSD	25,9	3,9%
Total - abroad	51,7	7,8%
Total	665,4	100,0%

During the year, the company consolidated its order book with two new contracts for a total of €264 million.

Indeed, as discussed in the "Significant events of the year" paragraph, on 28 April 2017, the company and the associate Strada dei Parchi entered into an agreement for the performance of "interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways" for a total of €154 million.

Furthermore, on 8 November 2017, the company, as the leader of the JV with SELI S.p.A., won the tender called by COCIV for the performance of civil works and the construction of structures along the line and related works, from pk 19+700,00 to pk 27+455,00 of the HS/HC section of the "Giovi Third Tunnel" - VALICO LOT (RADIMERO). The agreement was signed on 30 January 2018 and works were delivered on 11 April 2018.

The total work amounts to roughly €189 million, while the portion pertaining to Toto S.p.A. is worth approximately €110 million.

Current contracts and their progress at 31 December 2017 are analysed below.

in millions of €

Contract	Customer	Total contract	TCG %	Share of contract	Order book at 31/12/2017	Work progress
Cefalù	Italfer	347,5	74%	257,5	253,4	1,6%
Ritiro viaduct	C.A.S.	43,5	100%	43,5	35,3	18,8%
La Spezia - Var. NR1 Lot 3	Anas	119,5	100%	119,5	79,3	33,6%
L'Aquila - NR260 Picente	Anas	41,9	100%	41,9	41,9	0,0%
Mantua - restr. of the bridge on the Po river	Mantua prov. auth.	25,2	100%	25,2	23,6	6,2%
Poland - S5	Gdtkia	99,8	100%	99,8	25,9	74,1%
Czech Rep. - D1 - Lots 12 and 13	RSD	64,7	40%	25,9	25,9	0,0%
Other viaducts	Sdp	9,9	100%	9,9	10,6	(6,9%)
Current contracts at 31 December 2016		752,1		623,3	496,0	20,4%
MISU - Measures to prevent stair-stepping	Sdp	154,0	100%	154,0	59,7	61,2%
Radimero - Giovi third tunnel	Cociv	189,3	58%	109,8	109,8	0,0%
Acquisitions during the year		343,2		263,7	169,5	35,7%
Total at 31 December 2017		1.095,3		887,0	665,4	25,0%

The order book may further increase following the final award of two road projects in Poland. GDDKiA called both tenders. For both projects, the company submitted the offering with the best value for money and was the lowest bidder for both lots. The two contracts total more than €320 million.

Again with respect to the order book and its development and consolidation, the operator Strada dei Parchi, for which Toto Costruzioni acts as EPC Contractor and performs internal works, is negotiating a new Business plan (BP) with the grantor, the Ministry of Infrastructures and Transport (MIT), which envisages an extensive investment programme. In accordance with article 1 (183) of Law no. 228/2012, the group's operator will ensure the safety of the two motorways under concession by investing heavily in the existing infrastructure. On 19 March 2018, the MIT sent CIPE (Interministerial Committee for Economic Planning) specific information about the update of Strada dei Parchi's BP which envisages an investment plan of €3.1 billion, of which €2.4 billion related to works. This is a significant contribution to the company's pipeline for the next few years.

Furthermore, the company, in joint venture with Tirrena Scavi S.p.A. (Toto S.p.A.'s percentage: 49%), participated in six tenders in Romania for a total of approximately €900 million related to six motorway lots. Since the timing of the awarding procedure is expected to be short and given the positive expectations about the outcome thereof, the order book is likely to further increase in the short term.

Performance of the year

The company's reclassified profit and loss account is given below with prior year corresponding figures (€/thousand):

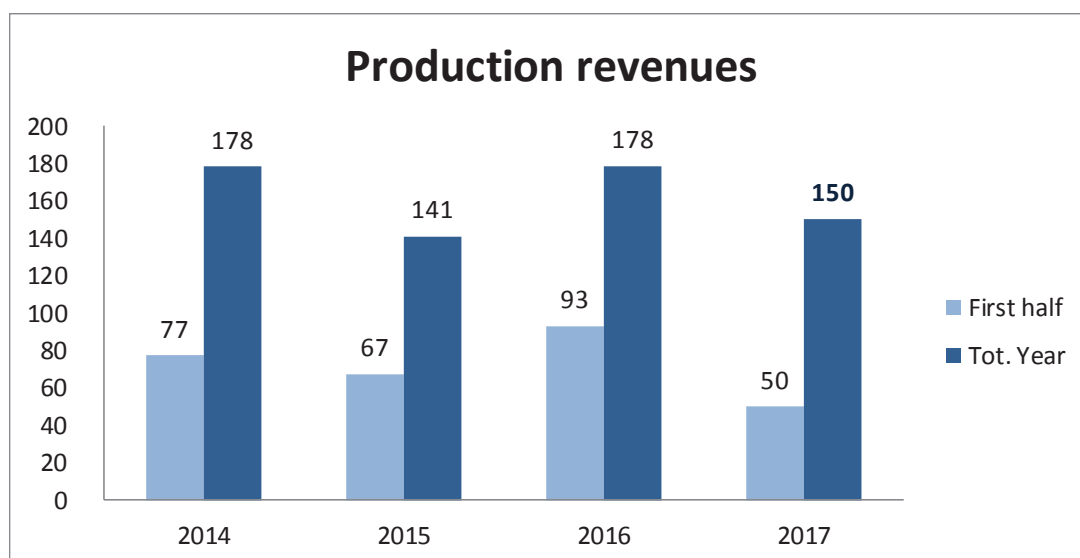
	2017	2016	Var.
Revenues	150.180	178.273	(28.093)
EBITDA	12.021	21.704	(9.683)
(EBITDA)%	8,0%	12,2%	(44,6%)
EBIT	9.591	16.549	(6.958)
(EBIT)%	6,4%	9,3%	(42,0%)
Net financial charges	(5.319)	(7.712)	2.394
EBT	4.272	8.837	(4.565)
Taxes	(2.455)	(688)	(1.768)
Net profit for the year	1.817	8.149	(6.332)

Net revenues decreased by €28.1 million to €150.2 million in 2017 from €178.3 million in 2016. EBITDA is €12.0 million (8.0% of revenues) compared to €21.7 million (12.2%) in 2016. EBIT is €4.3 million compared to €8.8 million in the previous year. The 2016 figure benefits from non-recurring income of €13.9 million in terms of both revenues and related profit margins.

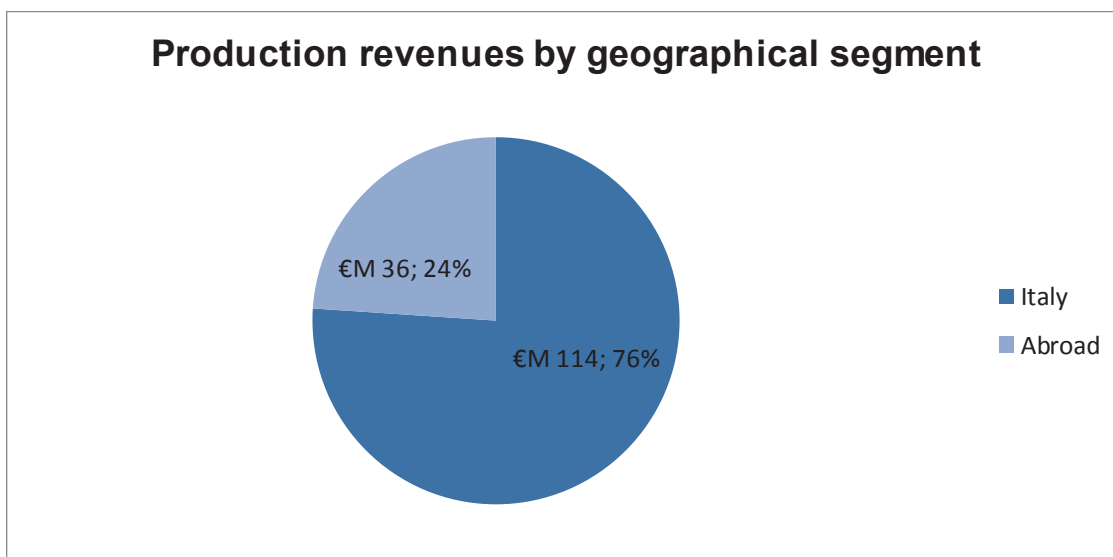
2017 profit margins are below the company's historical trend. Indeed, they are negatively impacted by the performance of the Polish contract, the investments to support the development of the business abroad and the underproduction of some contract work in progress, mainly as a consequence of issues and delays attributable to customers, as described later on in these notes.

Production revenues

Production revenues of €150.2 million decreased by approximately €28.1 million (-15.7%) on the previous year. The reduction is mainly due to the halt of the La Spezia contract in February for reasons not attributable to the company and the slowdown in the project underway for CAS.



The geographical breakdown shows that foreign contracts, which account for 24% of total revenues, play a significant role in the company's business.



Production cost

The main operating costs are shown below:

Financial statements item	2017	% impact on production	2016	% impact on production	Var.
Raw materials	(46.944)	(31,3%)	(33.612)	(18,9%)	(13.332)
Services	(63.131)	(42,0%)	(93.250)	(52,3%)	30.118
Use of third party assets	(2.651)	(1,8%)	(2.233)	(1,3%)	(419)
Change in raw materials	5.153	3,4%	2.851	1,6%	2.303
Other operating costs	(2.468)	(1,6%)	(3.861)	(2,2%)	1.393
Total external costs	(110.042)	(73,3%)	(130.104)	(73,0%)	20.062
Personnel - office	(7.924)	(5,3%)	(8.450)	(4,7%)	526
Personnel - contracts	(8.635)	(5,8%)	(6.277)	(3,5%)	(2.358)
Blue collars	(10.818)	(7,2%)	(11.557)	(6,5%)	739
Total personnel expenses	(27.377)	(18,2%)	(26.284)	(14,7%)	(1.093)
Amortis./deprec., accr. and w/downs	(2.431)	(1,6%)	(5.155)	(2,9%)	2.724
Total production cost	(139.850)	(93,1%)	(161.543)	(90,6%)	21.693
Production revenues	150.180	100,0%	178.273	100,0%	(28.093)

Compared with 2016, the impact of production cost on production revenues rose by 2.9%. In 2017 and 2016, personnel expenses rose, specifically, those related to contract personnel following the start-up of contracts (which resulted in the increase in absolute terms) or due to small production during the year (which caused the increase in the percentage impact on revenues).

Personnel expenses

Personnel expenses rose by 6.2% on the previous year following the greater costs related to managers and employees (+16.0%), offset by the decrease in labour costs (-6.4%). The latter item is directly related to the company's turnover and the performance mix, i.e., direct performance and subcontracting.

The table below provides details on the workforce and their cost by type of personnel, the analysis of which illustrates the performance of the various cost components (in €'000).

Description	2017	2016	Var.	Var. %
<i>Italy</i>	(13.278)	(11.683)	(1.594)	(13,6)
<i>Abroad</i>	(4.017)	(3.224)	(793)	(24,6)
Total exp. for managers/white collars	(17.294)	(14.907)	(2.387)	(16,0)
<i>Italy</i>	(9.418)	(10.927)	1.509	13,8
<i>Abroad</i>	(1.400)	(630)	(770)	(122,2)
Total expenses for blue collars	(10.818)	(11.557)	739	6,4
<i>Italy</i>	(22.696)	(22.610)	(86)	(0,4)
<i>Abroad</i>	(5.417)	(3.854)	(1.563)	(40,6)
Total expenses	(28.113)	(26.464)	(1.649)	(6,2)
Managers/white collars average	135	137	(2)	(1,6)
Blue collars average	175	196	(21)	(10,6)
Total average	310	333	(23)	(6,9)
Managers/white collars average exp.	(128)	(109)	(19)	17,5
Blue collars average expenses	(62)	(59)	(3)	4,7
Total average expenses	(91)	(80)	(11)	14,1
Hours worked - blue collars	315.577	340.131	(24.553)	(7,2)
Hourly cost - blue collars	(34,3)	(34,0)	(0,3)	0,9

Reclassified balance sheet

The company's reclassified balance sheet is given below with prior year corresponding figures (€/thousand):

	31/12/2017	31/12/2016	Var.
Net intangible fixed assets	1.569,3	3.092,8	(1.523,5)
Net tangible fixed assets	8.443,1	8.905,0	(461,9)
Equity investments and other financial fixed assets	79.375,6	78.521,5	854,1
Fixed assets	89.388,1	90.519,3	(1.131,3)
Inventory	166.193,8	150.979,6	15.214,2
Trade receivables	57.585,4	42.046,5	15.538,9
Other receivables	7.066,6	7.801,1	(734,5)
Prepayments and accrued income	5.613,6	6.331,1	(717,5)
Current assets	236.459,3	207.158,3	29.301,0
Trade payables	(91.591,6)	(68.929,8)	(22.661,8)
Payments on account	(29.326,2)	(14.537,3)	(14.788,8)
Tax payables and social security charges payable	(50.989,7)	(36.991,9)	(13.997,8)
Other payables	(4.837,4)	(3.443,1)	(1.394,2)
Accrued expenses and deferred income	(532,4)	(800,7)	268,3
Current liabilities	(177.277,2)	(124.702,8)	(52.574,4)
Net working capital	59.182,1	82.455,5	(23.273,3)
Employees' leaving entitlement	(591,6)	(812,7)	221,1
Tax payab. and social sec. charges payab. (due after one year)	(22.115,6)	(27.720,3)	5.604,7
Other medium/long-term liabilities	(3.071,4)	(4.247,3)	1.175,9
Payments on account (due after one year)	(4.175,6)	(3.503,5)	(672,1)
Medium/long-term liabilities	(29.954,3)	(36.283,8)	6.329,5
Invested capital	118.615,9	136.691,0	(18.075,1)
Net equity	86.242,8	84.765,6	1.477,2
Short-term net financial position	53.930,1	60.394,5	(6.464,3)
Medium/long-term net financial position	(21.557,0)	(8.469,1)	(13.088,0)
Own funds and financial indebtedness	118.615,9	136.691,0	(18.075,1)
Own funds and financial indebtedness	118.615,9	136.691,0	(18.075,1)

Based on the analysis of the balance sheet, fixed assets decreased by €1.1 million; net working capital fell by €23.3 million from €82.5 million at 31 December 2016 to €59.2 million at 31 December 2017. The reduction is mainly due to the increase in short-term liabilities (€52.6 million, of which €22.7 million related to trade payables following the agreed extension of payment; €14.8 million related to payments on account as a result of the contractually-agreed advance for SdP MISU – Measures to prevent stair-stepping; €14.0 million related to tax payables following the payment of taxes by instalments). It was partially offset by the increase in short-term assets (+€29.3 million, of which €15.2 million related to the rise in inventory following the €5.5 million increase in work; €5.2 million related to the increase in raw materials, €5.0 million related to the effect of the suspension of pre-operating costs; €15.5 million related to trade receivables, mainly the receivable from SdP for the MISU contract). Medium/long-term liabilities decreased by €6.3 million mainly as a consequence of the reduction in tax payables and other payables, down by €5.6 million and €1.2 million, respectively. The sum of the above items resulted in a total decrease in invested capital of approximately €18.1 million, from €136.7 million at 31 December 2016 to €118.6 million at 31 December 2017. The reduction also resulted in the decrease of the net financial position, down by approximately €19.6 million, and the rise in net equity, up by €1.5 million.

The company's balance sheet structure is typical of that of the companies operating in the infrastructure construction sector, characterised by the "cyclical nature" of working capital.

Indeed, it is affected by:

- the delays in collecting claims, which are already being investigated and, in any case, can be recovered in the medium/long-term;

- the delays in the company's operating collections;
- complex accounting and payment processes compared to the production activity;
- production discontinuities on projects due to inefficiencies attributable to public customers, as described later on.

The balance sheet as at 31 December 2017 is also affected by the financial receivables granted by the company to the group against consideration, as part of cash pooling arrangements.

Financial position

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

	2017	2016	Var.
Bank deposits	965	3.736	(2.771)
Cash-in-hand and cash equivalents	17	17	(0)
Liquid funds and own shares	982	3.753	(2.771)
Current financial assets	812	1.025	(213)
Bank loans and overdrafts (due within 12 months)	(49.304)	(58.752)	9.449
Short-term portion of loans	(6.420)	(6.420)	(0)
Short-term financial payables	(55.723)	(65.172)	9.449
Short-term net financial indebtedness	(53.930)	(60.394)	6.464
Bank loans and overdrafts (due after 12 months)	(22.866)	(12.058)	(10.808)
Long-term portion of loans	(9.630)	(16.050)	6.420
Financial receivables from group companies	52.918	34.838	18.080
Receivables from others	1.135	1.739	(603)
Medium/long-term net financial position (indebtedness)	21.557	8.469	13.088
Net financial indebtedness	(32.373)	(51.925)	19.552

At 31 December 2017, the company's net financial indebtedness was €32.4 million, improving by €19.6 million on the previous year. The reduction is due to the decrease in the short-term net financial indebtedness (approximately €6.5 million) and in the medium and long-term portion (approximately €13.1 million).

The breakdown of bank loans and borrowings by type of credit line is as follows (€'000):

	31/12/2017	31/12/2016	Change
<i>Ordinary current accounts (short term)</i>	(22.853)	(11.892)	(10.961)
<i>Ordinary current accounts (medium/long term)</i>	0	0	0
Ordinary current accounts	(22.853)	(11.892)	(10.961)
<i>"Work in progress" advances (short term)</i>	(11.283)	(22.720)	11.436
<i>"Work in progress" advances (medium/long term)</i>	0	0	0
"Work in progress" advances	(11.283)	(22.720)	11.436
<i>Contractual advances (short term)</i>	(11.919)	(19.813)	7.894
<i>Contractual advances (medium/long term)</i>	(22.866)	(9.251)	(13.615)
Contractual advances	(34.785)	(29.064)	(5.720)
<i>Loans on areas and buildings (short term)</i>	(3.249)	(4.328)	1.079
<i>Loans on areas and buildings (medium/long term)</i>	0	(2.806)	2.806
Loans on areas and buildings	(3.249)	(7.134)	3.885
<i>Loans for equipment (short term)</i>	(6.420)	(6.420)	(0)
<i>Loans for equipment (medium/long term)</i>	(9.630)	(16.050)	6.420
Loans for equipment	(16.050)	(22.470)	6.420
<i>Total bank loans and borrowings (short term)</i>	(55.723)	(65.172)	9.449
<i>Total bank loans and borrowings (medium/long term)</i>	(32.496)	(28.108)	(4.388)
Total bank loans and borrowings	(88.219)	(93.280)	5.060

Operations

Pursuant to article 2428, it is noted that the company's business is carried out at the Chieti office and at the main work sites in operation in Cefalù (PA), La Spezia and Messina. Furthermore, the Dubai, Warsaw (Poland) and Prague (Czech Republic) branches are operating.

During 2017, the company operated in Italy and in Poland. Information on the main contracts underway is given below.

MAIN CONTRACTS UNDERWAY

Palermo - Messina railway section - Cefalù contract (PA)

Customer: ITALFERR S.p.A.

Description: doubling of the Cefalù – Ogliastrillo – Castelbuono railway section

Contractual amount: €347,505,711

Contracting company: Joint Venture Toto S.p.A. – Italiana Costruzioni S.p.A. – Armafer S.r.l. – E.S.I.M. S.r.l. – Alpitel S.p.A.

Percentage of investment: 74.11%

Contractual amount: € 257,536,483

In 2017, production amounted to €0.6 million. About 1.6% of the work was completed at year end.

The contract involves the executive design and construction of the 12.3 km Cefalù (Ogliastrillo) - Castelbuono railway section, along the Palermo - Messina railway line, and is an integral part of the Italian railway infrastructure modernisation and development programme.

The project will be carried out mainly underground with the construction of three separate tunnels. The first tunnel called "Cefalù", approximately 6,700 metres long and double-arched, will be constructed using mechanised digging technology, using one TBM (Tunnel Boring Machine) with a diameter of 9.90 metres; The second tunnel, called "S. Ambrogio", 4,000 metres long and single-arched, will also be constructed using mechanised digging techniques, using one TBM with a diameter of 12 metres; The third tunnel, called "Malpertugio", 120 metres long, will be constructed using traditional digging techniques.

The work also comprises the two viaducts called "Carbone 1" and "Carbone 2" with mixed steel/concrete deck, the work and services provided for the superstructure and the installations for Electrical Traction, Signalling, Control and Command, Telecommunications, Light and Power Points.

Many obstacles related to the conditions of the areas and the initiatives/measures taken by the public bodies involved in the authorisation procedures, have caused a significant slow-down since the beginning of the construction activities, which were completely suspended in early 2017, also following the commencement of a technical coordination group with MIT to consider the possibility of adopting project solutions which met Cefalù municipality's requests aimed at reducing the infrastructural impact on the urban fabric and the area in general.

The proposed project solutions were rejected; consequently, the activities resumed in November 2017 and continued in accordance with the provisions of the executive design, though still subject to the above obstacles.

Based on the updated time schedule, works are expected to be completed by 2023.

Variation to the NR 1 Aurelia Lot 3 – La Spezia contract

Customer: ANAS

Description: Executive design and execution of the variation to NR 1 Aurelia; access roads to the La Spezia harbour

Contractual amount: €119,480,757 (following variation report no. 112 of 21 January 2016)

Contracting company: Toto S.p.A.

Percentage of investment: 100%

In 2017, production amounted to €2.2 million. About 33.6 % of the work was completed at year end.

The contract was obtained through the acquisition of the business units of the three companies that formed the joint venture. The latter had only performed a minimum percentage of work.

The project refers to the design and construction of Lot 3 of the variation to NR 1 Aurelia at La Spezia, between Felettino and the La Spezia – Santo Stefano motorway link.

The variation is part of the project related to the access roads to the La Spezia harbour as the backbone of the road system of the area. It is a ring-road around the city which runs from the Felettino area, in the Northern/Western part of the city, to the Stagnoni area, on the East side of the city, where it connects with the Motorway link, avoiding the urban centre.

In the first few months of 2017, works were suspended due to the many technical and administrative issues identified during the performance; specifically:

- *Felettino 3 tunnel*: the collapses identified within the above residential property led to the suspension of excavation activities;
 - *Fornaci 1 tunnel*: the surveys conducted within the interfering Vorticosa railway tunnel revealed a rather worrying structural framework of the tunnel. Consequently, excavation activities were suspended in order to avoid repercussions on the interfering tunnel currently in use, pending RFI's authorisation to execution, based on the specific amended design;
 - *Felettino 1 tunnel*: due to extreme weather events, a landslide on the hillside within the larger dormant landslide (Carozzo) took place, which resulted in the suspension of excavation activities;
 - *Pellizzarda tunnel south side*: since 21 October 2016, progress on the south side of the tunnel has been suspended as a result of the significant landslides on the top and subsequent major water inflows.
- Furthermore, as no agreement between ANAS and Salt has already been formally signed, construction of the Melara motorway junction, adjacent to the A12 motorway managed by Salt under concession was suspended.

As a consequence of the above obstacles, operations continued at a reduced pace and were subsequently suspended in the first half of 2017. The company focused more on design activities, rather than on on-site activities, as per ANAS' inputs and requests. During the year, it worked on several variation design solutions which would enable it to overcome the issues affecting the performance of works.

ANAS submitted the first variance report in February 2017 and, after many technical meetings between the company and the customer, the report was updated several times, first in May 2017, then in July 2017.

The latter report, prepared upon ANAS specific request, had almost been approved by the customer from a technical point view, except for the stabilisation issues affecting the landslide side involving the Felettino 1 tunnel, which the customer deemed non-existent.

The customer's technical solution provided for several methods to excavate natural tunnels using heavier sections in consolidation and pre-coating terms. Furthermore, it envisaged two actions which differed considerably from the executive design of the Vorticosa railway tunnel and the construction of an artificial tunnel using an hydro tunnel boring machine and the top-down method, instead of the original Felettino 1 natural tunnel, increasing project costs by some tens of millions of euros.

The customer subsequently reconsidered its position and, during meetings and in the correspondence, stated it intended to monitor and perform in-depth analyses of the landslide in order to assess the need for containment works. Pending these analyses, it suspended any decision concerning the variation to the Felettino 1 tunnel (artificial tunnel solution).

Informally, the company had expressed its willingness to accept the assessment and the deferral of any decision about the Felettino 1 tunnel, provided that, subject to the resolution of the related economic issues, the variation report for the remaining tunnels (Felettino 3, Fornaci 1 and Pellizzarda) would have been adopted in a short time, and works could resume. It looked as if ANAS intended to act in a very short time.

Therefore, works resumed in February 2018 to the extent of the eligible activities, in order to reactivate the entire production structure after the approval of the variation report.

However, later on, *ANAS sent the company the draft of the submission deed to be signed in order to adopt the variation report, comprising unacceptable provisions and terms, including:*

- a) *The cancellation of the contract related to the Felettino 1 tunnel;*
- b) *The company's waiver to all claims, except for those of the first-level proceedings;*
- c) *In addition to other provisions which damaged the company and which were different from the contractual provisions.*

During the next meetings called to examine the draft submission deed, ANAS representatives noted that, had the company failed to waive the claims, it would not have been granted any increase in the contractual term or any extension thereof, confirming the final term of 20 April 2018 (which had already expired at the time).

As it could not accept these conditions, and considering ANAS previous very serious breaches, as per the deed served on 8 June 2018, the company (supported by the lawyers Arturo Cancrini and Fabrizio Criscuolo) summoned ANAS before the Court of Rome

(corporate section) to obtain the termination of the contract following ANAS serious breach and the payment of damages of approximately €47,537,468.99 million. The deed set the first hearing for 5 November 2018.

Furthermore, on 17 November 2016, ANAS initiated the amicable settlement procedure pursuant to article 240 of Legislative decree no. 163/2016. The commission formally met on 8 February 2017. The latter examined the claims recognised until work progress report (SAL) no. 9 of 15 July 2016, the date of the latest recording on the date the procedure commenced, and claims from 1 to 64 in respect of the amounts updated in the SAL. However, the Commission failed to reach an agreement on the valuation of claims, as disclosed in the report dated 2 August 2017.

As nothing happened with respect to the procedure pursuant to article 240, Toto initiated proceedings R.G. no. 65886/17 before the Court of Rome (Sec. 9, Mr. Landi) requesting the assessment of the requests included in claim 13 and in claims from 28 to 64 (except for claims 32, 33, 35, 37, 38 and 43, waived when the first variation report was adopted), for a total amount of € 97,922,666.32, recorded and updated up to SAL no. 12 for the works performed to 23 February 2017, being the latest SAL published on the summons date.

The first hearing in the case was held on 14 June 2018. During the hearing, ANAS noted that the company had just served the writ of summons to terminate the contract, as mentioned above, and requested the combination of the two proceedings.

Based on the above, the judge did not make any decision about the ordinary terms and set a new hearing for 11 October 2018 in order to consider the decision that will be made about the possible combination of the two proceedings.

Conversely, proceedings R.G. 70239/15 before the Court of Rome (president: Mr. Marvasi, draftsman: Mr. Basile) ended with ruling no. 5466/14 filed on 14 March 2018. It covered the claims from 1 to 27, for the amounts updated up to SAL no. 5 for the works performed to 6 March 2013, for a total claim of €38,785,064.80. After rejecting ANAS various preliminary procedural objections, the ruling awarded the company only an amount of €207,559.50.

Prior to the ruling, the joint venture, predecessor of the company, commenced a Preventive Technical Assessment (PTA) (RG 1494/14) upon which the appointed expert, Mr. Carlo Alberto Mari, stated in his report that principal of €7,391,544.61 was to be paid.

In the early stage of the proceedings, the Board denied ANAS requests (which assumed that the findings of the PTA were not correct) for an expert assessment and to combine the ruling with ruling RG 65886/17. Therefore, there was reason to believe that the ruling would have allowed the findings of the PTA.

Conversely, when examining claim no. 2 related to the loss of production, for which the appointed expert had calculated damage compensation worth €6.9 million, the Board decided that ANAS was not responsible for the irregular performance and, consequently fully rejected the claim.

The reasons behind the judgement are not acceptable since the Board – as also noted by the company's lawyers - considered and assessed only part of the reasons for the irregular performance of the works related to claim no. 2, and its ruling, including for some other claims, are openly in contrast with the predominant case-law.

Therefore, assisted by its lawyers, the company appealed against the ruling: the appeal has already been served and lodged (Ruling RG 3285/2018, Court of Appeal of Rome, section II). The preliminary hearing will be held on 11 October 2018.

The above ruling will not create a precedent for ruling R.G. 65886/17: indeed, the irregular performance related to some claims covered by this ruling was caused by circumstances that were completely different from those of the above ruling, and the other claims are based on issues different from those of the ruling, as described above.

In addition to this:

- a) the company recognised further claims (from 65 to 76) for a total liability of approximately € 2,597,000, which are not part of the second ruling (R.G. 65886/17) as they are not covered by the procedure pursuant to article 240;

- b) in the period subsequent to that used a reference for the writ of summons for the second ruling (R.G. 65886/17), additional amounts for claims from 28 to 64, covered by this ruling, accrued and were recognised, for a total liability of approximately €22.6 million. Therefore, as part of the proceedings, the company will ask that its claims be updated to reflect this amount.

In order to correctly assess the claims covered by the second ruling, we note that the amount and the related percentage assessed by the appointed expert in the above-mentioned PTA are inconclusive and do not apply to the assessment of the next claims. Indeed, besides any other assessment (as mentioned earlier, the claims assessed by the appointed expert and those of the first-level proceedings were recognised by the joint venture taken over by the company, and not by the company), the claims covered by the second ruling are mainly based on facts and situations different from those pertaining to the first ruling.

Ritiro viaduct – A20 motorway Messina - Palermo

Customer: Consorzio per le Autostrade Siciliane S.p.A.

Description: Executive design and static adaptation works of the Ritiro viaduct of the A20 ME-PA.

Contractual amount: € 43,522,943

Contracting company: Toto S.p.A.

Percentage of investment: 100%

In 2017; production amounted to approximately €4.8 million. About 18.8% of the work was completed at year end.

The contract consists in the static upgrading and the seismic improvement of the “Ritiro” viaduct on the A20 motorway Messina – Palermo, reinforcing the columns, the foundations and replacing the decks with a newly designed type and structural layout, mixed steel/concrete with a continuous girder.

The executive design was approved on 27 April 2016 and works were delivered on 29 April 2016.

During the first half of 2017, contract start-up activities essentially continued as well as the consolidation of the viaduct foundations.

Starting from the end of July, following the availability of the ramps of the completed Giostra junction (covered by a separate contract), the motorway traffic was diverted in order to remove and rebuild the deck (preparation of the launching equipment, removal of the deck bituminous paving, etc.).

After obtaining the orders necessary to divert the traffic to the interfering roads from the customer, the launching of the right carriageway deck of the viaduct began in July 2018.

Poland - Construction of 16 km of the highway S5 Poznan – Wrocław

Customer: GDDKiA Generalna Dyrekcja Dróg Krajowych i Autostrad

Description: Construction of 16 km of the highway S5 Poznan – Wrocław

Contractual amount: €99,832,630

Contracting company: Toto S.p.A.

Percentage of investment: 100%

In 2017; production amounted to approximately €36.2 million and 74.1% of the work was completed at year end.

The contract between Toto S.p.A. Costruzioni Generali and the Customer GDDKiA (Poland's road and motorway operator) was signed on 30 July 2015. Delivery of the areas took place on 21 August 2015. The contractual deadlines begin on the date the contract was signed. The contractual date for work completion, which was initially scheduled for 30 November 2017, is expected to be postponed to the end of 2018.

The works provide for the construction of a section of a two-carriageway motorway and three lanes for each direction, for a total of approximately 16 km. The project provides for earth-moving works for a total of 2,500,000 m³, the construction of 17 structures, including viaducts, natural over and underpass, street lighting systems and environmental protection works, green areas, pedestrian walkways and service areas.

During the year, 85% of the embankments was completed, while approximately 90% of the white flooring was completed with the laying of the cement-stabilised. With respect to the first and second section of the lot, between Km 1+605 and Km 11+609, asphalt was laid for 167,572 square metres (fresh asphalt 97,783 square metres and binder 69,789 square metres) on the main axis and 38,252 square metres on secondary roads.

In tandem with earth-moving and paving activities, drainage of the road and the construction of the catchment areas of rain water continued.

At 31 December 2017, all existing system interferences were resolved and the activities for the lighting of interchanges and 17 structures began.

With respect to structures, 15 viaducts/overpasses out of 17 were completed. The activities related to the installation of safety barriers, waterproofing and the deck slab asphalt of the works whose structures have been completed, are yet to be performed.

With respect to the two residual viaducts:

the installation of the armature on both the right and left carriageways of the MS-6 viaduct has been completed;

the installation of the deck armature on the left carriageway of the MS7 viaduct has been completed, while that of the right carriageway is in progress.

At the preparation date of this report, 50 claims were served to the customer, for a total of approximately €7 million. Furthermore, in the first half of 2017, a contractual annex was signed with the customer related to greater charges for the disposal of waste not covered by the original contract.

A24 / A25 – MISU urgent safety measures

Customer: SdP S.p.A.

Description: interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways

Contractual amount: €153,958,396

Contracting company: Toto S.p.A.

Percentage of investment: 100%

In 2017; production amounted to approximately €94.3 million and 61.2% of the work was completed at year end.

The contract refers to the measures to be implemented in almost all viaducts of the two A24 and A25 motorway sections. Specifically, they entail the restoration of 2,313 pier caps after removing the surface course and laying high-resistant grouts and subsequently laying specific auxiliary supports on the restored pier caps which prevent the lowering of the framework should the existing supports fail due to a particularly strong earthquake. Indeed, the lowering of the framework would create a risk of serious danger to road safety and prevent the transit of the rescue vehicles directed to the areas of the seismic crater.

Works meet the following criteria:

- the new structures are to be considered as provisional;

- in ordinary and operating conditions, the new supports are separated by 2-5 mm from the soffit of the deck and do not result in any additional stress for the substructures;
- should one or more supports be lost, the actions transmitted by the new supports to the substructure do not alter those used in the original sizing of the viaducts;
- following the earthquake which caused the loss of the support, for a limited period of time, only the rescue teams will be allowed to travel on the structure, which will be subject to inspections and monitoring. Later on, the supports which were damaged by the earthquake will be replaced and the original traffic will be restored.

Mantua – Restructuring of the bridge on the Po river in the Bagnolo San Vito and San Benedetto Po municipalities

Customer: Mantua province

Description: Mantua – Executive design and restructuring of the bridge on the Po river in the Bagnolo San Vito and San Benedetto Po municipalities

Contractual amount: €25,204,545

Contracting company: JV - Toto S.p.A. (Parent) and Vezzola S.p.A.

Percentage of investment: 77.73%

Contractual amount: €19,591,492

In 2017; production amounted to approximately €1.6 million and 6.2% of the work was completed at year end.

The contract between the JV and the customer, the Mantua provincial authorities, was entered into on 19 December 2016. On 23 December 2016, the RUP (the body responsible for the process) delivered the executive design activities which the company completed on time within the contractually-agreed 60-day period.

Works were delivered on 28 April 2017, after 21 consecutive calendar months.

Meanwhile, the provincial authorities entrusted the JV with the performance of ordnance clearing activities at worksites. These activities, which are not covered by the original contract and entail an additional amount of €431,528.78, were expected to be completed in three calendar months. However, for reasons beyond the company's control, the ordnance clearing activities lasted more than the three months originally expected in the New price agreement report signed on 26 April 2017 and were completed in August 2017.

The military engineering tests for the ordnance clearing activities on the ground and on water were received in October 2017. Consequently, on 30 October 2017, with a Work Order, the Works Manager commenced the contractual works and set the new expected completion date for 28 July 2019.

The works refer to the construction of a new bridge crossing the Po river at the old NR 413 Romana. The arch-type bridge will be built using COR-TEN steel with suspended deck. It will comprise two arches of 150 m and 180 m, respectively. The width of the deck will enable the construction of two lanes 4,00 m large, one for each direction, two emergency lanes as well as two lanes of 4.50 m to be used as bike/pedestrian lane.

Construction began with the preparation of the assembly platforms of the metal decks comprising the new deck and the works related to the pile-driven foundation of the shoulders and the column of the new bridge began in January 2018. The on-site assembly of the new metal structures comprising the bridge is expected to began in the summer of 2018.

ACQUIRED CONTRACTS IN THE SET-UP STAGE

L'Aquila - NR 260 "Picente" - Dorsale Amatrice_Montereale_L'Aquila – Lot IV from the Marana junction to the Cavallari junction

Customer: ANAS S.p.A.

Description: upgrading to section C2 of M.D. 05/11/2001

Contractual amount: €41,942,476

Contracting company: Toto S.p.A.

Percentage of investment: 100%

The contract was signed on 5 April 2017 and, on 20 April 2017, ANAS, with Service Order no. 1, delivered the services related to design activities.

The executive design was delivered on 11 August 2017 within the contractually-agreed term.

On 23 October, ANAS sent its preliminary investigation with a note describing the provisions the company was required to comply with. Starting from March 2018 and subsequently in May and June, the company submitted the additional updates to the executive design to the customer and, on 6 July, it prepared a validation report. Works are expected to be delivered and, consequently, should start in September.

The contract is part of the project for the "Rieti–Amatrice–L'Aquila–Navelli" route which, in turn, is part of the first strategic infrastructure programme of the so-called "Legge Obiettivo" and included in the General Agreement dated 20 December 2002.

The final project focuses on the adaptation of NR 260 "Picente" lot IV from the Marana junction to the Cavallari junction to a C2 road section as set out in Ministerial decree dated 5 November 2011, comprising sections of upgrading and sections as variation.

The main aim of the project is to improve the road link to the integrated regional and national connection system, increasing the functionality and reliability of this road.

Czech Republic – Renovation of lots 12 and 13 of the D1 motorway along the Prague - Brno section

Customer: RSD Ředitelství Silnic Dálnic (the body in charge of road maintenance)

Description: D1 motorway upgrade to D28 category

Contractual amount: €64,701,702

Contracting company: JV - Toto S.p.A. (leader), Geosan Group, SMS

Percentage of investment: 40%

Contractual amount: €25,880,681

On 21 April 2017, the contracting body informed the JV led by Toto that it had won the tender and, on 8 August 2017, it signed the contract for the execution of the works.

On 21 December 2017, the customer, which had to deal with the objections raised by the environmentalists, confirmed the building permit it had already issued on 16 November 2016.

Works officially began on 31 January 2018, with 15 March 2018 as the effective date following the winter break. The deadline for completion has been set for June 2020.

The works provide for the demolition and reconstruction of the concrete pavement, including the underlying cement mix layer. The reconstruction will take place as follows: bringing the motorway into line with the D28 category (total width: 28 metres); demolishing and rebuilding two overpasses and two bridges; building an artificial tunnel which will ensure crossing of the motorway by the wild fauna; rebuilding of all hydraulic works and subservices.

Radimero – Giovi Third Tunnel - Valico lot (RADIMERO)

Customer: COCIV:

Description: Performance of civil works and construction of structures along the line and related works, from pk 19+700 to pk 27+455 as part of the construction of the HS/HC section of the "Giovi Third Tunnel" - Valico lot (RADIMERO)

Contractual amount: €189,258,498

Contracting company: JV - Toto S.p.A. (Parent 58%) and Seli Overseas S.p.A. (42%)

Percentage of investment: 58%

Contractual amount: €109,769,929

The agreement was signed on 30 January 2018. Works began on 11 April.

CIPE resolution no. 84/2010 authorised the construction of the HS/HC section of the Giovi third tunnel in six construction lots, in accordance with the procedures set out in article 2 (232) of Law no. 191/2009.

The general project works are part of the HS/HC section of the Giovi third tunnel which will connect the Genoa rail junction in the Fegino fork area with the Tortona railway station.

The main works along the section covers the Voltri interconnection tunnels, the Campasso tunnel, the mountain tunnel, the Serravalle tunnel and the Pozzolo artificial tunnel; the connection between the HS/HC line and the Turin railway line.

The works included in the "VALICO LOT (RADIMERO)" refer to the civil works and the construction of structures along the line and related works, from pk 19+700.00 to pk 27+455.00, as part of the construction of the Milan-Genoa HS/HC section - Giovi Third Tunnel, and partly affect the lots from two to six.

The section covered by the contract, which is part of the mountain tunnel, comprises two parallel single-track tubes connected by 500 meters apart by-pass tunnels, for a total length of approximately 12,375 metres (considering the sum of both tracks).

The sections of the tunnel will be built using an EPB TBM.

Business development

The company has a public works qualification certification (SOA), issued by SOA Group S.p.A., applicable to various fields of work and with unlimited amounts. The certification, issued on 6 October 2016 by the certification body, is valid until 5 October 2021 and includes 22 fields of work, 9 of which for general work (4 with unlimited contractual amounts) and 13 for specialist work (3 with unlimited contractual amounts).

Furthermore, it is also a certified class "I" General Contractor. The certificate, which was renewed on 12 March 2018 and is valid until 11 March 2021, will enable the company to participate independently in tenders for amounts of up to €350 million.

The company will develop its business both in Italy and abroad by participating in tenders. Abroad, it will carefully select markets and projects, while also carefully selecting commercial alliances in order to minimise operational risks and those posed by the entry into new target markets. Furthermore, it will intensify its participation in tenders called by Poland and the Czech Republic, where it already has branches.

With respect to operations, the company will continue with the start up of the acquired contracts, stimulating design and worksite mobilisation activities. Conversely, contract work in progress will continue in accordance with the relevant budget.

On the date this report was drawn up, the company is awaiting news on the outcome of the following international tenders:

Romania – Ministry of Transport:

- *Proiectare si executie Drum Expres Craiova –Pitesti, Tronsonul 2, Lotul 1; amount: approximately €144 million;*

- *Proiectare si executie Drum Expres Craiova –Pitesti, Tronsonul 2, Lotul 2; amount: approximately €173 million;*
- *Proiectare si executie Drum Expres Craiova –Pitesti, Tronsonul 3; amount: approximately €195 million;*
- *Proiectare si executie Drum Expres Craiova –Pitesti, Tronsonul 4; amount: approximately €196 million;*
- *Proiectare si executie Autostrada Sibiu – Pitesti, Sectiunea 1 Sibiu - Boita; amount: approximately €165 million;*
- *Proiectare si executie Autostrada Sibiu – Pitesti, Sectiunea 5 Curtea de Arges-Pitesti; amount: approximately €394 million.*

Georgia – SALIGL:

- *Nenskra Dam – 4 lots; amount: approximately €200 million.*

Furthermore, the company was eligible to participate in the following foreign tenders:

Poland – GDDKiA:

- *Design and Build - S6 Expressway Słupsk Gdańsk Tricity RR 2 LOTS;*
- *Design and Build - S6 Expressway Słupsk-Lebork 3 LOTS;*
- *Design and Build - S6 Expressway Koszalin - Lebork 3 LOTS;*

Czech Republic – Ředitelství silnic a dálnic ČR:

- *D1 0136 Říkovice – Přerov; amount: approximately €305 million.*

Lebanon – Council for Development and reconstruction (CDR)

- *Construction of Tripoli Eastern Ring Road;*
- *Prequalification document for procurement of widening of the A1 Highway between Nahr El-Kalb and Tabarja.*

Bosnia and Herzegovina – Public Company “Autoceste Federacije Bosne i Hercegovine”:

- *Construction of motorway on corridor vc, section poprikuše-zenica north (donja gračanica), subsection Ponirak-Vraca . JPAC 851-B83.*

Furthermore, at the date of this report, the company is awaiting the outcome of the following tenders in Italy in which it participated:

COCIV: *Performance of civil works and construction of structures along the line and related works, from pk 7+914.00 to pk 12+673.50 of the HS/HC section of the Giovi third tunnel – Voltri interconnection and Polcevera completion lot. Amount: approximately €345 million.*

Research and development

During the year, the company incurred no costs for research and development activities.

Quality – Safety – Environment

In 2017, Toto S.p.A. determinedly pursued the consolidation and continuous improvement targets of the Quality, Environment and Safety Integrated Management System which, since 2010, has been certificated by the TÜV Rheinland Group, the largest and most authoritative certification body in the world, switching to the new ISO standards which came into force in September 2015, i.e., ISO 9001:2015 and ISO 14001:2015, while continuing to comply with the international standards of reference BS OHSAS 18001:2007.

In November 2017, the TÜV Rheinland Group carried out – at the company's office and work sites – a periodic inspection to renew the Quality Management System Certificate and that for the Safety and the Environment and checked compliance with the reference standards and issued and approved the validity of the company's certificates.

The company's Quality, Environment and Safety Integrated Management System consists of all processes connected and related to the company's core business and falling within the scope of the following: *“Design and construction of civil engineering works and infrastructure, such as tunnels, viaducts, bridges, motorways, roads, civil and industrial buildings, energy production systems and complementary and specialised works such as special structural works, barriers and road protections”*.

The continuous improvement of the Integrated Management System and the maintenance of the certificates are the result of the company's constant commitment towards achieving customer satisfaction and quality constructions, protection of the environment and prevention of pollution, the safety and health of workers and the prevention of accidents and occupational diseases, compliance with current legislation and other requirements to which the company subscribes, the use of sector best practices and research for technological innovation and the continuous improvement of services and of the company's management system.

With regard to hygiene, health and safety issues, a training plan financed by Fondo Impresa was launched which, through nationally recognised standards, in 2017 – and also in 2018 - enabled the company to develop the knowledge and skills necessary to ensure that each worker can effectively interpret and play the role of “agent/carrier of security”.

Information on main subsidiaries

ALITEC S.p.A.

The company owns an industrial complex not used for several years, for a total of 165,000 square metres, located in Chieti Scalo, to be used for hand craft production.

In 2015 and at present, the company launched a series of activities at the bodies which expressed interest to remove the lien introduced by the ASI land use plan and use the area for multi-purposes residential use.

AMBRA S.r.l.

Construction company established in 2004, in which Toto holds an investment of 98.5%, that has constructed a building complex located in Chieti Scalo called “Agorà”. The work was completed during the first few months of 2009 and overall, 197 building units were constructed.

Ambra, with the support of the RE division of the parent, is selling the building units that have not yet been sold.

TOTO TECH S.r.l.

The company was established on 16 November 2016 to lease machinery, tools and equipment in the building and civil engineering sector. On 22 December 2016, TOTO S.p.A. launched a reorganisation plan which provided for the contribution of the business unit made up of machinery, plant, equipment and related personnel to Toto Tech.

The company, which became operative on 1 January 2017, was set up to improve the efficiency and effectiveness of its operations, including with a view to diversifying uses, other than in the construction sector.

Investments

The investments of the year primarily referred to the so-called preliminary work and the building yard set up related to said contracts which mark the start-up of a project.

Own shares and shares/quotas of parents

The company does not own nor has it owned over the year, either directly or indirectly, own shares or shares/quotas of the parents.

Internal controls and risk management system

The company has an internal controls and risk management system (SCIGR), comprising a series of rules, procedures and organisational structures which, through an adequate identification, measurement, management and monitoring system of the main business risks, enables sound and correct management, in line with its objectives.

In this respect, since 21 October 2011, the company has adopted an Organisational, management and control model (the "Model") (pursuant to article 6 of Legislative decree no. 231/01), based on Confindustria (General Confederation of Italian Industry) guidelines which prevents specific types of crimes identified by the decree and identifies sensitive processes under the decree. With a Board resolution, the "Code of Ethics" was adopted, which expresses the undertakings and ethical responsibilities in conducting company affairs and activities by collaborators of the company and the companies it controls, whether these are employees, collaborators or directors.

Furthermore, in its meeting of 24 March 2016, the Board of Directors approved the new Organisational, management and control model which was updated to reflect all types of predicate crimes currently covered by Legislative decree no. 231/01.

The adoption of the Model ensures accurate, transparent and responsible internal and external relationships and, at the same time, provides the stakeholders with the best guarantees of efficient and correct management by introducing procedures which are useful in managing any risky situations.

Specifically, for each sensitive process, the Model provides for control protocols which cover the risks identified during the risk self-assessment stage. Toto's self-assessment consists in management's (annual) self-assessment of the company risks and controls. It is the common benchmark for all company assurance departments and, thanks to a structured process, it supports:

- governance and internal controls improvement;
- the annual audit plan.

The following parties are responsible for implementing Toto's internal controls and risk management system:

- the BoD and the Managing director (as the director in charge of monitoring the SCIGR);
- the Board of Statutory Auditors and the Independent Auditors;
- the Supervisory Body and the Internal Audit department.

The Supervisory Body is responsible for the ongoing monitoring of the adequacy and application of the Model, and for updating it, by putting forward amendments and integrations. Toto's Supervisory Body is appointed by the company's BoD and comprises three external members, who are sector experts meeting the good reputation, professionalism, autonomy and independence requirements. Its term of office lasts three years and, in accordance with its regulation, periodically reports on the BoD about the activities carried out, the reports received, the corrective and improvement measures taken with respect to the Model based on that performed and reported by the Internal Audit department.

Toto's Internal Audit department operates on behalf of the Supervisory Body (as the "operating arm"), in accordance with an annual audit plan based on a risk-based approach, approved by the Managing Director and the Supervisory Body. In accordance with this plan, it performs the controls necessary to support the assessment of the fitness and adequacy of Toto's SCIGR by the company's top supervisory and control bodies.

Audits ensure adequate coverage of the controls over the SCIGR in terms of company processes, risks and units (office, contracts, branches, subsidiaries/associates, organisational units) which are performed using an "integrated" approach which considers the following (by priority order):

- (business) financial/technical operational needs: analyses which assess the adequacy and reliability of company processes and resources vis-à-vis the targets set for each organisational/operating unit;
- internal and external (compliance) regulatory requirements: in-depth analyses of the actual implementation of the system to ensure that processes comply with internal (procedures) and external (laws) regulations, based on the Model's provisions;
- administrative/accounting (financial statements) peculiarities: specific tests on administrative and accounting issues. The controls focus on the adequacy of the administrative/accounting processes and procedures in order to support financial reporting.

The Internal Audit department periodically does a follow-up to the status of the recommendations made, based on the critical issues identified, and systematically reports on the Managing Director, the Supervisory Body and the Board of Statutory Auditors about the activities carried out.

The Supervisory Body performs independent sample checks (in addition to the controls carried out by the Internal Audit department) on the administrative documentation about the payments made to foreign current accounts and checks that they meet the related contracts and support invoices and that they are correctly recorded in the company's information system following the checks by, and authorisations from, the competent departments in accordance with the ruling procedures drawn up in accordance with the company's Model.

The Supervisory Body prepared its half-year report on the activities performed in the first and the second half of 2017, based on the half-year reports prepared by the head of the Internal Audit department.

Based on the outcome of the activities carried out during the year, the company's internal controls are adequate to its characteristics and risk profile.

Therefore, TOTO Costruzioni Generali S.p.A. can state that:

- its operations are carried out in accordance with ruling mandatory legislation. Processes are managed efficiently and controls over the main business risks are effective;
- the procedural framework is consistent with the applicable ruling mandatory legislation, specifically, the 231 / Anti-corruption profiles (and the Code of Ethics) and is in line with the company's real operational needs;
- the company's organisation is consistent with the internationally-accepted

governance principles. The power system is properly balanced and the segregation of duties/responsibilities is ensured;

- the Model is suitable and effective based on the systematic application of specific control/supervisory protocols;
- the administrative/accounting processes are correct and transparent for the purposes of financial statements preparation;
- the information flows to the Supervisory Body, Top Management and the Board of Statutory Auditors are constant and structured.

In order to ensure that the SCIGR is always adequate to the “size” of the company and the internal and external regulatory environment, TOTO, through its assurance departments, is constantly committed to updating the following key elements:

- procedures;
- organisational architecture;
- information systems.

Significant events after the reporting date

- On 9 February 2018, Toto and Seli Overseas S.p.A. set up a consortium company called RADIMERO Scarl to perform the works related to the contract assigned by COCIV, "Giovi Third Tunnel" - VALICO LOT (RADIMERO). The consortium fund is held as follows: 58% Toto S.p.A; and 42% Seli Overseas S.p.A..
- With respect to the agreement signed between the company and the associate Strada dei Parchi for the performance of “interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways”, on 23 February 2018, following the variation report which implemented some project modifications, the company signed a specific submission deed whereby it committed to perform the works in accordance with the new contractual provisions. The above deed re-determined the contractual amount to approximately €139 million, reflecting its term based on the decrease in the amount and the scope of work and negotiated a speed-up bonus totalling €6.3 million which was effectively obtained following the early completion of works compared to the new agreed deadline (16 September 2018).
The agreement covers a first lot of works which is part of the MISU scheme approved by Strada dei Parchi to urgently ensure the safety of the two motorways under concession, submitted by the operator to the MIT. With respect to this first lot of works, pursuant to article 52-quinques of Law decree no. 50 of 24 April 2017, converted into Law no. 96 of 21 June 2017, the Government awarded Strada dei Parchi S.p.A. a €50 million outright grant for each of the years from 2021 to 2025. The relevant resources were drawn from the Fund for Development and Cohesion (“FSC”)- 2014-2020 period.
Since the time required to obtain the grants (as of 2021) was incompatible with the urgent nature of the works to be immediately performed and given the difficulties in obtaining loans as a result of the contractual obligations already in place, the operator requested the immediate disbursement of the amount necessary to finance the completion of the first urgent work already awarded. Approximately €58 million was disbursed in January 2018 out of a total amount of €250 million. Therefore, €192 million remains to be disbursed in order to complete the urgent works.

Since the delay in obtaining the above funds would force the operator to suspend the works, in the public interest and in order to protect the safety of the public and the civil protection needs, on 9 July 2019, in its Resolution no. 499, the Abruzzo regional council “decided to temporarily allow the MIT to use the available FSC funds accrued in favour of the Abruzzo region only to perform those works closely related to the completion of the works to ensure the safety of the A24 and A25 motorways and avoid the dangers posed by travelling along these motorways.”

In its letter of 18 June 2018, Strada dei Parchi informed Toto Costruzioni that, upon completion of the administrative process to obtain the approval of the seismic upgrading projects and the A24 and A25 urgent safety measures, it will award new contracts worth approximately €170 million and pay the related contract advances of roughly €34 million. The approval process is expected to be short given the fact that, at the preparation date of this report, all technical authorisations of the projects had been obtained.

The above events, together with the review of the liquidity and due date management process in line with the new 2018-22 BP approved by the Board of Directors, will improve the company's financial position already starting from the second half of the year.

- With respect to the L'Aquila contract, starting from March 2018 and subsequently in May and June, the company submitted the additional updates to the executive design to the Customer and, on 6 July, it prepared a validation report. Works are expected to be delivered and, consequently, should start in September.
- As already described in the paragraph on the La Spezia contract, as per the deed served on 8 June 2018, the company (supported by the lawyers Arturo Cancrini and Fabrizio Criscuolo) summoned ANAS before the Court of Rome (corporate section) to obtain the termination of the contract following ANAS' serious breach and the payment of damages of approximately €47.5 million.
The deed set the first hearing for 5 November 2018.
- The tax audit on the 2015 tax year commenced by the Tax authorities - L'Aquila regional section, on 11 June 2018 ended on 11 July 2018.
A preliminary assessment report was issued at the end of the audit which identified only one finding about the subsequent taxation of the depreciation charges calculated in 2015 for a total of €1,926,837, applied to the Martina tunnel-boring machine ("TBM") which had not been used during the relevant tax year.
The company formally appealed against this finding as it deemed that the exploitation of this asset in the company's core business was obvious and indisputable. Consequently, it believed that the depreciation charges deducted in 2015 were correct.

Business outlook

In the next few months, following the completion of the MISU scheme, production will be supported and characterised by a profitability level which will generate cash flows such to re-establish a better balance of the company's working capital, already as of the second half of the year.

More generally, the MISU scheme will be followed by a much larger investment plan which is being discussed by Strada dei Parchi S.p.A. and the MIT. Indeed, pursuant to article 1 (183) of Law no. 228/2012, the operator is required to perform a series of major works worth €3 billion in order to bring the A24 and A25 motorways into line with the antiseismic regulations and environmental legislation, and to implement the new regulations on tunnel installations. These works will be included in the company's new BP which is currently being discussed with the grantor (the MIT).

Due to the considerable size of the order book, also for 2018, the company can suitably select projects in which it will participate, favouring those of greatest value and those that are the most technologically advanced.

The commercial target is to acquire new orders during the year that are at least equal to the revenues expected for the past few years.

The company will focus its commercial efforts on both the domestic market, which remains the reference market, and promising foreign markets, specifically Eastern and Northern Europe.

Also for 2018, it is believed that the profitability of the orders will also be in line with the company's historical trend and the sector benchmark for comparable players.

Information on risk management, financial instruments and guarantees

Liquidity risk – change in cash flows

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

Furthermore, a series of policies and processes have been accelerated targeted towards optimising the dynamics of financial resources and synchronising cash flows, with the purpose of managing and mitigating liquidity risk.

In particular, special attention is paid to:

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

In accordance with the objectives set out in the 2018-2022 BP, the company intends to create a financial structure which, in line with business targets, guarantees adequate liquidity, while minimising the related opportunity cost.

These objectives of efficiency and efficacy of the financial structure will also be pursued, in line with the 2018-2022 BP, through:

- the performance of internal works for SDP. For the 2018 – 2022 period, the company's BP envisages a significant increase in the volume of revenues from internal activities. This will enable it to stabilise its cash flows and future profitability and will have a positive impact on working capital and the trend of sources and applications of funds/resources. Consequently, the company's liquidity will be positively affected, also thanks to contract advances;
- a parent's new finance arrangement which will support major strategic investments, including in the Group's strategic sectors (e.g., Concessions and constructions) and contributing to re-establishing the company's relationship between sources and application of funds;
- management of the dispute with customers and collection of the relevant amounts in order to free the reserves recognised in the financial statements.

Furthermore, the company intends to dispose of non-strategic assets, such as the former Bari and Cremona areas, and to contain the credit positions vis-à-vis the group companies.

Based on the above and considering, in particular, the activities carried out in the short term to support the operator SDP, the company's management believes that it has access to a sufficient range of sources of funding and financial options to cover its foreseeable financial needs and guarantee the availability of resources to meet its short-term commitments and repay its debt within a medium-long period.

Currency risk

Toto S.p.A. mainly operates in Italy. Consequently, it decided not to apply policies hedging the risks arising from exchange rate fluctuations.

The Euro is also the currency for external sources of financing to support and develop the

company's industrial activities.

Derivatives

The company has two outstanding interest rate hedging contracts to cover a portion of its bank debt.

Further information is provided in the notes to the financial statements.

Credit risk

The company's customers are companies with high credit ratings, Government and public bodies, solvent by nature, or companies belonging to the Group. Credit risk, which means the exposure of the company to potential losses deriving from non-fulfilment by its customers of their obligations, should therefore be considered insignificant.

Price risk

The company has a large suppliers' base which enables it obtain the best market conditions for the provision of goods and services. Consequently, this risk is not significant.

Guarantees and sureties

For information on guarantees and sureties, reference should be made to the notes to memorandum accounts.

Allocation of the net profit for the year

Dear Shareholders,

we propose that you:

- discuss and approve the directors' report and the financial statements at 31 December 2017 which show a net profit of €1,817,386;
- allocate 5% (€90,869) of the net profit for 2017 to the legal reserve;
- allocate €1,726,517 of the net profit for 2017 to retained earnings.

Chairman of the Board of Directors
Alfonso Toto



2016 Financial Statements

Balance sheet - Profit and loss account

TOTO S.p.A. COSTRUZIONI GENERALI

Managed and coordinated by TOTO HOLDING S.p.A. Single-member company

Registered office in VIALE ABRUZZO 410 - 66100 CHIETI (CH) Share capital €50,000,000.00 fully paid up

Financial statements as at and for the year ended 31 December 2017

Balance sheet - assets

31/12/2017

31/12/2016

A) Share capital proceeds to be received

(of which already called up)

B) Fixed assets

I. Intangible fixed assets

1) Start-up and capital costs		204,464
2) Development costs	16,867	33,730
3) Industrial patents and intellectual property rights	114,202	25,425
4) Concessions, licences, trademarks and similar rights	44,965	48,423
5) Goodwill	1,385,285	2,770,570
6) Assets under development and payments on account		
7) Other	8,013	10,234
	<u>1,569,332</u>	<u>3,092,846</u>

II. Tangible fixed assets

1) Land and buildings	7,039,993	7,034,283
2) Plant and machinery	10,303	
3) Industrial and commercial equipment	33,574	
4) Other assets	654,895	683,506
5) Assets under construction and payments on account	704,360	1,187,210
	<u>8,443,125</u>	<u>8,904,999</u>

III. Financial fixed assets

1) Equity investments:		
a) subsidiaries	66,248,914	66,243,077
b) associates	4,897,113	4,048,813
c) parents		
d) subsidiaries of parents	8,224,566	8,224,566
d bis) other	5,006	5,006
	<u>79,375,599</u>	<u>78,521,462</u>
2) Financial receivables		
a) From subsidiaries		
- due within one year	6,831,619	6,554,350
- due after one year		
	<u>6,831,619</u>	<u>6,554,350</u>
b) From associates		
- due within one year	5,131,697	6,568,897
- due after one year		
	<u>5,131,697</u>	<u>6,568,897</u>
c) From parents		
- due within one year	31,786,226	12,705,008

- due after one year			
		31,786,226	12,705,008
d) From subsidiaries of parents			
- due within one year	9,168,195		9,009,822
- due after one year			
		9,168,195	9,009,822
d bis) From others			
- due within one year	1,135,226		1,738,542
- due after one year			
		1,135,226	1,738,542
		54,052,963	36,576,619
3) Other securities			
4) Derivatives			
		133,428,562	115,098,081
Total fixed assets		143,441,019	127,095,926

C) Current assets

I. Inventory

1) Raw materials, consumables and supplies		15,795,482	10,559,251
2) Work in progress and semi-finished products			
3) Contract work in progress		98,411,912	89,557,003
4) Finished goods		50,249,749	49,766,900
5) Payments on account		1,736,631	1,096,425
		166,193,774	150,979,579

II. Receivables

1) Trade receivables			
- due within one year	10,941,776		19,454,697
- due after one year			
		10,941,776	19,454,697
2) From subsidiaries			
- due within one year	7,149,545		2,303,475
- due after one year			
		7,149,545	2,303,475
3) From associates			
- due within one year	404,704		1,006,141
- due after one year			
		404,704	1,006,141
4) From parents			
- due within one year	1,053,370		4,211,898
- due after one year			
		1,053,370	4,211,898
5) From subsidiaries of parents			
- due within one year	38,035,957		15,070,283
- due after one year			
		38,035,957	15,070,283
5-bis) Tax receivables			
- due within one year	1,498,322		2,099,644
- due after one year			
		1,498,322	2,099,644
5 ter) Deferred tax assets			
- due within one year	1,500,490		1,128,404
- due after one year			
		1,500,490	1,128,404
5 quater) From others			
- due within one year	4,067,829		4,573,075
- due after one year			

	4,067,829	4,573,075
	64,651,993	49,847,617
III. Current financial assets		
1) Investments in subsidiaries		
2) Investments in associates		
3) Investments in parents		
3 bis) Investments in subsidiaries of parents		
4) Other equity investments		
5) Derivatives		
6) Other securities	811,775	1,024,783
7) Cash pooling arrangements		
	811,775	1,024,783
IV. Liquid funds		
1) Bank and postal accounts	964,676	3,735,774
2) Cheques on hand		
3) Cash-in-hand and cash equivalents	16,876	17,011
	981,552	3,752,785
Total current assets	232,639,094	205,604,764
D) Prepayments and accrued income	5,613,569	6,331,101
Total assets	381,693,682	339,031,791

Balance sheet - liabilities	31/12/2017	31/12/2016
A) Net equity		
I. Share capital	50,000,000	50,000,000
II. Share premium reserve	20,699,616	20,699,616
III. Revaluation reserves		
IV. Legal reserve	1,244,905	837,442
V. Statutory reserves		
VI. Other reserves		
Extraordinary reserve	5,365,051	5,365,051
Euro translation reserve	(487,479)	
	4,877,572	5,365,051
VII. Hedging reserve	(138,473)	(285,781)
VIII. Retained earnings	7,741,795	
IX. Net profit for the year	1,817,386	8,149,258
Total net equity	86,242,801	84,765,586
B) Provisions for risks and charges		
1) Pension and similar provisions	240,000	120,000
2) Tax provisions, including deferred tax liabilities		36,194

3) Derivatives		182,202	376,028
4) Other provisions		2,649,203	3,715,052
Total provisions for risks and charges		3,071,405	4,247,274
C) Employees' leaving entitlement		591,645	812,735
D) Payables			
1) Bonds			
- due within one year			
- due after one year			
2) Convertible bonds			
- due within one year			
- due after one year			
3) Shareholder loans			
- due within one year			
- due after one year			
4) Bank loans and borrowings			
- due within one year	55,723,459		65,172,029
- due after one year	32,495,938		28,107,562
		88,219,397	93,279,591
5) Loans and borrowings from other financial backers			
- due within one year			
- due after one year			
6) Payments on account			
- due within one year	29,326,166		14,537,347
- due after one year	4,175,649		3,503,517
		33,501,815	18,040,864
7) Trade payables			
- due within one year	77,302,388		62,002,351
- due after one year			
		77,302,388	62,002,351
8) Commercial paper			
- due within one year			
- due after one year			
9) Payables to subsidiaries			
- due within one year	1,489,182		60,488
- due after one year			
		1,489,182	60,488
10) Payables to associates			
- due within one year	657,022		148,549
- due after one year			
		657,022	148,549

11) Payables to parents		
- due within one year	3,286,525	1,834,190
- due after one year		
	<hr/>	<hr/>
	3,286,525	1,834,190
11 bis) Payables to subsidiaries of parents		
- due within one year	8,856,499	4,884,224
- due after one year		
	<hr/>	<hr/>
	8,856,499	4,884,224
12) Tax payables		
- due within one year	44,086,743	33,596,637
- due after one year	22,115,596	27,720,269
	<hr/>	<hr/>
	66,202,339	61,316,906
13) Social security charges payable		
- due within one year	6,902,924	3,395,217
- due after one year		
	<hr/>	<hr/>
	6,902,924	3,395,217
14) Other payables		
- due within one year	4,837,375	3,443,134
- due after one year		
	<hr/>	<hr/>
	4,837,375	3,443,134
Total payables	291,255,466	248,405,514

E) Accrued expenses and deferred income	532,365	800,682
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Total liabilities	381,693,682	339,031,791
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Profit and loss account	2017	2016
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A) Production revenues		
1) Turnover from sales and services	141,653,946	169,966,904
2) Change in work in progress, semi-finished products and finished goods		
3) Change in contract work in progress	8,404,073	(5,615,465)
4) Internal work capitalised		
5) <i>Other revenues and income, with separate mention of grants related to income</i>		
a) Sundry	121,776	13,921,547
b) Grants related to income		
	<hr/>	<hr/>
	121,776	13,921,546
Total production revenues	150,179,795	178,272,986

B) Production cost		
6) Raw materials, consumables, supplies and goods	46,944,173	33,611,811
7) Services	63,134,923	93,249,575
8) Use of third party assets	2,651,496	2,232,535

9) Personnel expenses

a) Wages and salaries	19,939,664	18,375,586
b) Social security contributions	6,320,596	6,957,050
c) Employees' leaving entitlement	1,247,805	1,130,828
d) Pension and similar costs		
e) Other costs	604,663	832
	<u>28,112,728</u>	<u>26,464,296</u>

10) Amortisation, depreciation and write-downs

a) Amortisation of intangible fixed assets	1,688,907	1,639,822
b) Depreciation of tangible fixed assets	233,455	3,038,893
c) Other write-downs of fixed assets		
d) Write-downs of current receivables and liquid funds	100,000	
	<u>2,022,362</u>	<u>4,678,715</u>
11) Change in raw materials, consumables, supplies and goods	(5,153,204)	(2,850,575)
12) Provisions for risks	288,297	356,086
13) Other provisions	120,000	120,000
14) Other operating costs	2,468,423	3,861,083

Total production cost	140,589,198	161,723,526
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Operating profit (A-B)	9,590,597	16,549,460
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C) Financial income and charges

15) Income from equity investments

from subsidiaries
from associates
from parents
from subsidiaries of parents
other

16) Other financial income

a) from receivables classified as fixed assets		
from subsidiaries	255,919	214,477
from associates	111,169	79,371
from parents	729,596	430,652
from subsidiaries of parents	233,127	394,527
other		43,489
	<u>1,329,811</u>	<u>1,162,516</u>
b) from securities classified as fixed assets which are not equity investments		
c) from securities classified as current assets which are not equity investments		
d) other income		
from subsidiaries		
from associates		
from parents	47,600	91,906
from subsidiaries of parents		
other	535,125	148,293
	<u>582,725</u>	<u>240,199</u>
	<u>1,912,536</u>	<u>1,402,715</u>

17) Interest and other financial charges

to subsidiaries

to associates		
to parents	950,220	1,130,658
to subsidiaries of parents		
other	6,344,991	5,800,682
	<u>7,295,211</u>	<u>6,931,340</u>
17 bis) Net exchange rate gains (losses)	275,714	(383,632)
Net financial charges	(5,106,961)	(5,912,257)
D) Adjustments to financial assets and liabilities		
<i>18) Write-backs</i>		
a) equity investments	1,441	
b) financial fixed assets which are not equity investments		
c) securities classified as current assets which are not equity investments		
d) derivatives		
e) cash pooling arrangements		
	<u>1,441</u>	
<i>19) Write-downs</i>		
a) equity investments		1,800,000
b) financial fixed assets which are not equity investments		
c) securities classified as current assets which are not equity investments	213,008	
d) derivatives		
e) cash pooling arrangements		
	<u>213,008</u>	<u>1,800,000</u>
Total adjustments to financial assets and liabilities	(211,567)	(1,800,000)
Pre-tax profit (A-B±C±D)	4,272,069	8,837,203
20) Income taxes, current and deferred		
a) Current	2,928,938	964,689
b) Taxes relative to prior years	(19,456)	
b) Deferred		
change in deferred tax liabilities	(36,194)	36,194
change in deferred tax assets	<u>(418,605)</u>	<u>(312,938)</u>
		<u>(276,744)</u>
d) income (expense) from participation in the tax consolidation/transparency scheme		
Total income taxes	<u>2,454,683</u>	<u>687,945</u>
21) Net profit for the year	1,817,386	8,149,258

Chairman of the Board of Directors
Alfonso Toto



2017 Financial Statements

Notes to the financial statements

Cash flow statement

TOTO S.p.A. COSTRUZIONI GENERALI

Managed and coordinated by TOTO HOLDING S.p.A. Single-member company

Registered office in Viale Abruzzo 410 - 66100 CHIETI (CH)
Share capital €50,000,000.00 fully paid up

Notes to the financial statements as at and for the year ended 31 December 2017

Foreword

Toto S.p.A. Costruzioni Generali ("Toto S.p.A.") is the company of the Toto group which directly and indirectly - through its subsidiaries and associates - designs and constructs infrastructure and residential and industrial buildings.

On the Italian market, Toto S.p.A. Costruzioni Generali is one of the top building firms specialised in the design and construction of large-scale transport infrastructure.

At the reporting date, the company had an order book of approximately €665 million.

Main events of the year

On 7 March 2017, Toto S.p.A. and Vezzola S.p.A. set up a consortium company called *Pontepo Scarl* to perform the works related to the contract: "*Mantua – Restructuring of the bridge on the Po river in the Bagnolo San Vito and San Benedetto Po municipalities*".

The consortium fund is held as follows: 77.73% Toto S.p.A. and 22.27% Vezzola S.p.A..

On 27 March 2017, the new branch, Toto S.p.A. Costruzioni Generali CZ, *odstestepny zavod* was registered with the Czech Republic company register. The Czech branch was set up as a result of the recent awarding of a project in this country and the company's willingness to boost its operations in this market, where the pipeline is attractive in terms of contract type and size.

On 4 April 2017, ANAS and the company signed the "S.S. Picente" - Dorsale Amatrice-Montereale - L'Aquila - Lot IV from the Marana to the Cavallari junctions contract. Upgrading to section C2 of M.D. 05/11/2001. Total amount: €41,942,476.

Given the extension of the administrative procedure for the revision and update of the Business plan ("BP") of the motorway operator Strada dei Parchi S.p.A., in 2016, the latter highlighted the need to urgently implement first safety measures and submitted a work package (the MISU scheme), worth €260 million, to the Ministry of Infrastructure and Transport ("MIT"). The grantor approved these measures from a technical point of view and, later on, pursuant to article 52-quinques of Law decree no. 50 of 24 April 2017, converted into Law no. 96 of 21 June 2017, the Government awarded Strada dei Parchi S.p.A. a €50 million outright grant for each of the years from 2021 to 2025. The relevant resources were drawn from the Fund for Development and Cohesion ("FSC")- 2014-2020 period.

On 28 April 2017, the company and the associate Strada dei Parchi entered into an agreement for the performance of "interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways". The agreement covered works worth €154 million and had a term of 550 calendar consecutive days starting from the delivery date (6 May 2017).

On 8 November 2017, the company, as the leader of the JV with SELI OVERSEAS S.p.A., was at the top of the ranking list of the tender called by COCIV for the performance of civil works and the construction of structures along the line, from pk 19+700,00 to pk 27+455,00 of the HS/HC section of the "Giovi Third Tunnel" - VALICO LOT RADIMERO.

The agreement was signed on 30 January 2018. Works are expected to begin in April. The total work amounts to roughly €189 million, while the portion pertaining to Toto is worth approximately €110 million.

Significant events after the reporting date

On 9 February 2018, Toto and Seli Overseas S.p.A. set up a consortium company called RADIMERO Scrl to perform the works related to the contract assigned by COCIV, "Giovi Third Tunnel" - VALICO LOT (RADIMERO). The consortium fund is held as follows: 58% Toto S.p.A; and 42% Seli Overseas S.p.A..

With respect to the agreement signed between the company and the associate Strada dei Parchi for the performance of "interventions to prevent the stair-stepping of the decks of the viaducts of the A24 Rome-Teramo and A25 Torano-Pescara motorways", on 23 February 2018, following the variation report which implemented some project modifications, the company signed a specific submission deed whereby it committed to perform the works in accordance with the new contractual provisions. The above deed redetermined the contractual amount to approximately €139 million, reflecting its term based on the decrease in the amount and the scope of work and negotiated a speed-up bonus totalling €6.3 million which was effectively obtained following the early completion of works compared to the new agreed deadline (16 September 2018).

The agreement covers a first lot of works which is part of the MISU scheme approved by Strada dei Parchi to urgently ensure the safety of the two motorways under concession, submitted by the operator to the MIT.

With respect to this first lot of works - which is worth approximately € 250 million - pursuant to article 52-quinques of Law decree no. 50 of 24 April 2017, converted into Law no. 96 of 21 June 2017, the Government awarded Strada dei Parchi S.p.A. a €50 million outright grant for each of the years from 2021 to 2025. The relevant resources were drawn from the Fund for Development and Cohesion ("FSC")-2014-2020 period.

Since the time required to obtain the grants (as of 2021) was incompatible with the urgent nature of the works to be immediately performed and given the difficulties in obtaining loans as a result of the contractual obligations already in place, the operator requested the immediate disbursement of the amount necessary to finance the completion of the first urgent work already awarded. Approximately €58 million was disbursed in January 2018 out of a total amount of €250 million. Therefore, €192 million remains to be disbursed in order to complete the urgent works.

Since the delay in obtaining the above funds would force the operator to suspend the works, in the public interest and in order to protect the safety of the public and the civil protection needs, on 9 July 2019, in its Resolution no. 499, the Abruzzo regional council "decided to temporarily allow the MIT to use the available FSC funds accrued in favour of the Abruzzo region only to perform those works closely related to the completion of the works to ensure the safety of the A24 and A25 motorways and avoid the dangers posed by travelling along these motorways."

In its letter of 18 June 2018, Strada dei Parchi informed Toto Costruzioni that, upon completion of the administrative process to obtain the approval of the seismic upgrading projects and the A24 and A25 urgent safety measures, it will award new contracts worth approximately €170 million and pay the related contract advances of roughly €34 million.

The approval process is expected to be short given the fact that, at the preparation date of these notes, all technical authorisations of the projects have been obtained.

The above events, together with the review of the liquidity and due date management process in line with the new 2018-22 BP approved by the Board of Directors, will improve the company's financial position already starting from the second half of the year.

With respect to the L'Aquila contract, starting from March 2018 and subsequently in May and June, the

company submitted the additional updates to the executive design to the Customer and, on 6 July, it prepared a validation report. Works are expected to be delivered and, consequently, should start in September.

With respect to the La Spezia contract, as per the deed served on 8 June 2018, the company (supported by the lawyers Arturo Cancrini and Fabrizio Criscuolo) summoned ANAS before the Court of Rome (corporate section) to obtain the termination of the contract following ANAS' serious breach and the payment of damages of approximately €47.5 million. The deed set the first hearing for 5 November 2018.

The tax audit on the 2015 tax year commenced by the Tax authorities - L'Aquila regional section, on 11 June 2018 ended on 11 July 2018.

A preliminary assessment report was issued at the end of the audit which identified only one finding about the subsequent taxation of the depreciation charges calculated in 2015 for a total of €1,926,837, applied to the Martina tunnel-boring machine ("TBM") which had not been used during the relevant tax year.

The company formally appealed against this finding as it deemed that the exploitation of this asset in the company's core business was obvious and indisputable. Consequently, it believed that the depreciation charges deducted in 2015 were correct.

Basis of preparation

Group membership

Pursuant to article 2497 and subsequent articles of the Italian Civil Code, it is noted that the company is managed and coordinated by Toto Holding S.p.A..

In accordance with current law, the company made use of the option not to prepare the group's consolidated financial statements, despite holding controlling interests directly in the following companies: Alitec S.p.A., IMC S.r.l., Ambra S.r.l., Toto Tech S.r.l. and Pontepo Scarl, since the consolidated financial statements are drawn up by the parent Toto Holding S.p.A..

The following table provides key figures from the most recent financial statements approved by the aforesaid company which is responsible for management and coordination.

Description	Most recent financial statements at 31/12/2016	Second most recent financial statements at 31/12/2015
BALANCE SHEET	0	
ASSETS		
B) Fixed assets	360,021,202	356,125,619
C) Current assets	29,059,888	24,341,591
D) Prepayments and accrued income	689,462	48,873
Total assets	389,770,552	380,516,083
LIABILITIES:		
Share capital	100,000,000	100,000,000
Reserves	262,093,850	261,236,305
Losses carried forward	(77,071,243)	(97,273,146)
Net profit for the year	6,300,766	27,059,446
B) Provisions for risks and charges	51,363,620	33,466,015
C) Employees' leaving entitlement	212,408	189,152
D) Payables	46,860,529	55,835,368
E) Accrued expenses and deferred income	10,622	2,943
Total liabilities	389,770,552	380,516,083
PROFIT AND LOSS ACCOUNT		
A) Production revenues	4,804,105	3,135,925

B) Production cost	22,571,397	8,705,764
C) Net financial income	10,929,954	21,381,848
D) Adjustments to financial assets	(831,105)	7,743,099
Income taxes	(13,969,209)	(3,504,338)
Net profit for the year	6,300,766	27,059,446

Basis of preparation

The financial statements at 31 December 2017 and these notes have been prepared in accordance with the provisions of the Italian Civil Code on financial statements as amended by Legislative decree no. 139/15 which implemented EU directive no. 2013/34.

They consist of:

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

Items are measured under the general principles of prudence and accruals basis of accounting, assuming that the company will continue as a going concern and taking into account the economic function of the relevant asset or liability.

As described in the section "Significant events after the reporting date", the Directors deemed that it was appropriate to prepare these financial statements using this assumption based on the measures launched by them in the short term, as per the 2018 – 2022 BP.

Under the prudence principle, the items making up each asset or liability are measured individually to avoid offsetting losses which should have been recognised against unrealised profits not to be recognised.

In accordance with the accruals-based accounting principle, the effect of transactions and other events has been recorded and allocated to the year to which these transactions and events relate and not to the one in which the related cash flows took place (receipts and payments).

In accordance with the principle of materiality, the company did not comply with the obligations applicable to recognition, measurement, presentation and disclosure when the effects of compliance therewith were irrelevant for the purposes of giving a true and fair view.

The company did not depart from the accounting policies, including pursuant to article 2423 of the Italian Civil Code.

Measurement criteria

Foreign branches

UNITED ARAB EMIRATES (Dubai and Abu Dhabi)

The operations of the foreign branches have been recognised in the financial statements of the parent using the "foreign currency/euro" exchange rate ruling on the date the operation was performed.

At the reporting date, foreign currency receivables and payables were translated using the "foreign currency/euro" exchange rate in place at 31 December 2017, taking any translation differences to the profit and loss account.

Tangible fixed assets were recognised using the exchange rate ruling on the date the operation was performed, except in the case of a persistent unfavourable trend of the reference exchange rate.

POLAND

The financial statements of the branch "TOTO S.p.A. COSTRUZIONI GENERALI SPOLKA AKCYJNA, ODZIAL W POLSCE" have been prepared in zloty. Closing balance sheet amounts have been translated into Euros at the closing rate of €1 = Zloty 4.177, while profit and loss account captions have been translated using the 2017 average exchange rate of €1 = Zloty 4.257.

The financial statements of the Polish branch have been included in TOTO S.p.A.'s accounting records. The

exchange rate differences arising from the Euro translation of the financial statements drawn up in Zloty amount to €461,757 and have been recognised under net equity reserves.

CZECH REPUBLIC

The financial statements of the branch "TOTO S.p.A. Costruzioni Generali CZ, odstestepny zavod" have been prepared in Czech Koruna. Closing balance sheet amounts have been translated into Euros at the closing rate of €1 = CZK25.535, while profit and loss account captions have been translated using the 2017 average exchange rate of €1 = CZK26.3258.

The financial statements of the Czech branch have been included in TOTO S.p.A.'s accounting records. The exchange rate differences arising from the Euro translation of the financial statements drawn up in Czech Koruna amount to €2,858 and have been recognised under net equity reserves.

Fixed assets

Intangible fixed assets

These are recognised at their historical purchase cost and are shown net of accumulated amortisation, which is directly charged to the individual items.

Start-up and capital costs and development costs of a long-term nature are recognised under assets with the approval of the Board of Statutory Auditors and are amortised over five and three years, respectively.

Costs for the use of intellectual property rights are capitalised and amortised over three years. Concessions, licences and trademarks are amortised over 20 years.

Goodwill is recognised under assets only when acquired against consideration, its amount can be calculated and it is originally comprised of charges and costs of a long-term nature which ensure future economic benefits and meet the principle of cost recoverability. This item is amortised over not more than five years on a straight-line basis over the term of the works acquired as part of the acquisition of a business unit.

If, regardless of the amortisation already charged, an impairment loss exists, the asset is written down accordingly. If, in following years, the reasons for the write-down no longer apply, the original value is reinstated adjusted by amortisation only.

Tangible fixed assets

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

The carrying amount takes into account ancillary charges and costs incurred for using the asset, less any material trade or cash discounts.

The depreciation charges, taken to the profit and loss account, are calculated on the basis of the type of use and the expected useful life of the assets. The following depreciation rates are believed to reflect the effective useful life of the assets, and are unchanged from the previous year. They are halved in the year in which the asset comes into use.

Description	Rates
Industrial buildings	3.00%
Light constructions	12.50%
General plant and sundry equipment	10.00%
Operator machinery and specific plant	15.00%
Sundry equipment and small items	40.00%
Ordinary office equipment and furniture	12.00%

Electrical and electronic equipment	20.00%
Cars	25.00%
Lorries	20.00%
Self-propelled excavators	20.00%

If, regardless of the depreciation already charged, an impairment loss exists, the asset is written down accordingly. If, in following years, the reasons for the write-down no longer apply, the original value is reinstated adjusted by depreciation only.

Finance leases

Assets under finance lease are recognised using the liability method, taking the lease instalments paid during the year to the profit and loss account. For the purposes of reconciling the financial and the liability methods, these notes describe all the effects that would have impacted the various financial statements captions had the financial method been used.

Financial fixed assets

Investments, debt securities and own shares held on a long-term basis following management's decision and the company's effective ability to hold them for a long time are classified under financial fixed assets. Otherwise, they are recognised under current assets.

The transfer from fixed assets to current assets, or vice-versa, is recognised using measurement criteria that are specific to the original portfolio.

Receivables are classified under financial fixed assets and current assets based on their allocation criterion with respect to ordinary business activities, hence, regardless of their due date. Financial receivables are classified under financial fixed assets, while trade receivables under current assets. The measurement criterion applied to receivables is described below.

Equity investments

Investments in subsidiaries and associates, recognised under financial fixed assets, are measured at purchase or subscription cost.

Other equity investments are recognised at purchase or subscription cost.

Equity investments classified as fixed assets represent the company's long-term, strategic investments.

Equity investments recognised at purchase cost which have undergone an impairment loss have been written down. With respect to other investments, if the cost of the investment exceeds the relevant portion of net equity, no write down is recognised since the higher carrying amount is justified by the gains and goodwill of subsidiaries and associates.

Inventory

Raw and ancillary materials are recognised at purchase cost or at their realisable value (or replacement value) based on market trends, whichever is lower. Purchase cost is equal to the latest price which reflects the average weighted cost.

Work in progress is measured as follows:

Italy's contracts: despite the binding agreement between the parties and the company's ability to reliably estimate the contract profit/loss, contract work in progress is recognised based on the progress of works (or the

percentage of completion), whereby costs, revenues and margins are recognised based on the work performed.

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

Foreign contracts: given the existence of an internal procedural system which generates reliable and updated estimates of total contract revenues and costs, work in progress is measured using the percentage of completion method determined on a cost-to-cost basis. This method better reflects the results of this type of contracts.

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

Measurement reflects the best estimate of works at the reporting date. The assumptions underlying measurements are periodically updated. Any financial effects are recognised in the year the update takes place.

Contract revenues include: the contractually-agreed consideration, formalised variations to works, price adjustments, claims requested and incentives, to the extent that it is reasonably certain that they can be measured reliably.

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

Price adjustments are stated in accordance with article 1 (550) of Law no. 311/04 (2005 Finance Act) and the subsequent decrees of the Ministry of Infrastructure and Transport of 30 June 2005, 11 October 2006, 2 January 2008 and 9 May 2009, which provided for annual price variations on the main materials used in the construction sector.

Additional fees have been recognised in accordance with the principle of prudence; consequently, the repayment of the greater costs incurred or the greater consideration are included under contract revenues only to the extent of the amounts which can be reasonably identified and calculated. Claims are valued considering the estimates prepared by the specific company areas (based on the type of each claim, including assessments of the legal grounds and financial capacity) and the fact that for certain tenders an initial claim definition procedure has already been concluded. The reasons behind the "Claims" valuations are therefore similar to those established in previous arbitration procedures.

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

Receivables

Receivables are recognised using the amortised cost method, 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.

It is noted that, pursuant to article 139/15, the receivables that already existed at 31 December 2016 are recognised at their nominal amount.

Furthermore, the company deems that the effects of the application of the amortised cost method and discounting are negligible when the receivables are due within one year, as well as any difference between the opening balance and the nominal amount.

Receivables are rights to receive amounts of cash or its equivalent from customers or other third parties and are measured at their estimated realisable value.

The nominal amount of receivables is adjusted to reflect bad debts, invoice adjustments, discounts and rebates and other reasons for a reduced use.

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 year end, considering existing or probable bad debts and the general economic, sector and country risk conditions.

Securities

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

Liquid funds

They are measured at their estimated realisable value, which is the same as their nominal amount.

Prepayments and accrued income, accrued expenses and deferred income

These are determined on an accruals basis.

For those of a long-term nature, the conditions which led to them being initially recognised have been checked and changes made as necessary.

Provisions for risks and charges

Provisions for risks and charges comprise specific liabilities of a certain or probable nature, whose due date or amount is not known. Specifically, the provisions for risks reflect specific and probable liabilities with estimated amounts, while the provisions for charges reflect specific and certain liabilities, with estimated amounts or due dates, related to commitments in place at the reporting date, but which will take place in subsequent years. Accruals to the provisions for risks and charges are recognised in the profit and loss account under the items to which the transaction refers, classifying costs by nature.

The amount of accruals reflects the best estimate of costs, including legal fees, at each reporting date and is not discounted. When a change in amounts is identified, the accrual reflects the best estimate between the highest and lowest limits of such change range.

Provisions are subsequently used directly and only for those costs and liabilities for which they were originally accrued. Any positive or negative differences with respect to the charges actually incurred are recognised in the profit and loss account in line with the original accrual.

Derivatives

Derivatives are recognised on the date the contract is signed, from the time the company is subject to the relevant 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 at both the date of initial recognition and each subsequent reporting date. Fair value and changes therein are recognised in different ways, depending on whether the transaction qualifies (and is effectively designated) as a hedge of financial risks.

Transactions that do not qualify (or are not designated) as a hedge

When the transaction does not qualify (or is not designated) as a hedge, fair value changes are taken to section D) "Adjustments to financial assets and liabilities" of the profit and loss account. Pursuant to article 2426 (1) 11-bis of the Italian Civil Code, fair value gains on the measurement of derivatives that are not designated as a hedge are taken to undistributable reserves under net equity.

Transactions that qualify (and are designated) as a hedge

The company enters into derivatives to hedge the interest rate risk.

A transaction is designated as a hedge when:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items pursuant to OIC 32;
- there is close and formal documentation of the relationship between the characteristics of the derivative or the hedged item and those of the derivative pursuant to article 2426 (1) 11-bis of the Italian Civil Code. The documentation refers to the formalisation of the hedging relationship, the company's risk management objectives and the strategy for undertaking the hedge;
- the hedging relationship meets the hedge effectiveness requirements.

The economic relationship is checked from a qualitative point of view, checking that the main elements of the hedge and hedged item match or are closely in line, and from a quantitative standpoint. When the hedging relationship relates 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 considered effective by just checking that the main elements (nominal amount, settlement date of cash flows, due date and underlying variable) of the hedging instrument and hedged item match or are closely in line and that the counterparty's credit risk does not significantly affect the fair value of the hedging instrument and the hedged item.

The eligibility criteria are checked on an ongoing basis and, at each reporting date, the company checks that the effectiveness requirements are still met.

The hedge accounting is discontinued prospectively when:

- a) the hedging instrument is sold, expires or is terminated (with no replacement already provided for in the original hedging strategy);
- b) the hedge no longer meets hedge accounting requirements.

The company enters into cash flow hedges.

Cash flow hedges

Cash flow hedges are entered into when the aim of the hedge is to mitigate 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 company recognises the cash flow hedge related to a recognised asset or liability, a firm commitment or a highly probable forecast transaction in the balance sheet at fair value and recognises the portion of the hedge deemed effective in caption A) VII "Hedging reserve", while the ineffective portion, calculated for hedging relationships that do not qualify as "simple", is taken to section D) of the profit and loss account.

In a cash flow hedge related to a recognised asset or liability, a firm commitment or a highly probable forecast transaction, the amount of the reserve is taken to the profit and loss account in the same years the hedged cash flows affect the net profit (loss) and to the same caption affected by said cash flows. In a cash flow hedge related to a highly probable forecast transaction or a firm commitment which subsequently results in the recognition of a non-financial asset or liability, the company reclassifies the amount included in the hedging reserve to the carrying amount of the asset (to the extent of its recoverable amount) or liability upon recognition of the related asset or liability. However, when the reserve is negative and the company does not expect to recover all the loss or part of the reserve in one or more future years, the reserve (or part thereof) that it does expect to recover will be directly taken to the profit and loss account.

Fair value measurement

In order to measure the fair value of the recognised derivatives, the company maximised the use of relevant observable inputs and minimised the use of unobservable inputs in accordance with the fair value hierarchy described below:

Level	Description
1	quoted prices (for financial instruments for which an active market can be easily identified);
2	inputs that are observable for a component of the derivative or similar instrument (when the quoted price cannot be easily identified for an instrument, but can be identified for its components or a similar instrument);
3	the amount resulting from generally accepted measurement models and techniques such to ensure

	a reasonable approximation of the quoted price (for instruments for which an active market cannot be easily identified).
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Employees' leaving entitlement (TFR)

The Italian employees' leaving entitlement (TFR) is the benefit to which employees are entitled in any case of termination of employment, pursuant to article 2120 of the Italian Civil Code and considering the changes in legislation introduced by Law no. 296 of 27 December 2006. It reflects the total amounts accrued considering any form of ongoing remuneration, net of advances paid and partial advances in accordance with collective or individual employment agreements or company agreements for which no reimbursement is requested. The related liability is the amount that the company would have paid had all employees left at the reporting date. 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 (or transferred to the INPS - Italian Social Security Institute) treasury fund.

Payables

Payables are recognised using the amortised cost method, considering the time factor and the estimated realisable value. In particular, the opening carrying amount is the nominal amount of the payable, net of transaction costs and all premiums, discounts and allowances derived directly from the transaction that generated the payable. 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.

The company deems that the effects of the application of the amortised cost method and discounting are negligible when the payables are due within one year, also considering all contractual and substantial considerations in place on the date the payable was recognised, the transaction costs and any difference between the opening balance and the nominal amount at the payable's due date. In this case, payables are not discounted and interest is calculated at the nominal amount, while transaction costs are recognised under financial charges.

At the reporting date, all payables are recognised at their nominal amount, adjusted in the event of returns or invoicing adjustments.

Foreign currency transactions, assets and liabilities

Receivables and payables originally expressed in foreign currencies, recognised at the exchange rates in force on the date they arose, are adjusted to the exchange rates applicable at the reporting date.

In particular, current assets and liabilities and financial receivables recognised under fixed assets are recognised at the spot exchange rate applicable at the reporting date. Exchange rate gains and losses arising from the translation of receivables and payables are taken to the profit and loss account item 17-bis Exchange rate gains and losses.

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

Commitments, risks and guarantees

The risks related to guarantees given, personal guarantees or collateral, related to third-party liabilities are presented at an amount equal to the amount of the guarantee given. The amount of the third-party liability assisted at the reporting date is included in these notes when it is below that of the guarantees given.

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

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

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

Revenue recognition

Revenues from contract work in progress are recognised on a percentage of completion basis, as shown in the work progress reports (SALs) certified by the contracting bodies.

Income taxes

Taxes are provided for on an accruals basis. Therefore, they reflect accruals for taxes paid or to be paid during the year, calculated in accordance with applicable rates and laws.

Deferred tax assets 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.

They are recognised in order to reflect the future tax benefits that result from the temporary differences between the carrying amounts of reported assets and the corresponding amounts considered in order to determine the current taxes, as well as any tax losses carried forward. Deferred tax assets are recognised in compliance with the principle of prudence, if it is reasonably certain that, in the years in which the temporary deductible differences that led to their recognition reverse, the company will report a taxable profit equal to at least the amount of the differences that will be offset.

They are determined based on the tax rate defined for the income tax for the years in which the temporary differences will be offset. The effect of the change of the tax rates for said taxes is recognised in the year in which the related legal provisions are approved. In the balance sheet, deferred tax assets are recognised under "Deferred tax assets". In the profit and loss account, the deferred tax assets and liabilities are recognised under "Income taxes, current and deferred".

From 2009, the company, as consolidated company, has 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 – together with Toto Holding S.p.A., the latter acting as the tax parent.

Financial relationships between the parent and the subsidiary, in addition to their mutual responsibilities and obligations, are set out in the Consolidation Regulations for the group companies which was signed on 16 June 2009, as subsequently amended and integrated.

Deferred IRES (corporate income tax) is calculated based on the temporary differences between the amounts of assets and liabilities determined in accordance with statutory criteria and the corresponding tax values solely with reference to the company.

Current and deferred IRAP (regional tax on production) is calculated exclusively with reference to the company.

Workforce

The company's annual average workforce, broken down by category, underwent the following changes compared to the previous year.

Personnel	2017	2016	Change
Senior managers	24	22	2
White collars and junior managers	111	115	(4)
Blue collars	175	196	(21)
Other	4	4	0
	314	337	(23)

The employment contract applied for white and blue collars is the Collective National Employment Contract for employees of construction firms and similar businesses of 19 April 2010, updated by the agreement of 1 July 2014. The agreement applied for managers is the Collective National Employment Contract for managers of companies that produce goods and services of 25 November 2009, updated by the agreement of 30 December

2014.

Assets

B) Fixed assets

I. Intangible fixed assets

Balance at 31/12/2017	Balance at 31/12/2016	Change
1,569,332	3,092,846	(1,523,514)

Total change in intangible fixed assets

Description of costs	Carrying amount at 31/12/2016	Increases of the year	Other changes	Amortisation of the year	Other decreases of the year	Carrying amount at 31/12/2017
Start-up and capital costs	204,464			204,464		0
Development	33,730			16,862	1	16,867
Industrial patents	25,425	164,770		75,958	35	114,202
Concessions, licences and trademarks	48,423		1	3,459		44,965
Goodwill	2,770,570			1,385,285		1,385,285
Other	10,234	908	(250)	2,879		8,013
	3,092,846	165,678	(249)	1,688,907	36	1,569,332

The opening historical cost is broken down as follows.

Description of costs	Historical cost	Accumulated amortisation	Revaluations	Write-downs	Carrying amount
Start-up and capital costs	1,042,318	837,854			204,464
Development	50,592	16,862			33,730
Industrial patents	958,266	932,841			25,425
Concessions, licences and trademarks	69,176	20,753			48,423
Goodwill	5,636,341	2,865,770			2,770,570
Other	211,294	201,060			10,234
	7,967,986	4,875,140			3,092,846

Breakdown of start-up and capital costs, research, development and advertising costs

Start-up and capital costs and research and development costs, recognised with the approval of the Board of Statutory Auditors, are broken down below together with the reasons for their recognition.

Start-up and capital costs

Description of costs	Carrying amount 31/12/2016	Increase of the year	changes	Amortisation of the year	Carrying amount 31/12/2017
Costs for new offices	204,464			204,464	0
	204,464			207,464	0

The start-up costs for new offices refer to the costs incurred to set-up the Dubai and Abu Dhabi branches. They

have been amortised over five years.

Development costs

Description Costs	Carrying amount at 31/12/2016	Increase of the year	Rounding	Amortisation of the year	Carrying amount 31/12/2017
SOA certification	33,730		(1)	16,862	16,867
	33,730		1	16,862	16,867

The increase is due to the costs incurred to obtain the new certificate of qualification pursuant to Presidential decree no. 207/2010 (three-year term).

Industrial patents and intellectual property rights

Description of costs	Amount 31/12/2016	Increases of the year	Decrease of the year	Amortisation of the year	Carrying amount at 31/12/2017
Software	25,425	164,770	35	75,958	114,202
	25,425	164,770	35	75,958	114,202

The balance refers to software licences purchased and used during the year as part of business activities (Autocad, Oracle, MS Office, etc.).

Concessions, licences and trademarks

Description of costs	Amount 31/12/2016	Increases of the year	Rounding	Amortisation of the year	Carrying amount at 31/12/2017
Trademarks	48,423		1	3,459	44,965
	48,423		1	3,459	44,965

These are costs incurred to develop a branding strategy. Trademarks are amortised over 20 years.

Goodwill

Description Costs	Carrying amount at 31/12/2016	Increase of the year	Decrease of the year	Amortisation of the year	Amount 31/12/2017
Business unit acquisition	2,770,570			1,385,285	1,385,285
	2,770,570			1,385,285	1,385,285

This item refers to the acquisition of the business units of Imprese Co.E.Stra. S.p.A. (€2,040,200) and L'Avvenire 1921 (€1,539,035) in 2014 and S.E.C.O.L. S.p.A. in 2015 (€1,961,906) which form part of the Joint Venture that was awarded the contract by ANAS for the executive design and execution of the variation to state road 1 Aurelia: access roads to the La Spezia harbour, totalling € 125 million. Amortisation is charged on a straight-line basis over not more than five years based on the expected term of the works.

Goodwill was recognised with the approval of the Board of Statutory Auditors.

Other

Description Costs	Carrying amount at 31/12/2016	Increases	Decreases	Amortisation of the year	Amount 31/12/2017
Leasehold improvements	10,234	908	250	2,879	8,013
	10,234	908	250	2,879	8,013

These costs are amortised over the shorter of their useful life and the residual lease term.

II. Tangible fixed assets

Balance at 31/12/2017	Balance at 31/12/2016	Change
8,443,125	8,904,999	(461,874)

The decrease is due to the depreciation of the year.

Land and buildings

Description	Amount	
Historical cost	12,434,446	
Accumulated depreciation	(5,400,163)	
Balance at 31/12/2016	7,034,283	of which: land 4,119,790
Increases of the year	6,091	
Depreciation for the year	(381)	
Balance at 31/12/2017	7,039,993	of which: land 4,119,790

Plant and machinery

Description	Amount
Historical cost	0
Accumulated depreciation	0
Balance at 31/12/2016	0
Increases of the year	10,471
Decreases of the year	0
Depreciation for the year	(168)
Balance at 31/12/2017	10,303

Industrial and commercial equipment

Description	Amount
Historical cost	0
Accumulated depreciation	0
Balance at 31/12/2016	0
Increases of the year	41,967
Decreases of the year	0
Depreciation for the year	(8,393)
Balance at 31/12/2017	33,574

Other assets

Description	Amount
Historical cost	4,117,117
Accumulated depreciation	(3,433,611)
Balance at 31/12/2016	683,506
Increases of the year	336,597

Decreases of the year	(167,312)
Other changes	26,616
Depreciation for the year	(224,512)
Balance at 31/12/2017	654,895

III. Financial fixed assets

Balance at 31/12/2017	Balance at 31/12/2016	Change
133,428,562	115,098,081	18,330,481

Equity investments

Description	31/12/2016	Increase	Decrease	31/12/2017
Subsidiaries	66,243,077	7,773	1,936	66,248,914
Associates	4,048,813	898,200	49,900	4,897,113
Subsidiaries of parents	8,224,566			8,224,566
Other companies	5,006			5,006
	78,521,462	905,973	51,836	79,375,599

The increase in subsidiaries refers to the carrying amount of the investment (77.73%) in the newco Pontepo Scarl which was set up in 2017 to perform, in joint venture with VEZZOLA S.p.A., the works related to the Ponte sul Po (Po bridge) contract awarded by the Mantua province.

The decrease is due to the liquidation of Parchi Scarl.

The increase in associates refers to the capital injection to INTERMODALE S.r.l.. The decrease is due to the liquidation of Arabona Scarl.

Subsidiaries

Company	City	Share/quota capital	Net equity (deficit)	Net profit/ (loss) for the year	% of invest.	Portion of NE	Carrying amount
ALITEC S.p.A.	CHIETI	45,000,000	39,961,784	(2,586,467)	95.54	38,179,488	42,993,820
I.M.C. S.r.l. IN LIQUID.	CHIETI	12,000	(291,070)	(58,667)	51.00	(148,446)	6,120
AMBRA S.r.l.	CHIETI	6,900,000	5,025,141	(89,689)	98.55	4,952,276	5,000,000
TOTO TECH S.r.l.	CHIETI	10,000,000	17,508,032	(727,299)	100.00	17,508,032	18,236,101
PONTEPO SCARL	CHIETI	10,000	10,000		77.73	7,773	7,773
TOTO S.p.A. IN ASS. WITH	CHIETI	10,000	10,000		51.00	5,100	5,100
TADDEI S.p.A. SCARL							

1) ALITEC S.p.A.

The business purpose of the company is the construction and management of properties.

The company owns an industrial complex not used for several years, for a total of 165,000 square metres, located in Chieti Scalo, to be used for hand craft production.

In 2015 and at present, the company launched a series of activities at the bodies which expressed interest to remove the lien introduced by the ASI land use plan and use the area for multi-purposes residential use.

The carrying amount of the investment in Alitec S.p.A. is primarily justified by the industrial complex which it owns. The enhancement of the area, as indicated above, will allow full recoverability of the recognised amounts.

Net equity and the net loss for the year refer to the financial statements at 31 December 2017.

The shares were pledged to CAI (Compagnia Aerea Italiana S.p.A.) to guarantee the parent Toto Holding S.p.A.'s payment obligations vis-à-vis CAI.

2) I.M.C. S.r.l. IN LIQUID.

Investment acquired in 2005 for a share of 51% in the quota capital. I.M.C. S.r.l. operates in the road barrier production and installation sector. The company, in a joint venture with Toto S.p.A. Costruzioni Generali, is the contractor for the replacement of the road traffic safety barriers of the A/24 – A/25 Motorways. Contracting body: Strada dei Parchi S.p.A.

The company was put into liquidation in May 2016 as it met the requirements of article 2484 of the Italian Civil Code.

The carrying amount of the investment is equal to its purchase cost.

Net deficit and the net loss for the year refer to the financial statements at 31 December 2017. The net deficit is substantially due to the VAT due and the related penalties and interest arising from the tax audit conducted by the tax authorities. IMC appealed against the tax audit before the Court of Cassation as it believes that the reasons put forward by the tax authorities are groundless.

3) AMBRA S.r.l.

The company was established on 23 September 2004 with the purpose of purchasing, building, restructuring, selling and managing all types of buildings.

On 30 September 2013, Toto S.p.A. Costruzioni Generali subscribed the quota capital increase resolved by Ambra S.r.l. quotaholders, becoming the company's majority quotaholder.

Net equity and the net loss for the year are taken from the financial statements at 31 December 2017.

4) TOTO TECH S.r.l.

The company was established on 16 November 2016 to lease machinery, tools and equipment in the building and civil engineering sector.

On 22 December 2016, TOTO S.p.A. launched a reorganisation plan which provided for the contribution of the business unit made up of machinery, plant, equipment and related personnel to Toto Tech.

The company, which became operative on 1 January 2017, was set up to improve the efficiency and effectiveness of its operations, including with a view to diversifying uses, other than in the construction sector.

Net equity and the net loss for the year are taken from the financial statements at 31 December 2017.

The excess of the carrying amount of the investment over net equity is widely recoverable thanks to the profits expected in the next few years.

5) PONTEPO SCARL

This consortium company was established in 2017 by Toto S.p.A. Costruzioni Generali (77.73%) and Vezzola S.p.A. (22.27%) to perform the works related to the Ponte sul Po (Po bridge) contract awarded by the Mantua province.

The carrying amount of the investment is equal to the portion of net equity held on the date of the company's incorporation.

6) TOTO S.p.A. IN ASSOCIATION WITH TADDEI S.p.A. SCARL

The company, set up by Toto S.p.A. and Taddei S.p.A., has been awarded two contracts for the "M2 Chisinau-Soroca Redevelopment Works" assigned by the "Ministry of Transport and Road Infrastructure" of

the Republic of Moldavia. Works, which were completed in 2014, amount to approximately €19,5 million.

The carrying amount of the investment is equal to the portion of net equity held on the date of the company's incorporation.

Associates

Company	City	Share/quota capital	Net equity (deficit)	Net profit/ loss for the year	% of invest.	Portion of NE	Carrying amount
SAN BENEDETTO VAL DI SAMBRO SCARL	ROME	10,000	10,000		36	3,600	3,600
NOVIGAL SCARL	BARI	10,000	10,000		33	3,300	3,312
INTERMODALE S.r.l.	CHIETI	8,000,000	5,387,356	(1,244,476)	49.9	2,688,291	4,890,200

1) SAN BENEDETTO VAL DI SAMBRO SCARL

A non-profit consortium company set up on 23 July 2007 under article 23 bis of Law no. 584/77 between Vianini S.p.A. (54%), Toto S.p.A. Costruzioni Generali (36%) and Profacta S.p.A. (10%) after the integrated tender (under article 19(1) b) of Law no. 109/94) was awarded to the joint venture formed between these three companies involving the "Upgrading of the Apennines 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.

2) NOVIGAL SCARL

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

3) INTERMODALE S.r.l.

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

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

Net equity and the net loss for the year are taken from the financial statements at 31 December 2017. The greater amount of the investment compared to the portion of net equity held is deemed recoverable based on the future income expectations set out in the BP, under review. In this respect, during the year, given the inactivity of the Abruzzo Region, the joint venture served a writ of summons before the Court of L'Aquila, requesting that its right to examine the BP related to the Agreement be ascertained and acknowledged. This would enable the joint venture to immediately return to a break-even position. The case was filed under no. R.G. 1309/2017. The first hearing, initially set for 7 November 2017, was postponed by the Court to 22 February 2018 and, subsequently to 18 September 2018.

Subsidiaries of parents

Company	City	Share	Net equity	Net profit for the year	% of invest.	Carrying amount
STRADA DEI PARCHI S.p.A.	ROME	48,114,240	36,294,628	1,964,950	5.00%	8,224,566

The company is held by Toto Holding S.p.A. (93%), Autostrade per l'Italia S.p.A. (2%) and TOTO S.p.A. Costruzioni Generali (5%) which manages, under concession, the two motorway sections A24 and A25 that connect Rome with Pescara and Teramo. The concession was awarded to the company following the international tender called by ANAS, and has a term of twenty-eight years, starting from 2003.

Net equity and the net profit for the year refer to the financial statements at 31 December 2017.

The measurement criteria adopted for the investment (cost method) led to it being recorded for a higher amount than the net equity at the 2017 year end. The resulting amount includes that allocated to the concession (net of amortisation). The difference between the carrying amount and the amount determined using the equity method does not constitute an impairment loss in that, based on the business plan, future cash flows generated by Strada dei Parchi S.p.A. in the coming years, will allow the company to recover the above difference in the medium-to-long term.

Furthermore, in accordance with the accounting standards, at the end of 2017, the investment was tested for impairment test, considering the company's business plan.

Financial receivables

Description	31/12/2016	Increase	Decrease	31/12/2017
Subsidiaries	6,554,350	3,281,085	3,003,816	6,831,619
Associates	6,568,897	32,000	1,469,200	5,131,697
Parents	12,705,008	37,357,029	18,275,811	31,786,226
Subsidiaries of parents	9,009,822	158,373		9,168,195
Other	1,738,542		603,316	1,135,226
	36,576,619	40,828,487	23,352,143	54,052,963

From subsidiaries

They refer to interest-bearing loans in favour of subsidiaries. These include the receivable from Alitec S.p.A. of €5,578,747.

From associates

The balance refers to the interest-bearing loan of €5,053,140 granted to Intermodale S.r.l.. The balance decreased by €898,200 on the previous year end following the waiver of part of the receivable.

From parents

The balance refers to interest-bearing loans granted to Toto Holding S.p.A..

From subsidiaries of parents

The balance refers to the interest-bearing loans granted to Toto Real Estate S.p.A. and Strada dei Parchi S.p.A. of €5,794,869 and €3,373,326, respectively.

From others

The balance mainly refers to an interest bearing loan of €1,089,175 granted to a related party (Iniziative Immobiliari Sas) at ordinary market conditions.

The breakdown of receivables at 31/12/2017 by geographical segment is shown in the table below:

Receivables by geographical segment	Subsidiaries	Associates	Parents	Subsidiaries of parents	Others	Total
Italy	6,831,619	5131.697	31,786,226	9,168,195	1,135,226	54,052,963
Total	6,831,619	5,131,697	31,786,226	9,168,195	1,135,226	54,052,963

C) Current assets

I. Inventory

Balance at 31/12/2017	Balance at 31/12/2016	Change
166,193,774	150,979,579	15,214,195

This item breaks down as follows:

Description	31/12/2016	Increase	Decrease	31/12/2017
Raw materials	10,559,251	5,236,231		15,795,482
Contract work in progress	89,557,003	8,854,909		98,411,912
Finished goods	49,766,900	482,849		50,249,749
Payments on account	1,096,425	640,206		1,736,631
	150,979,579	15,214,195		166,193,774

Raw materials, consumables and supplies: this balance refers to the stock of raw materials that will be used in production. This item rose by a net €5,236,231 on the previous year-end balance mainly as a consequence of the rise in materials at SdP's worksite to prevent stair-stepping (€4.5 million), the Mantua province (€02 million) and the central warehouse (€0.4 million).

Contract work in progress: this item shows a net increase of €8,854,909 on the previous year-end balance and includes work carried out pending the issue of the payment certificate (€18,667,525), in addition to the increase in fees for price adjustments (totalling €350,447) and in fees requested from clients for claims (€62,500,000).

Inventory related to the Polish foreign contract amounts to €11,260,514 and was measured using the percentage of completion method. However, unlike other contracts, the cost-to-cost method was applied. Indeed, this method better reflects the results of this type of contracts.

Contract work in progress includes the pre-operating costs recognised in accordance with OIC document no. 23 of 22 December 2016 for a total of €16,893,940. This item rose by €3,886,870 mainly as a result of the costs incurred to launch the Cefalù, La Spezia, Ritiro, l'Aquila, Mantua and Czech Republic contracts.

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

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

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

Finished goods: this item comprises assets held for sale, specifically properties, land and abandoned industrial areas for a total of €15,680,503 and machinery and equipment worth €34,569,246. Machinery includes the Martina TBM (€34,085,217), currently unused and held for sale. The asset was appraised by a sector-leading company which determined that the estimated value was not below the carrying amount.

Payments on account increased by €640,206 on the previous year-end balance and include the amounts paid to suppliers for the purchase of goods.

II. Receivables

Balance at 31/12/2017	Balance at 31/12/2016	Change
64,651,993	49,847,617	14,804,376

The balance of receivables at 31 December 2017 may be analysed by due date as follows.

Description	Due within one year	Due after one year	Due after 5 years	Total
Trade receivables	10,941,776			10,941,776
From subsidiaries	7,149,545			7,149,545
From associates	404,704			404,704
From parents	1,053,370			1,053,370
From subsidiaries of parents	38,035,957			38,035,957
Tax receivables	1,498,322			1,498,322
Deferred tax assets	1,500,490			1,500,490
From others	4,067,829			4,067,829
	64,651,993			64,651,993

Changes compared to the previous year-end balance are analysed below by item:

	31/12/2017	31/12/2016	Variazioni
Verso clienti	10.941.776	19.454.697	-8.512.921
Verso imprese controllate	7.149.545	2.303.475	4.846.070
Verso imprese collegate	404.704	1.006.141	-601.437
Verso controllanti	1.053.370	4.211.898	-3.158.528
Verso consociate	38.035.957	15.070.283	22.965.674
Per crediti tributari	1.498.322	2.099.644	-601.322
Per imposte anticipate	1.500.490	1.128.404	372.086
Verso altri	4.067.829	4.573.075	-505.246
Totale	64.651.993	49.847.617	14.804.376

Trade receivables: they decreased by Euro 8,512,921. The main debtors are *GDDKIA* in relation to the Polish contract (€5,869,901) and *Iniziative Immobiliari Sas* (€1,735,929).

The nominal amount of receivables was adjusted to their estimated realisable value through the provision for bad debts of €918,601.

From subsidiaries: they rose by €4,846,070 and mainly refer to the €4,356,475 receivable from *Pontepo Scarl* recognised during the year. This item also includes the receivables from *Alitec S.p.A.* (€2,132,523) and *Toto Tech S.r.l.* (€560,719).

From associates: the €601,437 decrease is entirely due to the reduction in the receivables from San Benedetto Val di Sambro Scarl.

From parents: they decreased by €3,158,528 on the previous year-end balance and refer to the receivables for services provided to the parent.

From subsidiaries of parents: this item, which increased by €22,965,674 on the previous year-end balance, is entirely attributable to Strada dei Parchi and refers to contracts in progress involving the A24/A25 motorways. They may be analysed as follows:

Description	Amount
Strada dei Parchi S.p.A.	34,963,354
Toto Real Estate S.p.A.	2,636,055
Infraengineering S.r.l.	228,966
Renexia S.p.A.	25,812
Azienda Aviagricola Abruzzese S.r.l.	109,229
Parchi Global Service S.p.A.	21,318
InterSun S.r.l.	9,993
Renexia Service S.r.l.	41,230
Balance at 31/12/2017	38,035,957

Tax receivables: this item decreased by €601,322 on the previous year-end balance. It comprises the VAT credit in Poland (€539,474) and other receivables for sundry taxes whose reimbursement from the tax authorities is pending.

Deferred tax assets: this item rose by €372,086. It comprises deferred tax assets calculated on the negative fair value of two financial instruments at 31 December 2017 (€43,729). Details of the other receivables included in the item can be found in the note to taxes.

From others: this item decreased by €505,246 on the previous year-end balance. It includes receivables from related parties, from employees for loans and advances and receivables for guarantee deposits.

The nominal amount of receivables from others was adjusted to their estimated realisable value through the provision for bad debts of €2,337,829.

Receivables at 31 December 2017 are broken down by geographical segment in the table below, except for tax receivables and deferred tax assets.

Receivables by geographical segment	Trade receivables	Subsidiaries	Associates	Parents	Subsidiaries of parents	Others	Total
Italy	5,071,875	7,149,545	404,704	1,053,370	38,035,957	3,993,949	55,709,400
Poland	5,869,901					67,461	5,937,362
United Arab Emirates						2,527	2,527
Czech Rep.						3,892	3,892
Total	10,941,776	7,149,545	404,704	1,053,370	38,035,957	4,067,829	61,653,181

III. Current financial assets

Balance at 31/12/2017	Balance at 31/12/2016	Change
811,775	1,024,783	(213,008)

Description	31/12/2016	Increases	Decreases	31/12/2017
Other securities	1,024,783		213,008	811,775
	1,024,783		213,008	811,775

Other securities: The balance refers to 104,930 Banca Popolare di Bari shares. Their carrying amount was written down to adjust it to market value.

IV. Liquid funds

Balance at 31/12/2017	Balance at 31/12/2016	Change
981,552	3,752,785	(2,771,233)

Description	31/12/2017	31/12/2016
Bank and postal accounts	964,676	3,735,774
Cash-in-hand and cash equivalents	16,876	17,011
	981,552	3,752,785

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

“Bank and postal accounts” include term bank deposits of €272,950. The principal, of €265,446, refers to deposits on DEXIA S.p.A.'s accounts. The pledge refers to contractual charges vis-à-vis the customer Strada dei Parchi.

D) Prepayments and accrued income

Balance at 31/12/2017	Balance at 31/12/2016	Change
5,613,569	6,331,101	(717,532)

This item reflects income and expenses pertaining to previous or future years with respect to the related payment or collection. These are recognised regardless of the date of payment of the respective income and expenses, which relate to two or more years and can be allocated over time.

At 31 December 2017, there were no prepayments or accrued income due after five years.

The breakdown of this item is as follows:

Description	Amount
Insurance premiums	4,871,015
Financial charges	196,021
Prepaid lease instalments	172,659
Rent and leases	197,843
Infrastructure expenses	125,295
Others of an immaterial amount	50,736
	5,613,569

Prepaid insurance premiums for Definitive, CAR, RCT- RCO (third party and worker liability), RC (professional liability) and ten-year post-completion policies mainly refer to long-term contracts underway or in start-up: “RFI Cefalù” (€2,257,422), ANAS La Spezia (€1,741,709), Poland (€130,988), CAS Ritiro (€153,607), Mantua Province (€174,868), ANAS L'Aquila (Euro 222,436) and Strada dei Parchi (Euro 233,401). The related prepayments were calculated on an accruals basis.

Liabilities

A) Net equity

Balance at 31/12/2017	Balance at 31/12/2016	Change
86,242,801	84,765,586	1,477,215

Description	31/12/2016	Increases	Decreases	Other changes	31/12/2017
Share capital	50,000,000				50,000,000
Share premium reserve	20,699,616				20,699,616
Legal reserve	837,442	407,463			1,244,905
Extraordinary or optional reserve	5,365,051				5,365,051
Euro translation reserve	0	(487,479)			(487,479)
Hedging reserve	(285,781)	147,308			(138,473)
Retained earnings		7,741,795			7,741,795
Net profit for the year	8,149,258	1,817,386	8,149,258		1,817,386
Total	84,765,586	9,626,473	8,149,258		86,242,801

Changes in net equity may be analysed as follows.

	Share capital	Share premium reserve	Legal reserve	Extraordinary reserve	Foreign operations' financial statements translation	Hedging reserve	Retained earnings	Net profit for the year	Total
Prior year opening balance	50.000.000	20.699.616	553.917	0	11.221	(441.718)	0	5.648.576	76.471.612
Allocation of the net profit for the year									
- legal reserve			283.525					(283.525)	0
- extraordinary reserve				5.365.051				(5.365.051)	0
- to cover prior year losses									
- dividend distribution									0
- foreign operations' financial statements translation reserve					(11.221)				(11.221)
Hedging reserve						155.937			155.937
Prior year net profit								8.149.258	8.149.258
Change in accounting policies									0
Prior year closing balance	50.000.000	20.699.616	837.442	5.365.051	0	(285.781)	0	8.149.258	84.765.586
Allocation of the net profit for the year									
- legal reserve			407.463					(407.463)	0
- extraordinary reserve								0	0
- retained earnings							7.741.795	(7.741.795)	0
- dividend distribution									0
- foreign operations' financial statements translation reserve					(487.479)				-487.479
Hedging reserve						147.308			147.308
- other changes									0
Net profit for the year								1.817.386	1.817.386
Current year closing balance	50.000.000	20.699.616	1.244.905	5.365.051	-487.479	-138.473	7.741.795	1.817.386	86.242.801

The breakdown of share capital is as follows.

Shares	Number	Nominal amount in euro
Ordinary shares	500,000	100
Total	50,000,000	

Net equity items are broken down as follows by origin, possible utilisation, distribution and utilisation in the previous three years.

Type / description	Amount	Possible use (*)	Origin / Nature	Available portion
Share capital	50,000,000	B		50,000,000
Share premium reserve	20,699,616	A, B, C	contribution	20,699,616
Legal reserve	1,244,905		income-related	
Other reserves	5,365,051	A, B, C	income-related	5,365,041
Retained earnings	7,741,795	A, B, C	income-related	7,741,795
Total				33,806,462
Non-distributable amount				
Residual distributable amount				33,806,462

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

No reserves were used during the year.

In accordance with OIC 28 on Net equity, the following additional information is provided:

- No monetary or fair value revaluation reserves are included in share capital.
- There are no reserves or other provisions which if distributed would form part of the taxable income of the company or shareholders.

B) Provisions for risks and charges

Balance at 31/12/2017	Balance at 31/12/2016	Change
3,071,405	4,247,274	(1,175,869)

Description	31/12/2016	Increases	Decreases	Other changes	31/12/2017
Pension and similar provisions	120,000	120,000			240,000
Tax provision, including deferred tax liabilities	36,194		36,194		0
Derivatives	376,028	182,202	376,028		182,202
Other provisions	3,715,052	288,297	1,354,146		2,649,203
	4,247,274	590,499	1,766,368		3,071,405

The increase in the provision for pension and similar provisions refers to the annual accrual for the end-of-office indemnity for the Board of Directors resolved by the Shareholders.

The decrease in tax provision, including deferred tax liabilities refers to the recovery of the amount accrued in the previous year in respect of unrealised exchange rate gains.

Derivatives include the negative fair value of two financial instruments at 31 December 2017, as a balancing entry, gross of deferred tax liabilities, of the hedging reserve recognised in net equity.

Other provisions include €3,595,052 accrued for charges for ten-year post-completion policies and work site disposal charges.

The €288,297 increase in this item refers to the accrual of the portion of the ten-year post completion policy (€220,133) and the accrual of the portion of the year of the costs for work site dismantling related to the contract underway (€208,966).

The decrease reflects:

- the use (€120,000) of the previously-recognised accrual for future charges for the settlement of the

findings highlighted by the Tax Police in its Preliminary Assessment Report dated October 2015 for the 2012 – 2015 tax years. The settlement agreement was signed with the Tax authorities - L'Aquila regional section in December 2017. The related accrual was adequate;

- the release (€1,234,146) of prior year accruals for charges related to ten-year post completion policies which were deemed in excess of the actual need.

C) Employees' leaving entitlement

Balance at 31/12/2017	Balance at 31/12/2016	Change
591,645	812,735	(221,090)

The change is broken down as follows.

Change	31/12/2016	Increases	Decreases	Other changes	31/12/2017
Employees' leaving entitlement, changes during the year	812,735	86,374	307,464		591,645

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 up 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, in addition to the legally-provided for revaluation amounts accrued until 31 December 2017.

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

The decrease is mainly due to the portion (€182,856) related to the personnel transferred to Toto Holding as part of a reorganisation of the operations managed by the parent.

D) Payables

Balance at 31/12/2017	Balance at 31/12/2016	Change
291,255,466	248,405,514	42,849,952

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

Description	Due within one year	Due after one year	Due after five years	Total
Bank loans and borrowings	55,723,459	32,495,938		88,219,397
Payments on account	29,326,166	4,175,649		33,501,815
Trade payables	77,302,388			77,302,388
Payables to subsidiaries	1,489,182			1,489,182
Payables to associates	657,022			657,022
Payables to parents	3,286,525			3,286,525
Payables to subsidiaries of parents	8,856,499			8,856,499
Tax payables	44,086,743	22,115,596		66,202,339
Social security charges payable	6,902,924			6,902,924

Other payables	4,837,375		4,837,375
	232,468,283	58,787,183	291,255,466

Bank loans and borrowings

Bank loans and borrowings are down by €5,060,194 compared to the previous year-end balance and include loans payable and the actual principal, interest and ancillary charges incurred and due.

This item is broken down as follows:

Description	31/12/2017	31/12/2016	Changes
<i>Ordinary current accounts a breve</i>	(22.852.843)	(11.891.795)	(10.961.049)
<i>Ordinary current accounts a medio/lungo</i>	0	0	0
Ordinary current accounts	(22.852.843)	(11.891.795)	(10.961.049)
<i>"Work in progress" advances a breve</i>	(11.283.202)	(22.719.521)	11.436.319
<i>"Work in progress" advances a medio/lungo</i>	0	0	0
"Work in progress" advances	(11.283.202)	(22.719.521)	11.436.319
<i>Contractual advances a breve</i>	(11.918.568)	(19.813.005)	7.894.437
<i>Contractual advances a medio/lungo</i>	(22.866.023)	(9.251.440)	(13.614.583)
Contractual advances	(34.784.591)	(29.064.445)	(5.720.146)
<i>Loans on areas and buildings a breve</i>	(3.248.903)	(4.327.765)	1.078.862
<i>Loans on areas and buildings a medio/lungo</i>	0	(2.806.264)	2.806.264
Loans on areas and buildings	(3.248.903)	(7.134.029)	3.885.126
<i>Loans for equipment a breve</i>	(6.419.943)	(6.419.943)	(0)
<i>Loans for equipment a medio/lungo</i>	(9.629.914)	(16.049.857)	6.419.943
Loans for equipment	(16.049.857)	(22.469.800)	6.419.943
<i>Total bank loans and borrowings a breve</i>	(55.723.459)	(65.172.029)	9.448.570
<i>Total bank loans and borrowings a medio/lungo</i>	(32.495.938)	(28.107.562)	(4.388.376)
Total bank loans and borrowings	(88.219.397)	(93.279.591)	5.060.194

The decrease in advances on work progress reports/internal situation reports is mainly due to the intercompany receivables that the banks do not intend to liquidate.

The increase in contractually-agreed advances refers to the new line granted in relation to the contract to prevent stair-stepping awarded by Strada dei Parchi.

Loans for land and buildings include the loans taken out with the following banks (€2,985,129): Banca Popolare dell'Emilia Romagna, UBI Banca (formerly Cassa di Risparmio di Chieti) and Banca Popolare di BARI (formerly Cassa di Risparmio di Pescara) These loans are secured by collateral on real property owned by the company.

Capital goods loans comprise the liability of the same amount to WESTLB AG – Milan Branch deriving from the Loan Agreement of approximately €53 million for the purchase of the TBM boring machine used for the Variante di Valico – Lots 6/7 contract awarded by ASPI. This payable is secured by a collateral on the same asset. At the reporting date, approximately €37 million was repaid.

Payments on account

This item rose by €15,460,951 on the previous year-end balance and comprises the residual payments on account received from customers in respect of contracts underway. The significant increase is mainly due to the €31,801,494 paid in advance for the contract to prevent stair-stepping. At the reporting date, €17,814,865 had already been repaired.

Trade payables

They increased by €15,300,037 on the previous year-end balance and are recognised net of trade discounts, while cash discounts are recognised upon payment. The nominal amount of these payables has been adjusted to reflect returns or rebates (invoicing adjustments) by the amount agreed upon with the other party.

Payables to subsidiaries

They rose by €1,428,695 on the previous year-end balance as a result of the liability, which arose during the year, with the subsidiaries Toto Tech (€1,428,695) and Pontepo Scarl (€463,914).

Payables to associates

They increased by €508,473 on the previous year-end balance mainly as a result of the liability, which arose during the year, with San Benedetto Val di Sambro Scarl.

Payables to parents

They rose by €1,452,335 on the previous year-end balance and mainly refer to the liability for invoices received in connection with the provision of services (€278,108), the liability for invoices to be received in connection with the consideration due on bank and insurance counter guarantees given to Toto Holding during the year (€1,332,716) and the liability with the parent Toto Holding for the 2017 IRES tax (€1,675,700) resulting from the option to participate as consolidated company in the National Tax Consolidation Scheme .

Subsidiaries of parents

This item increased by €3,972,275 on the previous year-end balance. It can be analysed as follows:

Description	Amount
Strada dei Parchi S.p.A.	2,972,927
Infraengineering S.r.l.	1,838,695
Parchi Global Service S.p.A.	3,514,805
Toto Real Estate S.p.A.	518,869
Renexia Service S.r.l.	8,871
Renexia S.p.A.	1,678
Azienda Aviagricola Abruzzese S.r.l.	654
Balance at 31/12/2017	8,856,499

Tax payables

They increased by €4,885,433 on the previous year-end balance and reflect the liabilities for certain and specific taxes.

This item includes:

-
- IRAP (regional tax on production) payables amounting to €2,432,343;
 - ✓ €1,083,700 related to 2013 and to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in June 2016 (five instalments have already been paid);
 - ✓ €315,932 related to 2015 and to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in June 2017 (one instalment has already been paid);
 - ✓ €1,032,711 related to the 2016/2017 balance.

 - VAT payable amounting to €58,789,226, of which:
 - ✓ €491,714 related to 2010; last instalment to be paid;
 - ✓ €10,389,499 related to 2013 and to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in September 2014 (12 instalments have already been paid);
 - ✓ €20,218,718 related to 2014 and to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in October 2015 (nine instalments have already been paid);
 - ✓ €13,262,919 related to 2016 and to be paid in 20 quarterly instalments following the payment reminder sent by the Tax Authorities in January 2018;
 - ✓ €6,905,155 related to 2017 and to be paid in 20 quarterly instalments following the payment reminders sent by the Tax Authorities in September and November 2017 (one instalment has already been paid).

 - Withholdings for employees' and freelancers' income in 2017 totalling €4,071,584;
 - Penalties and interest for the late payment of taxes and dues for €909,185.

Social security charges payable

They increased by €3,507,707 on the previous year-end balance and include the amounts payable to social security institutions (INPS, INAIL, special construction workers funds and supplementary social security institutes) for contributions accrued during the year.

This item includes, inter alia:

- INPS contributions related to employees, consultants and free-lancers of €4,947,083, of which €1,735,661 paid in instalments;
- INAIL contributions totalling €776,040;
- special construction workers funds totalling €689,744;
- supplementary social security institutes of €490,057.

Other payables

This caption amounts to €1,394,241. It is mainly comprised of payables to employees related to the December 2017 month-pay, the 14-th month pay, accrued holidays and leave (€3,968,613).

The breakdown of Payables at 31 December 2017 by geographical segment is shown in the table below.

Country	Bank loans and borrowings	Payments on account	Trade payables	Subsidiaries	Associates	Parents	Subsidiaries of parents	Tax payables	Social security charges payable	Other payables	Total
Italy	72.169.540	25.825.652	61.066.525	1.489.182	657.022	3.286.525	8.856.499	66.142.066	6.760.416	4.610.123	250.863.550
Poland		7.676.163	14.236.498					58.329	142.504	227.073	22.340.567
Czech Rep.			16.677					1.944	4	179	18.804
United Arab Emirates			3.419								3.419
Romania			113.785								113.785
Germany	16.049.857		1.707.192								17.757.049
Bulgaria			20.000								20.000
Austria			1.278								1.278
Great Britain			6.949								6.949
Spain			49.000								49.000
Lebanon			18.485								18.485
Hong Kong			12.492								12.492
Colombia			28.601								28.601
Norway			21.487								21.487
Total	88.219.397	33.501.815	77.302.388	1.489.182	657.022	3.286.525	8.856.499	66.202.339	6.902.924	4.837.375	291.255.466

E) Accrued expenses and deferred income

Balance at 31/12/2017	Balance at 31/12/2016	Change
532,365	800,682	(268,317)

These are adjusting entries for the year calculated on an accruals basis.

At 31 December 2017, there were no accrued expenses or deferred income due after five years.

The breakdown of this item is as follows:

Description	Amount
Deferred income for insurance policies	486,756
Deferred income for surety policies	37,166
Others of an immaterial amount	8,443
	532,365

Profit and loss account

A) Production revenues

2017 balance	2016 balance	Change
150,179,795	178,272,986	(28,093,191)

Description	2017	2016	Change
Turnover from sales and services	141,653,946	169,966,904	(28,312,958)
Change in contract work in progress	8,404,073	(5,615,465)	14,019,538
Other revenues and income	121,776	13,921,547	(13,799,771)
	150,179,795	178,272,986	(28,093,191)

The change is strictly related to that set out in the Directors' Report.

Turnover from sales and services may be analysed as follows:

Revenues by business segment

Category	2017	2016	Change
Services	141,653,946	169,966,904	(28,312,958)
Of which: executive design	662,976	541,320	121,656
	141,653,946	169,966,904	(28,312,958)

Revenues by geographical segment

Area	Sales	Services	Total
Italy	1,863,073	106,196,474	108,059,547
Poland	98,388	33,496,011	33,594,399
	1,961,461	139,692,485	141,653,946

B) Production cost

	2017 balance	2016 balance	Change
	140,589,198	161,723,526	(21,134,328)

Description	31/12/2017	31/12/2016	Changes
Raw materials	46.944.173	33.611.811	13.332.362
Services	63.134.923	93.249.575	(30.114.652)
Use of third party assets	2.651.496	2.232.535	418.961
Wages and salaries	19.939.664	18.375.586	1.564.078
Social security contributions	6.320.596	6.957.050	(636.454)
Employees' leaving entitlement	1.247.805	1.130.828	116.977
Other personnel expenses	604.663	832	603.831
Amortisation of intangible fixed assets	1.688.907	1.639.822	49.085
Depreciation of tangible fixed assets	233.455	3.038.893	(2.805.438)
Write-downs of current receivables	100.000		100.000
Change in raw materials	(5.153.204)	(2.850.575)	(2.302.629)
Provisions for risks	288.297	356.086	(67.789)
Other provisions	120.000	120.000	-
Other operating costs	2.468.423	3.861.083	(1.392.660)
Total	140.589.198	161.723.526	- 21.134.328

Raw materials, supplies and goods

Raw materials, supplies and goods amount to €46,944,173 and may be analysed as follows:

- costs for construction materials (cement, inert substances, additives, prefabricated elements, wood and iron manufactured products, paints, supports, etc.), €43,054,993;
- fuel and lubricants, €2,158,544;
- spare parts, €290,033;
- electric materials, €720,844.

Services

They amount to €63,134,923 and may be analysed as follows:

- external processing and services, €28,703,101;
- rentals and transportation, €15,747,451;
- sundry utilities, €660,603;
- insurance and sureties, €3,854,335;
- costs recharged by consortium companies, €1,281,473;
- technical, legal and administrative consultancies, €5,460,114;
- costs for maintenance and repairs, €723,640;
- costs related to temporary and seconded personnel, €3,018,757;
- directors', statutory auditors' and consultants' fees, €1,246,828.

Use of third party assets

This item is up by €418,961. These costs relate to lease payments for assets under finance lease with repurchase right (€735,768) and to costs for property leases and rentals (€1,840,195).

Personnel expenses

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

Depreciation of tangible fixed assets

Depreciation was calculated based on the useful life of the asset and its use during production.

Other operating costs

This item decreased by €1,392,660 on the previous year. It can be analysed as follows:

- other taxes and dues (local property tax, registration tax, construction tax, waste tax, etc.) for a total of €321,770;
- ordinary losses on the sale of assets of €84,090;
- penalties for the late payment of taxes and dues for €1,451,417;
- damage compensation and contractual penalties of €373,388;
- prior year expense and other charges of €167,804.

C) Financial income and charges

2017 balance	2016 balance	Change
(5,106,961)	(5,912,257)	805,296

Financial income

Description	2017	2016	Change
From financial receivables classified as fixed assets	1,329,811	1,162,516	167,295
Other income	582,725	240,199	342,526

(Interest and other financial charges)	(7,295,211)	(6,931,340)	(363,871)
Net exchange rate gains/(losses)	275,714	(383,632)	659,346
	(5,106,961)	(5,912,257)	805,296

Other financial income

Description	Parents	Subsidiaries	Associates	Other	Total
Bank and post office interest				29,378	29,378
Interest income on loans				505,747	505,747
Other income	47,600				47,601
	47,600			535,125	582,725

Other income refers to commissions on guarantees given to the parent Toto Holding.

Interest and other financial charges

Description	Parents	Subsidiaries	Associates	Other	Total
Bank interest				2,669,125	2,669,125
Interest to the tax authorities - suppliers	950,220			1,999,022	1,999,022
Commissions and sureties				599,195	1,549,415
Mediocredito interest				323,842	323,842
Discounts/expenses, other financial charges				488,460	488,460
Interest on loans				265,347	265,347
	950,220			6,344,991	7,295,211

Net exchange rate gains (losses)

	31/12/2017	31/12/2016	Changes
Realised exchange rate gains	282.085	76.868	205.217
Unrealised exchange rate gains	5.171	150.809	(145.639)
	287.256	227.677	59.578
Realised exchange rate losses	(8.877)	(582.830)	573.953
Unrealised exchange rate losses	(2.664)	(28.479)	25.815
	(11.541)	(611.309)	599.768
	275.714	(383.632)	659.346

Realised exchange rate gains and losses refer to the transactions carried out by the foreign branches. Unrealised exchange rate gains and losses refer to exchange rate adjustments to foreign currency receivables and payables.

D) Adjustments to financial assets and liabilities

2017 balance	2016 balance	Change
(211,567)	(1,800,000)	1,588,433

Write-backs

Description	2017	2016	Change
Equity investments	1,441		1,441
	1,441		1,441

Write-downs

Description	2017	2016	Change
Equity investments		1,800,000	1,800,000
Securities classified as current assets	213,008		(213,008)
	213,008	1,800,000	1,586,992

They refer to the write-down of Banca Popolare di Bari securities to adjust them to market value.

Income taxes

2017 balance	2016 balance	Change
2,454,683	687,945	1,766,738

Taxes	31/12/2017	31/12/2016	Change
Current IRES	2.142.432	472.004	1.670.428
Current IRAP	786.506	492.685	293.821
Total current taxes	2.928.938	964.689	1.964.249
Prior year taxes	(19.456)		(19.456)
Changes in deferred IRES	(455.308)	(276.999)	(178.309)
Changes in deferred IRAP	509	255	254
Net changes in deferred tax assets	(454.799)	(276.744)	(178.055)
	2.454.683	687.945	1.766.738

This item comprises the taxes pertaining to the year.

The reconciliation between the tax charge shown in the financial statements and the theoretical tax charge is provided below:

Reconciliation between the tax charge shown in the financial statements and the theoretical tax charge (IRES)

Description	Amount	Taxes
Pre-tax profit	4,272,069	
Theoretical tax charge (%)	24	1,025,297
Temporary differences taxable in subsequent years:		
Temporary differences deductible in subsequent years:		
Unpaid interest expense	133,484	
Undeductible accruals	408,297	
Undeductible goodwill	1,077,444	
Non-deductible write-downs	213,008	
	1,832,233	
Transfer of temporary differences from previous years		
Prior year interest expense (undeducted) paid in 2017	(55,050)	
Portion of goodwill not deducted in prior years	(5,289)	
	(60,339)	
Differences that will not reverse in subsequent years		

Undeductible car costs	632,605	
Undeductible prior year expense	574,647	
Undeductible taxes (IMU)	116,902	
Undeductible taxes, penalties and charges	1,669,838	
Other increases	184,502	
IRAP (regional tax on production) tax paid in the year (10%)	(30,913)	
Other decreases	(264,743)	
	2,882,838	
Tax base	8,926,801	
Current income taxes		2,142,432

Calculation of IRAP (regional tax on production) tax base

Description	Amount	Taxes
Operating profit	9,590,597	
Personnel expenses	28,112,728	
Revenues irrelevant for IRAP purposes	508,297	
Costs not relevant for IRAP purposes	5,616,827	
Revenues irrelevant for IRAP purposes	(24,013)	
Employee deduction	(22,828,365)	
Share of foreign production	(3,112,916)	
Taxable IRAP	17,863,155	
Current IRAP (average rate 4.40%)		786,506

The information required under article 2427 (1) no. 14 of the Italian Civil Code on deferred taxes is as follows:

Deferred tax assets and liabilities

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

The main temporary differences which resulted in the recognition of deferred tax assets and liabilities are stated in the table below together with their effects.

Recognition of deferred tax assets and liabilities and related effects:

	31/12/2017		31/12/2016	
	Temporary differences	Tax effect	Temporary differences	Tax effect
Deferred tax assets				
Accruals	(408.297)	(97.991)	(476.086)	(114.261)
Unpaid interest expense	(133.484)	(32.036)	(41.453)	(9.949)
Unrealised exchange rate losses			(28.479)	(6.835)
Non-deductible write-downs	(213.008)	(51.122)		
Undeductible goodwill	(1.077.444)	(258.587)	(1.077.444)	(258.587)
Recovery of prior year amortisation/depreciation	5.289	1.524	5.289	1.709
Recovery of prior year maintenance costs			12.744	3.505
Recovery of prior year interest expense paid during	55.050	13.212	181.130	49.811
Recovery of prior year undeducted accruals			100.000	27.500
Recovery of prior year unrealised exchange rate lo	28.479	6.835		
Rate adjustment		(440)		(5.832)
Total deferred tax assets	(1.743.415)	(418.605)	(1.324.299)	(312.938)
Deferred tax liabilities				
Recovery of unrealised exchange rate gains	- 150.809	- 36.194		
Unrealised exchange rate gains			150.809	36.194
Total deferred tax liabilities	- 150.809	- 36.194	150.809	36.194
Net deferred tax assets		(454.799)		(276.744)

Finance leases

In accordance with the instructions provided in document "OIC 1 - The main effects of the corporate law reform on the preparation of financial statements", information is provided in the table below on the effects on Net equity and the Profit and Loss Account which would have occurred had 40 finance leases been recognised using the financial method instead of the liability method whereby lease payments are taken to the profit and loss account.

Assets

a) Contracts in progress

Assets under finance lease at the end of the previous year, net of depreciation	1,839,710
+ Assets under finance lease acquired during the year	597,108
- Assets under finance lease repurchased during the year	(277,159)
- Depreciation of the year	(560,265)
- Reversal of provision for repurchased assets	0
Assets under finance lease at the end of the year, net of depreciation	1,599,393
Prepaid down payments	(233,540)

b) Assets repurchased

Higher total value of assets repurchased, determined in accordance with the financial method, compared to the carrying amount at the reporting date

c) Liabilities

Finance lease payments at the end of the previous year	2,285,331
+ Residual payments arising during the year	565,774
- Reductions due to repayment of principal	(846,930)

Finance lease payments at the end of the year	2,004,176
Accrued interest on lease payments between year end and the beginning of the year	(3,346)
d) Total gross effect at year end (a+b-c)	(638,323)
	(206,306)
e) Net tax effect	
f) Effect on net equity at year end (d-e)	(432,017)
The effect on the profit and loss account can be broken down as follows:	
Reversal of finance lease payments	639,801
Reversal of lease down payment	72,022
Recognition of financial charges on finance leases	(63,150)
Recognition of accumulated depreciation	(560,265)
Effect on profit before taxes	88,408
Recognition of the tax effect	25,479
Net effect of recognition of leases using the financial method on the profit for the year	62,929

Green certificates

Pursuant to OIC 7, GREEN CERTIFICATES, it is noted that the company had no green certificates at the reporting date.

Greenhouse gas emissions

Pursuant to OIC 8, GREENHOUSE GAS EMISSIONS, it is noted that the company had no grey certificates at the reporting date.

Related-party transactions

Parents							
Company	Financial receivables	Payables from tax	Trade receivables	Trade payables	Receivables from tax consolidation	Revenues	Costs
Toto Holding	31.786.226	1.675.700	1.053.370	1.610.824		822.168	4.299.046
Total	31.786.226	1.675.700	1.053.370	1.610.824	-	822.168	4.299.046
Subsidiaries							
Company	Financial receivables	Financial payable	Trade receivables	Trade payables		Revenues	Costs
IMC S.r.l.	1.183.933	4.590	31.555	-	-	6.667	-
Ambra	68.940	-	68.273	202	-	4.625	46.784
Toto Tech	-	-	560.719	1.014.646	-	205.464	3.881.260
Parchi Scarl	-	-	-	-	-	2.000	-
Pontepo Scarl	-	5.830	4.356.475	463.914	-	676.677	1.275.780
Alitec S.p.A.	5.578.746	-	2.132.523	-	-	227.142	115.000
Total	6.831.619	10.420	7.149.545	1.478.762	-	1.122.575	5.318.824
Subsidiaries of parents							
Company	Financial receivables	Financial payable	Trade receivables	Trade payables		Revenues	Costs
Infraengineering S.r.l.	-	-	228.966	1.838.695	-	185.215	541.601
Strada dei Parchi S.p.A.	3.373.326	-	34.963.354	2.972.927	-	99.172.039	31.107
Toto Real Estate	5.794.869	-	2.636.055	518.869	-	330.099	757.288
Parchi Global Service S.p.A.	-	-	21.318	3.514.805	-	30.291	2.706.452
Renexia S.p.A.	-	-	25.812	1.678	-	16.865	1.245
InterSun S.r.l.	-	-	9.993	-	-	1.400	-
Renexia Service S.r.l.	-	8.091	41.230	780	-	18.498	1.950
Aviagricola	-	-	109.229	654	-	720	-
Total	9.168.195	8.091	38.035.957	8.848.408	-	99.755.127	4.039.643
Associates							
Company	Financial receivables	Financial payable	Trade receivables	Trade payables	Revenues from customers	Revenues	Costs
San Benedetto di Sambro Scarl	-	2.700	-	651.838	-	-	485.067
Intermodale S.r.l.	5.053.140	-	404.704	-	-	111.169	-
Arabona Scarl	-	-	-	-	-	-	-
Novigal Scarl	78.557	2.484	-	-	-	-	-
Total	5.131.697	5.184	404.704	651.838	-	111.169	485.067
Other related parties							
Company	Financial receivables	Financial payable	Trade receivables	Trade payables	Revenues from customers	Revenues	Costs
Iniziativa immobiliari	1.089.175	-	1.736.032	-	-	44.826	31.441
Total	1.089.175	-	1.736.032	-	-	44.826	31.441

Transactions with subsidiaries, associates, parents and subsidiaries of parents were all carried out at ordinary market conditions. Reference should be made to the directors' report for a breakdown thereof.

Off-balance sheet transactions

No such transactions were carried out.

Independent auditors' fees

As required by law, it is noted that the fees pertaining to the year for services provided by the independent auditors and its network entities amount to €40,000.

Other information

As required by law, the total fees due to directors and statutory auditors are shown below:.

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

Off-balance sheet commitments, guarantees and contingent liabilities

Pursuant to article 2427 (9) of the Italian Civil Code, off-balance sheet commitments, guarantees and contingent liabilities are shown below:

Sureties and collateral

The company did not issue unrecognised sureties or collateral.

Commitments

This item may be analysed as follows:

Description	31/12/2016	Increases	Decreases	31/12/2017
Commitments taken on by the company	501,316,814	333,746,805	156,566,281	678,497,339
Other memorandum accounts	125,694,258	46,060.49	22,807,281	148,947,026
	627,011,072	379,806,854	179,373,562	827,444,364

Commitments taken on by the company refer to the contractually-agreed commitments for goods or services still to be provided (OIC 23.28).

Other memorandum accounts, which include insurance and bank sureties issued in favour of contracting bodies, may be analysed as follows:

- Insurance and bank sureties to customers as a performance guarantee totalling €106,217,502;
- Insurance sureties to customers as release of guarantee withholdings on work totalling €2,232,827;
- Insurance sureties to customers as a guarantee for advances received for work totalling €35,136,806;

- Insurance and bank sureties as a guarantee for various contractual commitments totalling €5,000,152;
- Guarantees issued in the interest of group companies for payment obligations totalling €359,738.

Contingent liabilities

The company has no unrecognised contingent liabilities.

These financial statements, consisting of a Balance Sheet, Profit and Loss Account, Cash Flow Statement and these Notes, give a true and fair view of the company's financial position, performance and cash flows for the year and are consistent with the accounting records.

Dear Shareholders,

we propose that you:

- discuss and approve the financial statements at 31 December 2017 which show a net profit of €1,817,386;
- allocate 5% (€90,869) of the net profit for 2017 to the legal reserve;
- allocate €1,726,517 of the net profit for 2017 to retained earnings.

As required by law, this document will be filed under the double filing mechanism. These notes to the financial statements will thus be prepared using the so-called "XBRL taxonomy" to enable digital processing (as required by the Register of Companies managed by the Chambers of Commerce in compliance with art. 5 (4) of Prime Ministerial Decree No. 304 of 10 December 2008). The double filing mechanism is necessary since the notes to the financial statements prepared under the "XBRL taxonomy" are not sufficient to present the company's position in accordance with the principles of clarity, fairness and truthfulness as set forth under article 2423 of the Italian Civil Code.

Chairman of the Board of Directors
Alfonso Toto

Cash flow statement Toto S.p.A.

	31/12/2017	31/12/2016
A. Cash flows from operating activities (indirect method)		
<i>Net profit for the year</i>	1.817.386	8.149.258
<i>Income taxes</i>	2.454.683	687.945
<i>Interest expense</i>	5.106.961	5.912.257
<i>(Dividends)</i>		
<i>(Gains)/losses on the sale of assets</i>	0	(0)
1. Profit for the year before income taxes, interest, dividends and gains/losses on the sale of assets	9.379.030	14.749.460
<i>Accruals to provisions</i>	1.656.102	1.606.914
<i>Amortisation/depreciation</i>	1.922.362	4.678.715
<i>Impairment losses</i>	311.567	1.800.000
<i>Other adjustments for non-monetary items</i>		0
<i>Total adjustments for non-monetary items</i>	3.890.031	8.085.629
2. Cash flows before changes in NWC	13.269.061	22.835.089
<i>Decrease/(increase) in inventory</i>	(14.731.346)	2.996.067
<i>Decrease/(increase) in trade receivables</i>	8.412.922	(6.626.500)
<i>Increase in trade payables</i>	15.300.038	21.399.567
<i>Decrease in prepayments and accrued income</i>	717.531	804.983
<i>Decrease in accrued expenses and deferred income</i>	(268.318)	(386.772)
<i>Other changes in NWC</i>	7.608.218	(5.485.639)
<i>Total changes in net working capital</i>	17.039.045	12.701.706
3. Cash flows after changes in NWC	30.308.107	35.536.795
<i>Interest paid</i>	(6.131.095)	(5.792.058)
<i>Income tax</i>	(770.092)	(4.353.473)
<i>Use of provisions</i>	(3.053.061)	(1.566.410)
<i>Other non-monetary changes in provisions (included in NWC)</i>		0
<i>Total other adjustments</i>	(9.954.248)	(11.711.941)
4. Cash flows after other adjustments	20.353.859	23.824.854
Cash flows from operating activities (A)	20.353.859	23.824.854
B. Cash flows from investment activities		
<i>Tangible fixed assets</i>	(260.713)	4.742.353
<i>Intangible fixed assets</i>	(159.111)	(81.273)
<i>Financial fixed assets</i>	(17.517.913)	(24.761.618)
<i>Current financial assets</i>	213.008	576.312
<i>Sale or purchase of subsidiaries or business units, net of liquid funds</i>	0	0
Cash flows used in investing activities (B)	(17.724.729)	(19.524.226)
C. Cash flows from financing activities		
<i>Third party funds</i>		
<i>Increase (decrease) in short-term bank loans and borrowings</i>	(9.448.569)	17.589.215
<i>Loans taken out</i>		
<i>Increase (decrease) in long-term bank loans and borrowings</i>	4.388.376	(24.705.550)
<i>Own funds</i>		
<i>Share capital increase against consideration</i>		
<i>Sale (purchase) of own shares</i>		
<i>Other changes in NE</i>	(340.171)	144.716
<i>Dividends (and interim dividends) paid</i>		
Cash flows used in financing activities (C)	(5.400.364)	(6.971.619)
Decrease in liquid funds (A + B + C)	(2.771.234)	(2.670.991)
<i>Closing liquid funds</i>	981.551	3.752.785
<i>Opening liquid funds</i>	3.752.785	6.423.776
Decrease in liquid funds	(2.771.234)	(2.670.991)



2017 Financial Statements

Board of statutory auditors' report

TOTO S.p.A. COSTRUZIONI GENERALI

Single-member company limited by shares managed and coordinated by Toto
Holding S.p.A.

Registered office in VIALE ABRUZZO, 410 - 66013 CHIETI SCALO (CH) Share capital €50,000,000 fully paid up

Report of the Board of Statutory Auditors on the financial statements at 31 December 2017 pursuant to article 2429 (2) of the Italian Civil Code

Dear Shareholder,

during the year, the Board of Statutory Auditors operated in accordance with the law and the rules of conduct issued by the Italian Accounting Profession.

This report has been approved by the board and was submitted in time for its filing with the company's office, having acknowledged the sole shareholder's waiver of the terms pursuant to article 2429 (3) of the Italian Civil Code.

The Board of Directors provided the following documentation about the year ended 31 December 2017:

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

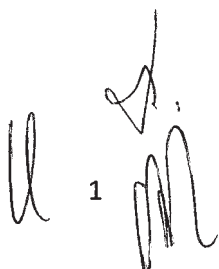
Supervisory activities pursuant to article 2403 and following articles of the Italian Civil Code With respect to the supervisory activities carried out, we confirm the following:

- the company's core business did not change during the year and is consistent with its business object;
- the organisational structure and the IT equipment are substantially unchanged;
- the workforce is substantially unchanged compared to production volumes;
- the above is confirmed indirectly by checking the profit and loss account figures for the year against those of the previous year.

Consequently, this report summarises the information to be reported pursuant to article 2429 (2) of the Italian Civil Code about:

- the activities carried out to fulfil the duties required by the law;
- the comments and proposals about the financial statements, specifically with respect to the possible use by the directors of the waiver permitted by article 2423 (4) of the Italian Civil Code;
- the company's net profit for the year.

1



Activities carried out

We operated throughout the entire year during which we met in accordance with the provisions of article 2404 of the Italian Civil Code.

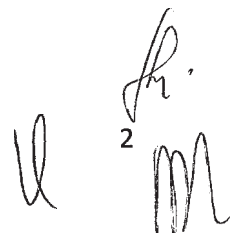
During our periodic checks, we acknowledged the company's business development, focusing, in particular, on contingent and/or extraordinary issues to identify the financial impact on the financial position and results of operations of the year, as well as any risks. In this respect, we discussed technical and specific issues with the departments' heads.

We regularly assessed the adequacy of the company's organisational and functional structure and any changes therein based on operating needs.

The relevant employees worked on the basis of mutual collaboration, respecting their individual roles.

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

- the decisions made by the shareholder and the Board of Directors complied with the law and the by-laws and were not risky or such to jeopardise the integrity of the company's assets;
- the information about the company's overall performance, its outlook and most significant transactions carried out by the company, in terms of amount or characteristics, was obtained, including pursuant to article 2381 (5) of the Italian Civil Code;
- the transactions carried out complied with the law and the by-laws and were not in contrast with the shareholder's decisions or such to jeopardise the integrity of the company's assets;
- there are no specific remarks to be made about the adequacy of the company's organisational structure, its administrative or accounting system or the latter's reliability in fairly representing the company's operations;
- during the performance of our supervisory activities, no other significant facts were noted which require disclosure in this report;
- there were no omissions by the Board of Directors that triggered the obligations to act pursuant to article 2406 of the Italian Civil Code;
- no claims were received pursuant to article 2408 of the Italian Civil Code;
- no claims were submitted pursuant to article 2409 (7) of the Italian Civil Code;
- we did not issue any legally-required opinions during the year.

Comments and proposals about the financial statements and approval thereofHandwritten signatures and a page number. On the left is a stylized 'U' or 'L' signature. To its right is a small '2'. Further right is a signature that appears to be 'R.' above a larger signature that looks like 'M'.

On 30 September 2016, the company assigned the engagement to perform the statutory audit of its financial statements to Pwc S.p.A., an audit company registered with the Register set up by Ministry of Justice.

Based on the information obtained from the Independent Auditors, no significant figures were identified or such to be disclosed in this report.

On today's date, the Independent Auditors issued their report pursuant to article 14 of Legislative decree no. 39/2010, stating that the financial statements give a true and fair view of the company's financial position as at 31 December 2017 and the financial performance and cash flows for the year then ended, in accordance with the Italian legislation governing their preparation.

The Independent Auditors also confirmed that the directors' report is consistent with the financial statements.

We also examined the draft financial statements. In this respect, we note the following:

- we checked the structure of the draft financial statements and their overall compliance with the law to the extent of structure and format and we have nothing to report in this respect;
- the accounting policies applied to assets and liabilities, considering the changes introduced by Legislative decree no. 139/2015, are consistent with the provisions of article 2426 of the Italian Civil Code;
- we checked compliance with the laws governing the preparation of the directors' report. In this respect, there are no remarks to be included in this report;
- the Board of Directors did not avail of any of the waivers permitted by article 2423 (4) of the Italian Civil Code in the preparation of the financial statements;
- we checked that the financial statements complied with the facts and information we became aware of while fulfilling our duties and we have nothing to report in this respect;
- we are in favour of the recognition of development costs of €16,867 and goodwill of €1,385,285;
- we read the report of the Supervisory Body. In this respect, there are no remarks to be included in this report;
- we have nothing to report with respect to the Board of Directors' proposed allocation of the net profit for the year as stated in the directors' report.

We note that work in progress, claims for additional fees and damage compensation amount to approximately €62.5 million. A significant portion of this amount is covered by settlement and recovery procedures.

With respect to said claims, the delays in collecting the related amounts, against the costs already incurred by the company, had an impact on the company's financial position and prevented it from fulfilling some obligations, mainly vis-à-vis the tax authorities (also payable in instalments).

We confirm that the directors provided us with information about:

- the measures set out in the 2018 — 2022 Business plan, focusing, in particular, on the performance of works for the motorway operator Strada dei Parchi;
- the parent's new finance arrangement which will support major strategic investments, including in the Construction sector;
- the planned disposal of non-strategic assets;
- management of the dispute with customers, in order to free the reserves recognised in the financial statements;
- the reduction of credit positions vis-à-vis group companies.

Net profit for the year

The company's net profit for the year ended 31 December 2017 amounts to €1,817,386.

Conclusions

Based on the above and the checks carried out, we are unanimously in favour of the approval of the draft financial statements at 31 December 2017, as they stand.

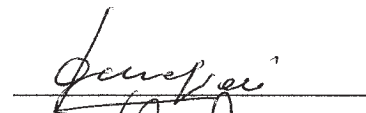
The term of office of the Board of Statutory Auditors and the Board of Directors expires with the approval of these financial statements during the ordinary shareholder's meeting. Therefore, you are invited to appoint new boards.

Chieti, 20 July 2018

Board of Statutory Auditors

GIOVANNI SMARGIASSI

Chairman



FRANCESCO CANCELLI

Standing auditor



VITO GIUSEPPE RAMUNDO

Standing auditor





2017 Financial Statements

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT PURSUANT TO
ARTICLE 14 OF LEGISLATIVE DECREE NO. 39
OF 27 JANUARY 2010

TOTO S.p.A. COSTRUZIONI GENERALI

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2017

Independent auditors' report

pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholder of Toto S.p.A. Costruzioni Generali

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Toto S.p.A. Costruzioni Generali (the “company”), which comprise the balance sheet as at 31 December 2017, the profit and loss account, the cash flow statement for the year then ended and notes thereto.

In our opinion, the financial statements give a true and fair view of the company's financial position as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with the Italian regulations governing their preparation.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the “*Auditors' responsibilities for the audit of the financial statements*” section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters - Management and coordination

As required by the law, the company disclosed the key figures from the latest financial statements of the company that manages and coordinates it in the notes to its own financial statements. Our opinion on the financial statements of Toto S.p.A. Costruzioni Generali does not extend to such data.

Responsibilities of the directors and board of statutory auditors (“Collegio sindacale”) of Toto S.p.A. Costruzioni Generali for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Italian legislation governing their preparation

and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the company's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the company or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 these financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant

doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at the appropriate level 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 identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The directors of Toto S.p.A. Costruzioni Generali are responsible for the preparation of the company's directors' report at 31 December 2017 and for the consistency of such report with the related financial statements and its compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, with the financial statements of Toto S.p.A. Costruzioni Generali at 31 December 2017 and its compliance with the applicable law and to express a statement on any material misstatements.

In our opinion, the directors' report is consistent with the financial statements of Toto S.p.A. Costruzioni Generali at 31 December 2017 and has been prepared in compliance with the applicable law.

With reference to the statement required by article 14. 2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Pescara, 20 July 2018

PricewaterhouseCoopers S.p.A.

(signed on the original)

Stefano Amicone

Director of Audit