



*Company subject to the management and  
control of Atlantia S.p.A.*

# *Financial Statements*

## *as at 31 December 2019*

*Headquarters - 00159 Rome, Via Giuseppe Donati n° 174*

*Share Capital € 10,116,452.45 fully paid-up*

*Registration no. in the Rome Companies Register and Internal Revenue Code 00481670586*

*VAT Code 00904791001, E.A.R. no. 526702*

## INDEX

	Page
Corporate bodies	3
<b><u>REPORT ON MANAGEMENT</u></b>	
General comments	5
Works portfolio	13
Summary of financial and equity management results	
- Foreword	14
- Highlights	15
- Financial management	17
- Equity structure	20
Investments	23
Quality systems	24
Human resources	25
Relations with subsidiary Company and Consortiums	29
Registered office and main operating units	35
Forecast management developments	36
Information provided pursuant to art. 2428 of the civil code article 3 point 6-bis	38
Information in relation to the application of the GDPR no. 679/2016	39
Information in relation to the application of Italian Legislative Decree No. 231/01	40
<b><u>THE FINANCIAL STATEMENTS</u></b>	
<b>BALANCE SHEET, INCOME STATEMENT AND FINANCIAL REPORT (tables)</b>	<b>42</b>
<b>NOTES TO THE ACCOUNTS</b>	
General overview	53
Structure and contents of the financial statements	54
Accounting standards and criteria for assessment	55
<b>BALANCE SHEET INFORMATION</b>	<b>64</b>
<b>INCOME STATEMENT INFORMATION</b>	<b>98</b>
Financial report	114
Guarantees and risks	115
Relations with related parties	117
Operations with buyback clause	124
Financial leasing operations	124
Significant events after the closure of the financial year	124
Summary of essential data of last financial statements of the company exercising management and coordination activities (Atlantia S.p.A.)	126
Shareholders' Meeting proposals	126

## **CORPORATE BODIES**

### **Board of Directors**

*in office for three year period 2018 - 2020*

Chairman (1)	Gennarino Tozzi
Chief Executive Officer (1)	Franco Tolentino
Director	Marco Troncone
Director	Monica Cacciapuoti
Director	Riccardo Bonasso

### **Board of Auditors**

*in office for three year period 2019 - 2021*

Chairman	Francesco Mariano Bonifacio
Standing auditor	Piergiorgio Cempella
Standing auditor	Mario Francesco Anaclerio
Alternate auditor	Sara Antonelli
Alternate auditor	Andrea Balelli

### **Independent auditing firm**

*for the period 2012 - 2020* Deloitte & Touche S.p.A.

- (1) Powers of legal representation; supervisory powers over all corporate activities.

# *Management Report*

## **GENERAL CONSIDERATIONS**

Dear Shareholders,

Financial year 2019 ended with an increase in the volume of works realised by the Company when compared to 2018. The total revenues, amounting to about 406 million Euros (as shown in the Table of Income) increased by about 115 million Euros (+39.43%). This increase concerned the totality of company activities carried out for other companies in the group and external contractors.

Specifically, the increase in company activities for other companies in the Group refers to the Barberino Lot 2 contract (€44,771 thousand), Airport Works (€53,279 thousand) and works for external contractors (€43,592 thousand). The increase is partially compensated by the reduction in revenues from the maintenance of highway surfacing (€14,093 thousand).

In 2019, the amount of €2,970 thousand was also included in the financial statements, the result of a Settlement Agreement pursuant to art. 240 of Legislative Decree 163/2006 for reserve requests submitted to the contractor Autostrade per l'Italia S.p.A. (hereinafter ASPI) on the contract for the construction of the third lane between Florence South and Incisa called Lot 1 North, and the amount of €362 thousand from the contractor ASPI for the contract for the construction of the new "Telepass" booth at Borgonuovo.

During the year closed on 31 December 2019, the Company, supported by internal and external legal consultants, ascertained reserves for €3,000 thousand on the contract for the construction of the fifth lane of the A8 between the Milan North barrier and the Lainate interconnection and for €1,500 thousand on the contract for Compensatory Works in Fano on the A14.

Considering the reduced maintenance activities during the course of the year and the continuing absence of Maintenance Works awarded to ASPI, the Company resorted to the CIGS procedure opened on 4 June 2018. After the meeting with the Trade Unions held on 21 March 2019, letters were sent to the competent authorities for starting the procedure for cutting the workforce by 209 resources in maintenance and in related Areas (84 office workers and 125 manual workers). On 6 June, the Board of Directors of ASPI resolved to award to Pavimental, in a Framework Agreement, the maintenance activities on the entire highway network. The redundancy procedure thus ended positively, with the application of the sole criterion of electing to "not challenge redundancy".

The contract for road surfacing maintenance with ASPI was thus signed on 30 July, for a contractual value amounting to 75 million Euros.

The graduality of works awarded, which was of a modest entity in 2019 (production activities in the year amounted to about 12.3 million Euros, significantly less than historical trends have shown), made the CIGS procedure necessary for the corporate reorganization starting on 24 June 2019 and lasting 12 months.

As a result of the above, 2019 closed on almost level terms.

With regard to the acquisition of contracts, in addition to that for road surfacing described above, it must be pointed out that in June 2019, the Company signed:

- a contract for the realisation of the civil engineering works for the Voltri Interconnection Lot and Polcevera completion and Supplementary Deed no. 1 with the General Contractor COCIV (Consorzio Collegamenti Integrati Veloci). The contractual value is about 205 million Euros for construction Lots one to five and about 44 million Euros for the sixth optional Lot;

- a contract for the works for the adjustment of the CargoTerminal at Naples Capodichino Airport with the contractor GESAC S.p.A. The contractual value is about 5.4 million Euros.

- the framework contract for the restoration of the viaducts was signed with ASPI on 24 September. The contractual value is about 75 million Euros;

- the contract for the realisation of the “Extension of runway 23, new airport access roads and related works - 2nd functional batch and requalification of the existing infrastructure” at Costa Smeralda Airport in Olbia was signed with GEASAR S.p.A. on 10 October. The contractual value is about 30 million Euros.

It should be noted that the Company Management, supported by the reasoned opinion of an external legal consultant, did not deem it necessary to reflect in the financial statements the effects of the MIT resolution on lowering some soundproofing contracts awarded in previous years and now almost completed.

As regards activities carried out, the details are as follows:

#### Maintenance-Surfacing works

Total production amounted to € 12,273 thousand, entirely carried out for ASPI. This is a decrease of € 13,571 thousand compared to 2018, due to the dynamics described above concerning the delay in awarding the maintenance contract.

#### Other maintenance work for ASPI, Soundproofing – Lateral Side Barriers

The activities concerning Soundproofing and Lateral Side Barriers (€1,919 thousand in 2018) have been completed.

#### Other maintenance works for Aeroporti di Roma

The total value amounted to €6,611 thousand, a reduction compared to €30,216 thousand in 2018. The activities concern the works for: the second phase of expansion of the West apron at Fiumicino Airport, constructions to mitigate the hydraulic risk, land side and air side infrastructural completion of the East side terminal sub-system, requalification of parking slots 100-200 at G.B. Pastine airport in Ciampino, which have almost been completed.

#### Other activities for other contractors

The total value amounted to €39,929 thousand, a significant increase compared to last year (€244 thousand). The increase in production is linked to the activities at the Nardò Technical Center S.r.l., as part of the works for the renewal of the road surfaces at the Nardò testing centre, for €15,236 thousand, and the production completed for the new COCIV (Consorzio Collegamenti Integrati Veloci) contract, for €23,594 thousand.

The activities concerning the subsidiary Co.Im.A S.c.a.r.l. for the realisation of the A12 Livorno - Civitavecchia highway stretch and the activities concerning the consortiums Lambro and Consorzio Costruttori TEEM as part of the project for the realisation of the External East Ring Road in Milan were also completed.

#### Construction of Infrastructures

The total amounted to €330,553 thousand.

The following are the details of the main contracts:

#### Highway A4 Turin – Trieste enhancement works on the fourth lane for the section between the Viale Certosa intersection and the Sesto San Giovanni intersection from Km 126+450 to km 135+750

Works were awarded for a net contractual amount of €116.027 thousand, due to the application of a discount of 26.69%.

As at 31 December 2019, production amounted to €87,515 thousand.

72.13% of the contracted work has been completed.

SP 46 Paderno – Rho – Nuovo Polo Fieristico: re-qualification and enhancement works

A contract was signed during April 2014 for re-qualification and enhancement works on SP 46 Paderno – Rho – Nuovo Polo Fieristico for an initial amount of €76,556 thousand. As at 31 December 2019, production amounted to €75,112 thousand, including €7,422 thousand for the additional payment to the Contractor for the early opening of the section.

96.66% of the contracted work has been completed.

Highway Milan – Naples extension to three lanes of the section Barberino di Mugello – Florence North (Lot 1)

In April 2014, the Company was awarded the works for adding a third lane to the section between Barberino di Mugello and Florence North (Lot 1) for an amount of €223,455 thousand, subsequently adjusted to €190,992 thousand as a result of the application of the discounts defined in the MIT. Production as at 31 December 2019 amounted to €186,996 thousand Euros and includes part of the additional payments defined in 2017 in the above-mentioned Transaction Deed and an acceleration bonus for the early opening of the Calenzano stretch amounting to €1,848 thousand.

90.78% of the contracted work has been completed.

Highway Milan – Naples extension to three lanes of the section Barberino di Mugello – Florence North (Lot 2)

The tender contract for the construction of the third lane - Lot 2 - in the section between Barberino di Mugello and Florence North was signed in 2015 by the Company with the Contractor ASPI for an amount of €373,244 thousand, arising from the application of the 12.36% discount; adjustment to the discount in 2016 defined by the MIT (29.698%) led to the recalculation of the contractual value to €302,464 thousand.

The predominant activity in the Lot is the Santa Lucia Tunnel, which is being constructed as a natural tunnel excavated mechanically using a TBM-EPB. 85.37% of the excavation works had been completed by 31 December 2019.

Production as at 31 December 2019 amounted to €228,543 thousand, which includes part of the additional payments defined in the Transaction Deed as specified for the previous Lots.

Extension to three lanes of the section Barberino Florence South - Incisa Valdarno, NORTH Lot, from km 300+749 to km 306+986 on the highway A1 Milan - Naples



The works were awarded by the Contractor ASPI in November 2014 for an amount of €93,372 thousand. Production recorded as at 31 December 2019 amounted to €78,806 thousand.

Completion works of the section in the Apennines between Sasso Marconi and Barberino di Mugello of highway A1 Milan – Naples in the Badia Nuova - Aiglio – Barberino di Mugello section – Completion project.

The works following the opening in December 2015 of the Valico Variant were awarded for an amount of €31,011 thousand. Production during the year amounted to €3,891 thousand.

Execution of works on the A14 Bologna - Bari - Taranto Extension to the third lane from Rimini North to Porto S. Elpidio section Cattolica - Fano. Compensatory works in the Fano area

The works were awarded by the Contractor ASPI for an amount of €28,679 thousand.

Production during 2019 amounted to €13,410 thousand.

Infrastructural works for Aeroporti di Roma

The contract for the Infrastructural Completion of the Land Side and Air Side works for the East side Terminal Subsystem - Lot 1 - Second and Third Phase - Structures, Shell Finishing and Systems for Boarding Area “A”, Forepart T1, Connection Building at Leonardo Da Vinci Airport was signed on 2 August 2017, for an amount of € 127,799 thousand. Production registered as at 31 December 2019 amounted to €104,332 thousand.

Overseas Activities

The activities in Poland were carried out through the local branch of Pavimental S.p.A. in T.A.E. with Pavimental Polska S.p.z o.o., with production during the year amounting to € 1,676 thousand. The permanent establishment closed on 2019 on almost level terms.

A breakdown by business field of the 2019 activities is summarized below:

Production Value											
Business areas 2019						Business areas 2018					
Road surfacing maintenance	Non maintenance works	Infrastructures	Other contractors	Other revenues	Total	Road surfacing maintenance	Non maintenance works	Infrastructures	Other contractors	Other revenues	Total
Maintenance - Road surfacing	12,273				12,273	25,844	1,692				27,536
Other works		405			405		1,374				1,374
Other infrastructures			128		128			(2)			(2)
Expansion to 4 lanes A4			24,560		24,560			24,829			24,829
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch			1,247		1,247			1,565			1,565
Expansion to 5 lanes A8 Milan Laghi			3,049		3,049			1,485			1,485
Expansion to 3 lanes Barberino - Florence North Lot 0			277		277						
Expansion to 3 lanes Barberino - Florence North Lot 1			13,432		13,432			35,691			35,691
Expansion to 3 lanes Barberino - Florence North Lot 2			113,708		113,708			64,809			64,809
Expansion to 3 lanes Barberino - Florence North Lot 13								1,033			1,033
Completion of the pass variant			3,891		3,891			13,213			13,213
Florence infrastructures			46,910		46,910			29,879			29,879
Borgonuovo Telepass junction			362		362			278			278
Interconnections and junctions								1,048			1,048
Adriatica A14 various lots								(147)			(147)
Adriatica A14 Lot 6 B			2,551		2,551			952			952
Fano compensation works			14,910		14,910			11,621			11,621
Soundproofing								1,919			1,919
Somme Urgencies		10,267			10,267		6,555				6,555
<b>For Autostrade per l'Italia</b>	<b>12,273</b>	<b>10,672</b>	<b>225,025</b>		<b>247,970</b>	<b>25,844</b>	<b>11,540</b>	<b>186,254</b>			<b>223,638</b>
<b>For Others in the Atlantia Group</b>											
Società Autostrade Meridionali Tangenziale di Napoli			64		64		(232)				(232)
Stalexport Malopolska S.A.		1,676			1,676		1,306				1,306
Pavimental Polska							103				103
Aeroporti di Roma		6,611	104,332		110,943		36,827	19,697			56,524
Società Autostrada Tirrenica											
<b>Works for Atlantia Group</b>	<b>12,273</b>	<b>18,959</b>	<b>329,421</b>		<b>360,653</b>	<b>25,844</b>	<b>49,544</b>	<b>205,951</b>			<b>281,339</b>
<b>For other contractors</b>											
Lambro Scarl				91	91						
Consorzio Costruttori Teem				(159)	(159)						
Co.Im.A. Scarl				(177)	(177)						
Airport works				1,344	1,344						
Other works									(6)		(6)
Todini S.p.A									100		100
COCIV				23,594	23,594						
Nardò Technical Centre S.r.l.				15,236	15,236				135		135
<b>Total works</b>	<b>12,273</b>	<b>18,959</b>	<b>329,421</b>	<b>39,929</b>	<b>400,582</b>	<b>25,844</b>	<b>49,544</b>	<b>205,951</b>	<b>229</b>		<b>281,568</b>
Losses on infrastructure works provision			713		713			5,020			5,020
Pre-operating costs on infrastructure contracts			419		419			(511)			(511)
<b>Total production</b>	<b>12,273</b>	<b>18,959</b>	<b>330,553</b>	<b>39,929</b>	<b>401,714</b>	<b>25,844</b>	<b>49,544</b>	<b>210,460</b>	<b>229</b>		<b>286,077</b>
Revenue from sales					25	25				593	593
Revenue from services					595	595			15	229	244
<b>Typical production value*</b>	<b>12,273</b>	<b>18,959</b>	<b>330,553</b>	<b>39,929</b>	<b>620</b>	<b>402,334</b>	<b>25,844</b>	<b>49,544</b>	<b>210,460</b>	<b>244</b>	<b>822</b>

\* Amount net of other costs and revenue

Pursuant to article 2428 of the Civil Code, this report is aimed at providing a truthful, balanced and comprehensive analysis of the situation of the Company and its management performance, both in overall terms and in the distinct sectors in which the Company works, also through its subsidiary and associate companies, with specific regard to the costs, revenues and investments, and also the principal risks and uncertainties to which it is exposed and which, if existing, are highlighted and described in the main body of the document. In this context, in particular, the analysis is articulated through reference to the principal result indicators relevant to the specific activities of the Company, and also the information given on the environment and human resources.

### *Environmental management*

The company operations in 2019 were aimed at ensuring that its activities were carried out in complete respect of the laws in force on environmental matters.

Specifically:

- all of the facilities authorized to produce bituminous conglomerate with a recycled component retained their registration in the Provincial Register of Companies and/or the National Roll of Environmental Managers;
- the management of “milled” waste guaranteed the respect of the deadlines and quantitative limits authorized for reserve deposits. In this regard, this component was partially reused in recycled conglomerates and in addition to being conferred to authorised third parties;
- ISO 14001:2015 Environmental Certification was retained for all of the activities carried out by the Company, and the scope of the certification was expanded to the “construction of civil and industrial buildings and tunnels”;
- environmental monitoring was carried out on all operating areas, production facilities and maintenance and construction worksites of the Company. The scheduled plan of audits was fully implemented;
- as in previous financial years, training was provided for the company resources involved in environmental management;
- all of the fire prevention equipment in the Company Operating Units was kept in working order, updating the authorising documentation if necessary;
- the Company Energy Manager was reappointed, and the Company Energy Diagnosis was renewed at the same time, within the deadlines laid down by the law.
- Some of the authorisation procedures aimed at the release of the AUA (Single Environmental Authorisation), which had been ongoing for several years, were completed.

### *Management of health and safety in the workplace*

In 2019, the Company took steps to ensure the fulfilment of the legal obligations concerning Health and Safety in the Workplace envisaged by Legislative Decree 81/08, at the same time improving the company's health and safety standards.

The following activities were carried out during the course of the year:

- fulfilment of the obligation to update employee training, in relation to the roles filed and the consequent legal obligations;
- the Steering Committee for Health and Safety in the Workplace and the Environment, which is the Corporate Body set up on 1 December 2018 to encourage the improvement of the health and safety management system, became operational. This body held several meetings during the course of 2019;
- the trend in injuries in the workplace was constantly monitored, with periodical disclosure to the company's senior management;
- the BS OHSAS 18001:2007 Certification of the Management System for Health and Safety in the Workplace was changed to ISO 45001/2018 standard, and at the same time the scope of the certification was expanded to the “construction of civil and industrial buildings and tunnels”.
- ISO 39001:2012 certification attesting the application within the company of Road Safety Management System (SGS) was retained;
- the operating and/or organizational procedures concerning safety were updated;
- management of the documents needed for verification of Technical and Professional Suitability (ITP) of the company and third parties involved;
- performance of an audit involving every operating site and every company business activity, in line with the company's objectives.

## **PORTFOLIO OF WORKS**

As at 31 December 2019, there are works still to be carried out in the portfolio valued at € 729,335 thousand, made up as follows:

	€ thousands
<u>Autostrade per l'Italia :</u>	
- Ordinary road surfacing maintenance	62,728
- Infrastructure works	195,736
- Other highway works	74,436
- Sound proofing, roadside barriers	191
	<u>333,091</u>
<u>Other Companies in the Altantia Group :</u>	
- Airport works	136,217
- Other highway works	136,217
	<u>136,217</u>
<u>Other contractors</u>	
- Other works	260,027
	<u>260,027</u>
Total works portfolio	<u><u>729,335</u></u>

## SUMMARY OF THE RECLASSIFIED INCOME STATEMENT AND RECLASSIFIED BALANCE SHEET

### FOREWORD

This paragraph describes and comments the Reclassified Income Statement and the Reclassified Balance Sheet for 2019, compared to the values for the previous financial year.

It must be pointed out that the reclassified tables differ somewhat from the official tables described hereafter in the Explanatory Notes.

Specifically:

- the Reclassified Income Statement introduces the “Gross operating profit (EBITDA)” which is not included in the ordinary income statement. This margin is the synthetic indicator of Gross Profit from operations calculated by deducting operating costs with the exception of the amortizations and depreciations, provisions and other valuation adjustments. The result of subtracting these latter costs from the gross operating profit is the “Operating profit (EBIT)”, which is the same as the “Difference between production value and costs” stated in the ordinary income statement. As regards the operating profit, there are no differences in value and intermediate results in the two tables, the sole difference being the briefer nature of the table “Reclassified Income Statement”;
- the Reclassified Balance Sheet differs from the ordinary one, being of a briefer nature and defining the following indicators in particular:
  - “Working capital”: defined as the difference between the inventories, trade receivables, other current assets, trade payables, provisions for risks and charges and short-term costs and the other current liabilities;
  - “Invested capital, less current liabilities and medium and long-term provisions for risks and charges”: determined as the algebraic sum of the fixed assets, operating capital and medium and long-term provisions for risks and charges;
  - “Equity”: matches the net equity in the financial statements;
  - “Net debt”: represents an indicator of the financial structure and is given by the sum of:
    - “Medium and long-term net financial indebtedness”: given by the algebraic sum of the medium and long-term financial payables and the medium and long-term financial assets;
    - “Short-term net financial indebtedness”: given by the algebraic sum of the

short-term financial payables, cash and cash equivalents and short-term financial receivables and net financial income;

## HIGHLIGHTS

Ebitda: difference between the production value and costs, gross of amortizations, allocations and depreciations.

Ebit: difference between production value and costs.

Ebitda Margin: Ebitda/Revenues from sales and services.

Ebit Margin: Ebit/ Revenues from sales and services.

Net Invested capital: algebraic sum of the fixed assets, operating capital and medium and long-term provisions for risks and charges.

Cash Flow: sum of the net result + amortizations + provisions and write-downs.

ROI: Operating result (Ebit) / Net invested capital

ROE: Net result / (Own means – Net result)

€ thousands		2019	2018
Typical production value*		402,334	286,914
EBITDA		32,352	3,044
Ebitda Margin	%	8.0%	1.1%
EBIT		1,285	(20,383)
Ebit Margin	%	0.3%	-7.1%
Net profits/losses		31	(16,205)
Average paid workforce	no.	912.92	862.22
Cost of employment		70,464	60,992
Cost of employment / Revenue	%	17.5%	21.3%
Cash Flow		31,144	7,218
ROE	%	0.2%	-51.9%
ROI	%	0.9%	-13.9%

€ thousands		31 December 2019	31 December 2018
Net Capital Invested		139,093	146,363
Net financial debts		124,112	131,352
Own means		14,981	15,011

\* net of other income and revenue



## **RECLASSIFIED INCOME STATEMENT** (as per table on page 19)

The typical production value for 2019, amounting to € 405,700 thousand (gross of the other income and revenue of €3,366 thousand), shows an increase of €114,732 thousand (+ 39.43%).

The 2019 financial year was marked by the increase in business activities for companies in the Group, with specific regard to the Barberino Lot 2 contract (€44,771 thousand), Airport Works (€ 53,279 thousand) and works for external contractors (€43.592 thousand). The increase is partially compensated by the reduction of €14,093 thousand in revenues from highway surfacing maintenance activities.

The external production costs increased by €77,229 thousand (+ 34.32%) compared to last year. This increase is correlated to the increase in the requirements of goods and services as a result of increased production and the preparation of the COCIV (Consorzio Collegamenti Integrati Veloci) worksites.

The cost of work increased by € 9,472 thousand (+ 15.53%). The average paid workforce increased from 862.24 units in 2018 to 912.92 units in 2019.

The Gross Operating Profit (EBITDA) amounted to €32,352 thousand, an increase of €29,308 thousand from last year because of the dynamics described above.

Amortizations amounted to € 30,110 thousand, an increase of € 8,680 thousand compared to 2018. The amortization of the TBM and other investments for the excavation of the Santa Lucia tunnel, attributed to the income statement of the Company based on linear distance excavated, amounted to €21,994 thousand. 85.37% of the excavation works had been completed by 31 December 2019.

In 2019, the Company recorded a provision for risks and charges totalling € 110 thousand, a decrease of € 1,640 thousand compared to 2018. The entire provision is for disputes with suppliers the outcome of which is expected to be unfavourable.

A provision was made for the depreciation of unusable receivables or ones that are difficult to recover for €837 thousand.

As a result of the movements shown above, the Operating Balance (EBIT) improved by € thousand 21,668 compared to 2018.

The net financial costs decreased by € 269 thousand compared to last year, due to the optimisation by the Company of the use of its credit lines.

The costs accrued on the loan paid out by CACIB for the purchase of the TBM, valued at amortized cost, amounted to €845 thousand, in line with those recorded in 2018. This amount

also includes the cost of derivative financial instruments concerning the loan contract. The interest accrued on the inter-company joint bank account was also in line, amounting to €749 thousand.

The Company closed the financial year with less net financial indebtedness compared to 31 December 2018; in particular, there was less use of the credit lines on the bank accounts held by ASPI.

The value adjustments of the financial assets include costs of €26 thousand concerning the fair value recording of the floor type derivative incorporated in the above loan and the €20 thousand cost for the Interest rate swap part considered as not for hedging.

The fiscal income attributable to the financial year amounted to € 364 thousand, due to the provision for current taxes of €2,270 thousand, the inclusion of costs from previous years' taxes of €108 thousand and the net income for deferred taxes of €2,742 thousand.

The 2019 result is positive for €31 thousand (losses of €16,205 thousand in 2018).

ANALYSIS OF THE INCOME RESULTS

Thousands of Euros

	2019	2018	Differences	
			Value	%
Revenue from works	331,722	331,645	77	0.02
Other revenue from sales and services	620	836	(216)	(25.84)
Other revenue and income	3,366	4,054	(688)	(16.97)
<b>A. TOTAL REVENUE</b>	<b>335,708</b>	<b>336,535</b>	<b>(827)</b>	<b>(.25)</b>
Change in work in progress to order	69,992	(45,567)	115,559	253.60
<b>B. "TYPICAL" PRODUCTION VALUE</b>	<b>405,700</b>	<b>290,968</b>	<b>114,732</b>	<b>39.43</b>
External production costs	(302,257)	(225,028)	(77,229)	34.32
Other costs	(627)	(1,904)	1,277	(67.07)
<b>C. ADDED VALUE</b>	<b>102,816</b>	<b>64,036</b>	<b>38,780</b>	<b>60.56</b>
Net cost of employment	(70,464)	(60,992)	(9,472)	15.53
<b>D. GROSS OPERATING MARGIN (EBITDA)</b>	<b>32,352</b>	<b>3,044</b>	<b>29,308</b>	<b>(962.81)</b>
Amortizations	(30,120)	(21,440)	(8,680)	40.49
Other allocations for adjustments	(837)	(237)	(600)	253.16
Allocations to the provision for risks and charges	(110)	(1,750)	1,640	(93.71)
<b>E. OPERATING RESULT (EBIT)</b>	<b>1,285</b>	<b>(20,383)</b>	<b>21,668</b>	<b>106.30</b>
Financial income and expenses	(1,499)	(1,811)	312	(17.23)
Profits and losses on exchange rates	(73)	(80)	7	(8.75)
Value adjustments of financial assets	(46)	4	(50)	1,250.00
<b>F. PRE-TAX RESULT</b>	<b>(333)</b>	<b>(22,270)</b>	<b>21,937</b>	<b>98.50</b>
Taxes on financial year income, current, deferred and prepaid taxes	364	6,065	(5,701)	(94.00)
<b>H. FINANCIAL YEAR PROFITS/LOSSES</b>	<b>31</b>	<b>(16,205)</b>	<b>16,236</b>	<b>100.19</b>

**RECLASSIFIED BALANCE SHEET** (as per table on page 22)

The “**Invested capital less the financial year liabilities and M/L term provisions for risks and charges**” as at 31/12/2019 amounted to € 139,093 thousand (€ 146,363 thousand as at 31/12/2018). The item is detailed as follows:

“**Fixed assets**” amounting to € 70,666 thousand as at 31/12/2019, this item decreased by € 11,330 thousand compared to 31/12/2018 (€ 81,996 thousand), mainly as a result of the following changes:

- the decrease of €30,120 thousand in amortizations for the year;
- new investments in tangible fixed assets of € 19,628 thousand and in intangible fixed assets of €65 thousand;
- adjustments for investments as at 31 December 2018 of €811 thousand;
- disposal of tangible fixed assets for €86 thousand net of the relevant funds;

“**Working capital**” amounting to € 71,778 thousand as at 31/12/2019; with respect to 31/12/2018, this item increased by €3,809 thousand, mainly consisting of the combined effect of the variations to the following items:

- decrease in warehouse inventories (€ 6,166 thousand) mainly due to the use of the supplies for the Barberino Lot 2 contract and some contracts awarded by ADR in the completion phase;
- increase of €46,216 thousand in ongoing works to order, mainly comprising:

the increase of € 18,733 thousand in third party inventories for the start of the “Voltri interconnection and Polcevera completion Lot” contract awarded by COCIV during the year; the increase of € 16,561 thousand in Aeroporti di Roma inventories for the start of new activities; the increase of € 14,089 thousand in ASPI inventories , essentially due to the increase of activities in Firenze Infrastrutture (€15,740 thousand), Barberino Infrastrutture (€ 8,077 thousand) for the increase in supplies of Lot 2 correlated to the excavation work and maintenance (€ 8,067 thousand). These effects were partially compensated by the advance contractual payments invoiced during the year (€15,000 thousand);

- the increase of €30,843 thousand in trade receivables (essentially from Autostrade per l’Italia) as a result of the amounts invoiced in the latter part of the year.

These changes were partially compensated by:

- the increase of €63,059 in trade payables, partly correlated to the increase in activities carried out during the year, especially in the last few months of the year and the supply of equipment and systems for the preparation of the “Voltri interconnection and Polcevera completion Lot” worksite;
- the decrease of €5,686 thousand in other assets, mainly due to the receipt of the tax receivables transferred in previous years due to the subscription of the parent company Atlantia to the consolidated tax regime.

The “**Medium and long-term provisions for risks and charges**” amounted to €3,351 thousand (€3,606 thousand as at 31/12/2018) and decreased by €251 thousand due to the use of the employee severance fund for personnel leaving the company.

The “**equity**” amounted to €14,981 thousand, and is essentially in line with the value as at 31 December 2018 (€15,011 thousand).

As at 31/12/2019, the Company has a positive “**Net financial position**” (Net financial indebtedness) of €124,112 thousand (€131,352 thousand as at 31/12/2018), a reduction of €7,240 thousand.

The payables to banks for the loans granted by CACIB and UBI Banca for the purchase of the TBM and accessories increased by €3,048 thousand as a combined result of the payback envisaged by the amortization plans and the granting of a new credit line with UBI (€10,000 thousand).

The short-term financial debts reduced by €10,288 thousand as a result of the lesser use of the inter-company bank account for €32,554 thousand, partially compensated by the increase of €21,618 thousand in payables to the banking system.

**ANALYSIS OF THE EQUITY STRUCTURE**

Thousands of Euros

	31.12.2019	31.12.2018	Differences	
			Value	%
<b>A. FIXED ASSETS</b>				
Intangible Fixed Assets	109	119	(10)	(8.40)
Tangible Fixed Assets	65,169	76,485	(11,316)	(14.80)
Financial Fixed Assets	5,388	5,392	(4)	(0.07)
	<b>70,666</b>	<b>81,996</b>	<b>(11,330)</b>	<b>(13.82)</b>
<b>B. FINANCIAL YEAR CAPITAL</b>				
Warehouse inventories	170,531	130,481	40,050	30.69
Trade receivables	59,759	28,916	30,843	106.66
Other assets	31,824	37,510	(5,686)	(15.16)
Trade payables	(165,250)	(102,191)	(63,059)	61.71
Provision for risks and charges	(8,051)	(9,006)	955	(10.60)
Other liabilities	(17,035)	(17,741)	706	(3.98)
	<b>71,778</b>	<b>67,969</b>	<b>3,809</b>	<b>5.60</b>
<b>C. CAPITAL INVESTED</b>				
less financial year liabilities (A + B)	<b>142,444</b>	<b>149,965</b>	<b>(7,521)</b>	<b>(5.02)</b>
<b>D. PROVISION FOR MEDIUM AND LONG-TERM RISKS AND CHARGES</b>				
TFR	3,351	3,602	(251)	(6.97)
	<b>3,351</b>	<b>3,602</b>	<b>(251)</b>	<b>(6.97)</b>
<b>E. CAPITAL INVESTED</b>				
less financial year liabilities and provision for medium and long-term risks and charges: (C - D)	<b>139,093</b>	<b>146,363</b>	<b>(7,270)</b>	<b>(4.97)</b>
Hedged by:				
<b>F. OWN CAPITAL</b>				
Share capital paid-up	10,116	10,116		
Reserves and profits (losses) brought forward	4,834	21,100	(16,266)	(77.09)
Financial year profits (losses)	31	(16,205)	16,236	(100.19)
	<b>14,981</b>	<b>15,011</b>	<b>(30)</b>	<b>(.20)</b>
<b>G. NET MEDIUM AND LONG-TERM FINANCIAL DEBTS</b>				
Medium and long-term financial Assets /Liabilities	29,993	26,945	3,048	11.31
	<b>29,993</b>	<b>26,945</b>	<b>3,048</b>	<b>11.31</b>
<b>H. NET SHORT-TERM FINANCIAL DEBTS</b>				
(Net cash on hand)				
Short-term financial payables	122,875	128,391	(5,516)	(4.30)
Short-term cash and financial receivables	(28,756)	(23,984)	(4,772)	19.90
	<b>94,119</b>	<b>104,407</b>	<b>(10,288)</b>	<b>(9.85)</b>
<b>TOTAL NET FINANCIAL (AVAILABILITY) DEBTS</b>				
(G + H)	<b>124,112</b>	<b>131,352</b>	<b>(7,240)</b>	<b>(5.51)</b>
<b>I. TOTAL, AS IN E</b>				
(F + G + H)	<b>139,093</b>	<b>146,363</b>	<b>(7,270)</b>	<b>(4.97)</b>

## INVESTMENTS

The investments made during the course of 2019 amounted to €19,693 thousand.

As regards the intangible assets, new Software investments were made totalling €65 thousand, mainly relating to the development of web applications for the realisation of a portal for managing the hiring of working machinery.

The new investments in tangible assets are mainly attributable (€ 15,433 thousand) to the purchase of the equipment and systems required for the excavation activities in the contract acquired from COCIV.

The following table contains a summary of the investments made during the period, subdivided by category:

€ thousands	Fixed assets Intangible	Fixed assets Tangible	Total
- Improvement of third party assets			
- Application Software	65		65
- Software licences			
- State grants			
- Land and industrial buildings		522	522
- Plant and machinery		13,278	13,278
- Lorries and vehicles in support of operating activities		2,808	2,808
- Other tangible fixed assets		453	453
- Assets under construction and payments on account		2,567	2,567
	<u>65</u>	<u>19,628</u>	<u>19,693</u>

## **QUALITY SYSTEM**

Activities concerning Quality were very intense in 2019.

Specifically:

- the company’s Quality System was subjected to an overall audit by a third party according to regulation ISO 9001. No criticalities were found and the certificates are thus currently valid, expiring on 31 October 2020;
- the FPC certificates for bitumen modified from polymers at the facilities of the Operating Units of Loreto, Magliano Sabina and Zola Predosa (Bologna) were the subject of annual surveillance, as provided by harmonised standard UNI EN 14023;
- similarly, in fulfilment of that required by standard UNI EN 13108, the internal and external surveillance audits were carried out on all the currently certified operating units of the Company;
- the FPC certificate according to the optional scheme for production of Cement Bound Granular Mixtures was renewed;
- training activities for personnel at headquarters and on worksites were planned and carried out, with in hall activities and training on the job. Internal and external audits were conducted on the main infrastructural highway worksites, on suppliers of construction products and on all airport and railway activities;
- the main documents concerning the company’s operating processes were updated according to the Quality System. The Quality Manual was also monitored and updated;
- as regards the “Make it Sustainable” Sustainability certification, an audit was conducted in May for the annual maintenance of the certificate awarded to the Operating Unit in Zola Predosa. The audits concerning the certification of the Barberino Infrastrutture Operating Unit for its triennial renewal were conducted in May and November.

## **HUMAN RESOURCES**



From an **organizational viewpoint**, 2019 was a year of reorganization of the company set-up aimed at rationalising operations and the main staff processes supporting them, also on the basis of the increased participation in overseas tenders.

The main organizational changes implemented during the year were:

- the merger of all airport works into a new Technical Department entitled Airport Works;
- the creation of a new Technical Department, Railway Works, which is responsible for the execution of works acquired in the tender for the construction of the Terzo Valico dei Giovi high-speed railway;
- the closure of the Operations Procurement and Services department and reallocation of the main staff activities directly to the office of the Director-General (for example Procurement Office) or as part of the departments directly managed by the Chief Executive Officer (for example Tenders Office).

Simultaneously, the interventions continued for updating the corporate procedures, also in order to adjust the procedural set-up of the Company to the organizational Management and Control model (provided by Legislative Decree 231/01).

As regards the **Disclosure Systems**, two important implementations of the company ERP must be mentioned.

The first project involved the adjustment of the supplier payment procedure with regard to the operating Protocol for Financial Monitoring (MGO), an integral part of the awarding of the works concerning the integrated connections consortium for the construction of the Terzo Valico dei Giovi high-speed railway.

The second project modified the process of recording the end of year valorisations, automating the communication, authorisation and accounting phases.

During the course of 2019, **Industrial Relations** focused on the management of long-standing problems due to the reduction of in-house works in the maintenance sector, problems which have led to the implementation of a new Extraordinary Redundancy Fund for Corporate Reorganization which - after the conclusion of the collective dismissal procedure (started on 21 March 2019 due to the same problems) and its declassification (by Ministerial Trade Union agreement on 10 June 2019) to dismissal on a non-opposable basis - was opened by request to the Ministry of Employment, approved by Ministerial Decree no. 103586 of 1 August 2019, for the period from 24 June 2019 to 23 June 2020 and involving 205 resources of the Operating Units in the maintenance sector. Industrial Relations were thus focused on the management and containment of the problems of using such a social safety net and its impact on the staff,

favouring both the reallocation of workers, also within the Group, and the full respect of the commitments undertaken in the aforementioned Agreement of 10 June, including those for the income support interventions (such as the payment of the “indemnity for failed rotation”). The dual result of reducing excess staff and non-conflictuality was thus achieved. Lastly, from a maintenance viewpoint, several meetings were held with the Trade Unions in the second half of the year for the updating of the second level collective bargaining agreements, now regarding outdated set-ups in the maintenance sector.

As regards the infrastructures sector more specifically, with particular regard to Liguria and the awarding to the Company by the CO.CI.V. Consortium of the works for the execution of the “Voltri Interconnection and Polcevera completion Lot” from June, Industrial Relations have held a number of meetings with the construction Trade Unions in the Genoa area for the management of matters concerning staff previously employed by the CO.CI.V. Consortium. More specifically, Industrial Relations in this regard were aimed at the management of commitments undertaken during tenders and the consequent awarding of the aforementioned works, with particular regard to the obligation, in order to respect the “social clause” included in the tender, for the Company to hire 255 unemployed workers from among those involved in the construction of the aforementioned Terzo Valico and to hire workers from among the disadvantaged categories in the area. This Industrial Relations work led to the signature on 14 June of the agreement with the awarding Consortium and the construction Trade Unions in Liguria. Subsequently, on 11 October, industrial Relations produced another agreement with the Genoa Trade Unions, achieving the goal of convening and governing the economic treatment, including the feasibility of setting up a company Welfare system, and the management and organizational aspects of the Company staff involved in this significant contract.

Also in the infrastructures sector, Industrial Relations held several meetings during the year with the Fiumicino Trade Unions, resulting in the agreement of 18 October 2019 in which the parties agreed to the conditions and treatment, including a company Welfare case in this instance as well, for the staff involved in the company contracts in the airport sector, based on correctness and a climate of collaboration.

Regarding the aspects concerning the **Selection** of human resources, 215 new working positions opened up in 2019, of which 44 were filled by internal candidates, which also promoted horizontal and vertical mobility processes.

In the framework of infra-group mobility, following the start of the CIGS involving staff in the maintenance sector, internal selections have filled the vacant positions within the Companies in the Group, which has so far led to the secondment of 17 resources.

As regards **Training**, a training plan was implemented, dedicated to the maintenance staff involved in the CIGS, aimed at acquiring new or renewed technical and specialist skills which will enable them to be employed in other infrastructural and/or airport activities or requests from Companies in the Group. In addition to in-hall training, the plan involves on the job training aimed at transferring technical skills. The enhancement of the corporate culture as regards safety in the workplace, environmental protection and quality also continued. Particular focus was placed on training and updates on new regulations and techniques of interest to the company, such as electronic billing, the laws concerning anti-corruption and privacy, the 2019 State Budget and the Decree Law reforming the pension system.

The majority of the training initiatives undertaken were realised using financed training, through the Professional Funds allocated for continuous training.

A total of about 9,000 hours of training were carried out during 2019, involving about 700 participants.

The following table compares the company workforce as at 31 December 2019 and 2018 respectively, in consideration of the different types of continuing and fixed-term employment contracts:

	31 December 2019			31 December 2018			Delta
	CONT.	FT	TOTAL	CONT.	FT	TOTAL	
Executives	8		8	9		9	(1)
Managers	23		23	24	2	26	(3)
Office workers	273	15	288	264	5	269	19
Manual workers	813	134	947	504	154	658	289
	<u>1117</u>	<u>149</u>	<u>1,266</u>	<u>801</u>	<u>161</u>	<u>962</u>	<u>304</u>

As regards the average remunerated workforce, 2019 closed with an average of 912.92 units compared to 862.22 in 2018.

The average remunerated workforce is broken down into the following categories:

	2019			2018			Delta
	CONT.	FT	TOTAL	CONT.	FT	TOTAL	
Executives	8.08	-	8.08	9.00		9.00	(0.9)
Managers	24.14	0.33	24.47	24.80	2.00	26.80	(2.3)
Office workers	263.64	4.38	268.02	266.32	7.55	273.87	(5.9)
Manual workers	529.02	83.33	612.35	428.28	124.27	552.55	59.8
	<u>824.88</u>	<u>88.04</u>	<u>912.92</u>	<u>728.40</u>	<u>133.82</u>	<u>862.22</u>	<u>50.70</u>

## **SUBSIDIARIES AND CONSORTIUM COMPANIES**

*Pavimental Est (in liquidation)*

Headquarters in Moscow

Share capital 4,200,000 new Roubles  
Holding 100%

The Company has been inactive since 1999. The allocations to cover eventual losses, that are currently expected to be incurred, amount to €343 thousand. The liquidation procedure of the holding company started in 2014.

*Pavimental Polska Sp.z o.o*

Head office in Trzebinia

Share Capital 3,000,000 PLN

Holding 100%.

In 2019, production activities essentially focused on the performance of:

- works linked to contract HM-3-2016 Resurfacing 2016-2017 on the A4 Katowice-Krakow highway, acquired on 05 February 2016. The contract, in consortium with Pavimental SpA.(leader Pavimental Polska), was originally valued at 38.495 million PLN, changed to 44.864 million PLN in subsequent variation orders. The new deadline for the works has been set at 30 April 2019, compared to the contractual deadline of 31 October 2017. The testing of the works was conducted on 14 November 2019;
- works linked to contract ROM48 Renovation of piers on the Bridge M48 on the A4 Katowice-Krakow highway, acquired on 04 July 2017. The contract was originally valued at 20.4 million PLN, changed to 22.2 million PLN in subsequent variation orders. The works were completed as at 31 December 2019;
- works linked to contract HM-4-2019 Resurfacing 2019-2020 on the A4 Katowice–highway acquired on 04 February 2019. The contract was originally valued at 47.5 million PLN, changed to 53 million PLN in subsequent variation orders. The new deadline for the works has been set at 17 May 2021, compared to the contractual deadline of 17 October 2020. As at 31 December 2019, works had been completed for a value of 29 million PLN;
- works linked to contract F2b-6-2014 Reconstruction of the drainage for the motorway A4 part II on the A4 Katowice-Krakow highway. The contract acquired on 1 April 2016 was originally valued at 22.4 million PLN, changed to 29.1 million PLN in subsequent variation orders. The works have been tested;

- works linked to contract ROM09-54 Renovation of Bridge structures M09L and M09P and replacement of expansion devices on the M54P bridge on the A4 Katowice-Krakow highway, acquired on 21 November 2018 and expiring on 30 November 2020. The contract, in consortium with Pavimental SpA.(leader of the consortium), was originally valued at 8.3 million PLN, changed to 10.4 million PLN in subsequent variation orders. As at 31 December 2019, works had been completed for a progressive production value of 7.144 million PLN;
- works linked to contract F2b-10-2018 Reconstruction of the drainage for the motorway A4 part III on the A4 Katowice-Krakow highway. The contract acquired on 9 July 2019 is valued at 14.4 million PLN and the contractual deadline is 30 April 2021. As at 31 December 2019, works had been completed for a progressive production value of 1.5 million PLN;

As at 31 December, the workforce was 65 units, of which 21 office workers and 44 labourers.

*Elmas S.c.a r.l. (in liquidation)*

Headquarters in Rome  
Share capital €10,000  
Holding 60%.

The works for the refurbishment of the main runway, the restructuring of runway 14-32 and the enhancement of the AVL systems at Cagliari Elmas airport awarded to the temporary association of enterprises between Pavimental S.p.A. and SAR.CO.BIT. S.r.l., the performance of which was contracted to Elmas S.c.a.r.l., were completed during 2009.

In the framework of the bankruptcy procedure of the shareholder SAR.CO.BIT S.r.l., the Cagliari Law Courts accepted the claim by Pavimental for amounts payable on 4 October 2010, for an amount of €1,408 thousand.

The Company entered liquidation on 12 June 2013.

*Co.Im.A. S.c. a r.l. (in liquidation)*

Headquarters in Rome  
Share capital €10,000  
Holding 75%.

On 26 July 2012, a limited liability consortium company was incorporated, named Co.Im.A. S.c.a.r.l., the scope of which is the realization of public works and infrastructures through participation in procedures for awarding contracts through tenders, competitive tenders, concession or through any other system of awarding. The share capital amounts to €10 thousand and the holdings are divided as follows:

- Pavimental S.p.A. 75%;
- Autostrade Tech S.p.A. 20%;
- Pavimental Polska S.p. z o.o 5%.

In 2012, the Consortium obtained the qualification of Category I General Contractor, and therefore had the possibility of participating in General Contractor tenders for amounts of up to 350 million Euros.

Co.Im.A. possesses 29.7% of the holding quotas in the capital of the consortium SAT LAVORI, a Company incorporated for the realization and completion of the A12 Livorno – Civitavecchia highway stretch. These works have been completed.

The consortium entered liquidation on 14 May 2018.

*Consorzio R.F.C.C. (in liquidation)*

Headquarters in Tortona (AL)  
Share capital €510,000  
Holding 30%

The lawyer who assisted the Consortium in the settlement of disputes with the contracting station and the Moroccan government, which ended in 2015, in turn summoned the Consortium before the Milan Law Courts to declare the contract signed by the parties terminated due to the fault of the Consortium and obtain compensation.

*Ramonti S.c.a.r.l. (in liquidation)*

Headquarters in Tortona (AL)  
Share capital €10,000  
Holding 49%

Following the definitive awarding of the works commissioned by Autostrade Centro Padane S.p.A. for the construction of the highway link between the toll booth at Ospitaletto (A4), the new toll booth at Poncarale (A21) and Montichiari airport, a new limited liability consortium company was incorporated on May 14, 2008, with a share capital of €10 thousand and named Ramonti S.c.a.r.l..

The consortium members, Itinera S.p.A. and Pavimental S.p.A., hold 51% and 49% respectively of the capital quotas. The scope of the company is to operate using the system of overturning costs to individual members on the basis of their respective holdings. Production activities have been completed.

*Società Tangenziale Esterna S.p.A.*

Headquarters in Milan  
Share capital €464,945,000  
Holding 1%

This is the project concessionary company for the design, construction and management of the External Eastern Bypass in Milan. The entire work became operational on 16 May 2015; the duration of the concession is established as fifty years from the entry into operation of the complete roadway connection.

*Consorzio Costruttori TEEM*

Headquarters in Milan  
Share capital €10,000  
Holding 1%

Consorzio Costruttori TEEM is responsible for coordination between the construction companies involved in the TEEM initiative.

As at 31 December 2019, activities were concluded.

*Consorzio Lambro*

Headquarters in Milan  
Share capital €200,000  
Holding 2.78%

Again, with reference to the External Eastern Bypass project in Milan, a limited liability consortium company was incorporated on December 19, 2011, called Lambro, with a share capital of €200 thousand and with the corporate purpose of performing the works awarded to the components of Group A of Consorzio Costruttori TEEM. The percentage holding owned by Pavimental is 2.78%.

As at 31 December 2019, activities were concluded.

The following is the economic and financial data concerning these companies:



€ thousands

<b>Economic relations</b>	<b>2019</b>	<b>2018</b>	<b>Difference</b>
<u>Ordered works</u>			
Consorzio R.F.C.C. in liquidation	(177)		(177)
Pavimental Polska	285	103	182
Consorzio Costruttori TEEM	(159)		(159)
Consorzio Lambro	91		91
	<u>40</u>	<u>103</u>	<u>(63)</u>
<u>Other Services and Income</u>			
Consorzio Lambro	16		16
Consorzio R.F.C.C. in liquidation	1,258		1,258
Pavimental Polska	285	10	275
Consorzio Ramonti in liquidation	3		3
Consorzio Elmas in liquidation	3		3
Consorzio Costruttori TEEM	36		36
	<u>1,601</u>	<u>10</u>	<u>1,591</u>
<u>Service costs</u>			
Consorzio Ramonti in liquidation		6	(6)
Consorzio Elmas in liquidation		1	(1)
Consorzio R.F.C.C. in liquidation		78	(78)
Consorzio Costruttori TEEM		24	(24)
Consorzio Lambro		84	(84)
Consorzio CAIE		5	(5)
Pavimental Polska	635	1,346	(711)
	<u>635</u>	<u>1,544</u>	<u>(909)</u>
<u>Other costs</u>			
Consorzio R.F.C.C. in liquidation		43	(43)
Consorzio Ramonti in liquidation		7	(7)
Consorzio Galileo in liquidation		1	(1)
Consorzio Costruttori TEEM		117	(117)
Consorzio Lambro		26	(26)
Consorzio Elmas in liquidation	1		1
	<u>1</u>	<u>194</u>	<u>(193)</u>
<u>Financial income</u>			
TE Tangenziale Esterna di Milano	139	139	
Pavimental Polska	20	11	9
	<u>159</u>	<u>150</u>	<u>9</u>

€ thousands

Equity relations	31 December 2019	31 December 2018	Difference
<u>Trade receivables and assets under construction</u>			
Consorzio R.F.C.C. in liquidation	3,510	3,160	350
Consorzio Costruttori TEEM	106	344	(238)
Consorzio Lambro	2,327	2,317	10
Consorzio Elmas in liquidation	548	548	
Pavimental Polska	326	22	304
Consorzio RFCC in liquidation	124	124	
	<u>6,941</u>	<u>6,515</u>	<u>426</u>
<u>Financial receivables</u>			
TE Tangenziale Esterna di Milano	1,757	1,618	139
Consorzio Ramonti in liquidation	171	156	15
Consorzio Elmas in liquidation	1,030	1,030	
Pavimental Polska		697	(697)
Pavimental Est in liquidation	423	383	40
Consorzio RFCC in liquidation	2,291	2,291	
Consorzio R.F.C.C. in liquidation	20	20	
	<u>5,692</u>	<u>6,195</u>	<u>(503)</u>
<u>Other receivables</u>			
Consorzio R.F.C.C. in liquidation			
Consorzio Elmas in liquidation	2	2	
Consorzio Ramonti in liquidation	142	142	
	<u>144</u>	<u>144</u>	
<u>Trade payables</u>			
Consorzio Costruttori TEEM	145	247	(102)
Consorzio Galileo in liquidation			
Consorzio Elmas in liquidation	1,438	1,444	(6)
Consorzio Lambro	34	486	(452)
Pavimental Polska	698		698
Consorzio R.F.C.C. in liquidation	1,630	2,660	(1,030)
	<u>3,945</u>	<u>4,837</u>	<u>(892)</u>

## REGISTERED ADDRESSES, SECONDARY OFFICES AND LOCAL UNITS

The following are the registered addresses:

### REGISTERED ADDRESS

ROME - Via Giuseppe Donati no. 174

### SECONDARY OFFICES AND LOCAL UNITS

Worksites:

- Anagni (Frosinone)
- Andria (BAT)
- Arezzo
- Barberino di Mugello (Florence)
- Bologna
- Calenzano (Florence)
- Fiesso Umbertiano (Rovigo)
- Genoa
- Loreto (Ancona)
- Magliano Sabina (Rieti)
- Marcianise (Caserta)
- Ortona (Chieti)
- Piacenza
- Rimini
- Trezzo sull'Adda (Milan)
- Uboldo (Varese)
- Turate (Co)
- Fiano Romano (Rome)
- Mondolfo (PU)
- Barberino di Mugello (Florence)
- Rimini (RN)
- Florence
- Barberino di Mugello (Florence)
- Castiglione dei Pepoli
- Castiglione dei Pepoli
- Baranzate
- Novate
- Fiumicino Airport
- Genoa (COCIV)
- Località Cangiano
- Contrada Lamapaola
- Civitella in Val di Chiana, Via delle Case Rosse no. 12
- Località Bovecchio, Via Frassineta s.n.
- Zola Predosa, Via Prati 10A
- Via Madonna del Facchino snc
- Via Trento s.n.
- A12 East Highway km 2 Dir. Ge-Li
- Località Leonessa
- Località Campitelli
- S.S. Sannitica km. 19 +600
- Zona Industriale Località Tamarete no.10
- Località Borghetto di Roncaglia
- Frazione S.Martino in Riparotta
- S.P. 2 s.n. towards Grezzago
- Via IV Novembre s.n.
- Via Puecher no.38
- Via Salaria Km 15+750
- Via Sterpettine s.n.c.
- Località Cornocchio
- Via Flaminia Conca no. 85
- Via di Ponte a Iozzi Località Cascine del Riccio
- Località Poggiolino
- Località Roncobilaccio
- Località Roncobilaccio
- Via dei Giovi snc
- Via Giacomo Brodolini Snc
- ECHO apron, snc
- Via Renata Bianchi no.40

## **MANAGEMENT OUTLOOK**

A significant increase of value of production is foreseen during the 2020 financial year, mainly due to:

- the completion of the framework contract concerning the maintenance plan for highway surfacing on the ASPI network, which started again in the fourth quarter of 2019;
- the infrastructural contracts with ASPI, as a result of the completion of the excavation of the S. Lucia Tunnel, the expansion to the third lane between Florence South and Incisa Lot 1 North and the expansion to the fourth lane of the A4. Again with ASPI, the national works in the scope of the framework agreement for the maintenance of open-air and underground works of art are of particular relevance, as is the start of the works on the first batch of the Gronda di Genova Lot 1A;
- the airport contracts with ADR, including the completion during the year of the works at Fiumicino airport (FCO) for the western expansion of Terminal 1 (Lot 1 Pier A) and the increase in production for the works concerning Lot 2 of Pier A and the reconfiguration of boarding area C (AIC) and the new root hub boarding area D (NID);
- contracts with third parties, especially the start of the works awarded by COCIV, which are in the framework of the HV/AC “Terzo Valico dei Giovi” stretch connecting the Genoa railway hub in the Fegino intersection area with the hub in Tortona. The increase in production activities due to the completion of airport works awarded during the course of 2019 at Capodichino airport and Olbia airport must also be highlighted.

However, it must be noted that, as regards the events described in the paragraph “Significant events after closure of the financial year” in the Explanatory Notes to the financial statements as at 31 December 2019, the worsening of the emergency linked to the spread of the COVID-19 pandemic in Italy and the government measures emanated as a result imposed the slow-down or temporary suspension of activities in March and April 2020. As described in said paragraph, all of operating measures aimed at ensuring the safety of workers and the necessary measures for the reduction of the negative economic impacts have been implemented. In this regard, the Company has prepared an estimate of the impact of the possible consequences on the economic result for 2020 (which may be negative for an estimated amount as of the date of this report of about 4 million Euros) and the financial situation, on the basis of which there is no doubt as regards the capacity to operate under normal conditions.

It is also opportune to point out that in the current context of general economic difficulty, Pavimental was awarded by Autostrade per l'Italia (the main contractor of the Company) production activities in excess of that initially forecast in the Budget and in the Company's long-term plan.

In this regard, although taking into account the concessionary and regulatory uncertainties conditioning the level and planning of both the infrastructural and the maintenance activities planned by Autostrade per l'Italia, it must be noted that, also on the basis of the authoritative opinion of an expert entrusted by the Company, taking the applicable laws into account, the activities contracted and ongoing would be fully valid even in the event that the management activities under concession for the highway infrastructure were to be transferred to another concessionary, the relevant rights and obligations also being transferred to the latter.

In conclusion, in the light of the information available until now, it is believed that there are no significant criticalities as regards the outlook, given that:

- the Company expects a significant increase in production activities in 2020 anyway;
- the contracts already signed by Pavimental with its contractors cover a timeframe of at least 18 months;
- the financial requirements highlighted by the cash flow forecasts are covered by the credit lines currently available to the Company.

However, the significance of the effects of the pandemic on the management results of the Company can only be commensurate to the duration and extent of the containment measures and updated on the basis of the development of events concerning the epidemic, which are not currently foreseeable.

**DISCLOSURE PURSUANT TO ART. 2428, PARAGRAPH 3, SUB. 6-BIS OF THE CIVIL CODE**

The Company operates in the sector of maintenance of the highway network and the construction of infrastructures and airport-related activities, prevalently on behalf of Autostrade per l'Italia S.p.A. and Aeroporti di Roma and, to a lesser extent, third party contractors, and is not exposed to specific market risks in this regard, except for those exclusively due to eventual changes to the strategies decided by the Group or changes to the regulatory framework.

Excluding that mentioned in this Management Report with regard to the discounts on certain soundproofing contracts, the Company is not exposed to significant risks of changes to the prices of the works carried out, as the remuneration for the activities carried out is determined contractually with the contractors.

The Company has not recorded any significant cases of additional payments for infrastructural works not being made in the past.

The Company is not exposed to significant risks in terms of changes in financial flows, except for those exclusively due to the dynamics of the receipt of receivables claimed from its own contractors, principally Autostrade per l'Italia S.p.A. and Aeroporti di Roma S.p.A.

The company is not exposed to significant credit risks and has not encountered significant cases of non-fulfilment by the counterparty, except for that described as regards the receivables from Adriatica S.c.a.r.l. and Sielpa, for which Pavimental has prudentially allocated an amount in the financial statements for the possible failure to recover the credit.

The Company is not currently exposed to liquidity risks, given that it believes it has access to sources of financing, both internal (also to the Group it belongs to) and/or external, that are sufficient to satisfy its forecast financial needs, and for current operational management purposes.

With regard to the financing at variable interest rate from Credit Agricole Corporate Investment Bank Deutschland (euribor+0.60 bps), the company signed an IRS for an equal amount to hedge the interest rate risk.

The Company is involved in civil and administrative lawsuits and in legal action concerning the ordinary performance of its activities. On the basis of the information currently available, the company believes that these lawsuits and legal actions will not determine significant negative effects on the equity and financial situation and the economic result of the company, other than those reflected in these financial statements.

### **Other information ex art. 2428 of the Civil Code**

The Company does not possess treasury shares or shares in Subsidiary Companies, directly or through trust companies and intermediaries. Similarly, no operations were carried out during the financial year involving treasury shares or those of Subsidiary Companies.

### **DISCLOSURE CONCERNING THE APPLICATION OF THE GDPR No. 679/2016**

During the course of 2019, Privacy management objectives were implemented and the performance of the fulfilments required as a result of the acknowledgement of EU Regulation 679/2016, also known as the GDPR, was monitored.

The necessary documental and organizational adjustments have thus been made, including the following, merely for example:

- to the Payroll;
- to all types of disclosure;
- to the Privacy organizational chart, on the basis of the many changes to the Pavimental organizational set-up during 2019, also on the basis of the new contracts and/or works (for example CO.CI.V.);
- the appointment of those authorised to process personal data, internal and external to the Data Controller Pavimental, also on the basis of the new contracts and/or works and the Polish branch;
- the implementation of the Privacy procedures required by the GDPR (Data Breach, Data Retention, Management of the Rights of the Interested Parties);
- the acquisition of the HTTPS certificate for the protection of the Company website.

During the course of the year, in collaboration with the Pavimental DPO, the independent auditing firm appointed by Atlantia was provided with all of the privacy documentation and information needed to audit the companies in the Group.

Disclosure was given of these actions during the two half-yearly meetings (in June and December) of the Privacy Committee and the due documental updates made public on the noticeboard.

Lastly, the new e-learning course for training and updating the Company staff on the topics and regulatory updates in GDPR no. 679/2016 was realised and started, adapting the course to the realities and organization of company privacy.

## **INFORMATION ON THE APPLICATION OF LEGISLATIVE DECREE 231/ 01**

The composition of the Pavimental S.p.A. Supervisory Board is as follows for the 2019 and 2020 financial statements:

- Avv. Nicola Selvaggi   Coordinator
- Mr. Bruno Ciappina    Member
- Gen. Franco Mottola   Member

In the framework of monitoring the new legal dispositions, the Board has informed the Company of the expansion of the number of presupposition crimes with the inclusion, as a result of the so-called “corruption breaker” law, of “Trafficking of illegal influences” according to art. 346 bis of the Penal Code and the inclusion of “Fraudulent declaration using invoices or other documents for non-existent transactions”, as a result of Decree Law 124 of 26 October 2019 (Tax Decree). In this regard, the Company has been asked to evaluate the adequacy of the current control system or consider the opportunity of further updating the Model.

In carrying out its duties, the Board has, among other activities, asked the Internal Audit Department to perform a detailed study of the sanctioning system in force concerning HSE and verify the methods of managing any criticalities encountered, with specific regard to the application of the sanctions and measures against its staff. This verification was carried out by the Internal Audit Department and reported on in the “231 Monitoring” audit report.

The Board also commissioned from the Company Units responsible in this regard an audit concerning the respect of the requirements in art. 30 of the Safety Consolidation Act (Legislative Decree 81/2008), which lays down specific requirements for the Organizational Model in term of the exoneration of responsibility envisaged by Legislative Decree 231/2001 in the Barberino Infrastrutture worksite. The audit was conducted and confirmed the compliance of the 231 Organizational Model.

During the course of 2019, the Board also decided to commission from an external consultancy firm, still being identified, an audit on environmental matters of interest to the Board, and therefore with regard to the application and observance of the Model.

### **Certificate of attestation (SOA)**



The procedure for renewing SOA certification with the Certification Firm La Soatech S.p.A. was completed in 2019.

The Attestation, no. 31583/17/00 released on 22/01/2019 and expiring on 21/01/2024, certifies Pavimental for the following categories:

Category	Description	Classification
OG1	Civil and industrial buildings	VIII
OG3	Roads, highways, bridges, viaducts, railways, subways	VIII
OG4	Works of art and underground works	VIII
OG6	Aqueducts, gas pipelines, oil pipelines, irrigation and evacuation works	IV bis
OG7	Maritime works and dredging	III bis
OG8	River works, defences, hydraulic solutions and clearance	VIII
OG10	Systems for high/medium voltage transformation and the distribution of alternate and continuous current electricity and public lighting systems	V
OG11	Technological systems	VI
OG12	Environmental clearance and protection works and systems	III
OG13	Natural engineering works	IV bis
OS1	Earth works	VIII
OS9	Luminous signage and traffic safety systems	V
OS10	Non-luminous road signage	V
OS11	Special structural equipment	V
OS19	Telecommunications and data transmission and processing systems	I
OS21	Special structural works	VIII
OS23	Demolition of works	IV
OS24	Urban green areas and surrounds	VI
OS26	Road surfacing and special structures	VIII
OS30	Internal electrical, telephone, radio-telephone and television systems	III
OS34	Soundproofing systems for mobility infrastructures	VIII
OS 12A	Road safety barriers	VIII
OS 18A	Steel structural components	VIII
OS 20A	Topographical surveys	II

# *Financial Statements*

*Balance Sheet*

*and*

*Income Statement*

## BALANCE SHEET

### ASSETS

	31/12/2019		31/12/2018	
A) Receivables from shareholders for amounts unpaid				
<b>B) Fixed Assets:</b>				
<i>I - Intangible Fixed Assets:</i>				
1) Plant and development costs				
3) Industrial patents and intellectual property rights	60,560		46,427	
4) Concessions, licenses, trademarks and similar rights	40,500		56,665	
7) Others	<u>8,195</u>	109,256	<u>16,391</u>	119,483
<i>II - Tangible Fixed Assets:</i>				
1) Land and buildings	6,749,226		7,288,897	
2) Plant and machinery	50,096,190		63,015,545	
3) Industrial and commercial equipment	4,580,783		3,678,295	
4) Other assets	847,119		649,399	
5) Fixed assets under construction and advance payments	<u>2,896,187</u>	65,169,504	<u>1,852,642</u>	76,484,778
<i>III - Financial Fixed Assets:</i>	(*)		(*)	
1) Investments in:	5,387,872		5,391,872	
a) subsidiaries	726,722		726,722	
b) associates	4,900		8,900	
d - bis) other companies	4,656,250		4,656,250	
2) Receivables:	2,182,432		3,329,427	
a) from subsidiaries	---		1,447,848	
d) from subsidiaries of the parent company	3,792		3,792	
d - bis) from others	2,178,640		1,877,787	
4) derivative financial instruments	---	7,570,304	---	8,721,300
<b>TOTAL FIXED ASSETS (B)</b>	---	<u>72,849,064</u>	---	<u>85,325,561</u>
<b>C) Operating capital:</b>				
<i>I - Inventories:</i>				
1) Raw and auxiliary materials and consumables	13,526,058		19,691,946	
3) Work in progress to order	<u>221,660,706</u>	235,186,765	<u>151,668,073</u>	171,360,018
<i>II - Receivables:</i>	(**)		(**)	
1) from customers	11,418,758		7,053,864	
2) from subsidiaries	5,138,657		2,431,334	
3) from associates	2,731,035		2,713,247	
4) from the parent company	951,842		9,175,541	
5) from subsidiaries of the parent company	44,557,088		21,302,401	
5 - bis) tax receivables	6,707,730		3,671,676	
5 - ter) prepaid taxes	7,364,422		4,563,655	
5 - quater) from others	<u>12,389,432</u>	91,258,963	<u>15,592,598</u>	66,504,316
<i>III - Financial Assets not constituting fixed assets:</i>				
5) derivative financial instruments	---		---	
6) other securities	---		---	
<i>IV - Cash and cash equivalents:</i>				
1) bank and postal deposits	24,817,844		19,395,688	
3) cash and cash equivalents	<u>7,769</u>	24,825,613	<u>9,591</u>	19,405,279
<b>TOTAL OPERATING CAPITAL ( C )</b>	---	<u>351,271,341</u>	---	<u>257,269,613</u>
D) Accrued expenses and other prepayments	---	4,313,473	---	4,522,755
<b>TOTAL ASSETS</b>	---	<u>428,433,878</u>	---	<u>347,117,929</u>

(\*) Due within next financial year

(\*\*) Due after next financial year

## BALANCE SHEET

### LIABILITIES

	31/12/2019	31/12/2018
<b>A) Net equity:</b>		
I - Capital	10,116,452	10,116,452
II - Share premium reserve	4,622,072	4,622,072
IV - Legal reserve	1,913,444	1,913,444
VI - Other reserves indicated separately:		
Reserve for unrealised gains on exchange rates		
Conversion reserve	-171,769	-266,404
Payments on account for capital increases		
VII - Reserve for transactions hedging flows for expected financial revenues	-329,397	-173,616
Profits (losses) retained	-1,200,452	15,004,619
IX- Profits (losses) for the financial year	31,176	-16,205,071
	<u>14,981,526</u>	<u>15,011,496</u>
 <b>B) Provisions for risks and charges:</b>		
2) For taxes, including deferred taxes	94,893	85,309
3) derivative financial instruments	713,699	464,022
4) others	7,242,230	8,456,339
	<u>8,050,821</u>	<u>9,005,671</u>
 <b>C) Employee severance fund</b>	<u>3,350,987</u>	<u>3,601,920</u>
 <b>D) Payables:</b>		
	(**)	(**)
4) payables to banks	<u>21,082,418</u>	<u>22,523,418</u>
5) payables to other creditors		
6) advance payments	64,709,371	40,899,069
7) payables to suppliers	160,446,422	94,828,932
9) payables to subsidiaries	3,142,780	5,328,154
10) payables to associates		1,220
11) payables to the parent company	2,214,624	1,347,236
11 - bis) payables to subsidiaries of the parent company	97,369,686	129,579,261
12) tax payables	1,484,014	5,537,987
13) payables to social security and welfare institutes	966,129	1,073,238
14) other payables	12,165,236	10,300,469
	<u>401,926,528</u>	<u>319,385,117</u>
 <b>E) Accrued expenses and other prepayments</b>	<u>124,016</u>	<u>113,726</u>
 <b>TOTAL LIABILITIES</b>	<u>428,433,878</u>	<u>347,117,929</u>

(\*) Due within next financial year

(\*\*) Due after next financial year

INCOME STATEMENT	2019	2018
<b>A) Production value:</b>		
1) revenue from sales and services	332,342,950	332,480,943
3) changes to work in progress on order	69,991,515	-45,567,296
4) increases in fixed assets for internal work		
5) other revenue and income	8,283,622	11,063,621
<b>Total production value</b>	<u>410,618,088</u>	<u>297,977,268</u>
<b>B) Production costs:</b>		
6) for raw and auxiliary materials, consumables and goods	140,996,297	108,161,153
7) for services	157,232,782	125,519,799
8) for use of third party assets	982,101	1,097,174
9) for staff		
a) salaries and wages	47,841,885	41,558,196
b) social security costs	19,331,632	15,747,853
c) employee severance fund	2,869,431	2,748,799
d) pension and similar costs	479,982	484,635
e) other costs	<u>1,228,049</u>	<u>2,623,198</u>
10) amortizations and depreciations:		
a) amortization of intangible fixed assets	75,227	91,625
b) depreciation of tangible fixed assets	30,045,164	21,348,047
d) devaluations of credits included under operating capital and cash assets	<u>836,457</u>	<u>236,967</u>
11) changes in inventories of raw and auxiliary materials, consumables and goods	6,165,888	-5,353,965
12) provisions for risks	110,462	1,259,106
13) other provisions		490,800
14) other operating costs	<u>1,137,656</u>	<u>2,347,843</u>
<b>Total production costs</b>	<u>- 409,333,013</u>	<u>- 318,361,229</u>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)</b>	<u>1,285,075</u>	<u>-20,383,961</u>
<b>C) Financial revenues and expenses:</b>		
15) income from equity investments:		
subsidiaries		
associates		
16) other financial income:		
a) from receivables booked under fixed assets		
other	138,690	138,690
d) other income		
from subsidiaries	20,207	10,705
from associates		
from subsidiaries of the parent company		
other	<u>444,216</u>	<u>97,122</u>
17) interest and other financial charges:		
to subsidiaries		
to associates		
to parent company	1,507	263
to subsidiaries of the parent company	749,036	801,567
other	<u>1,351,627</u>	<u>1,255,951</u>
17 - bis) profits and losses on exchange rates	- 72,413	- 79,385
<b>Total financial income and expenses</b>	<u>- 1,571,469</u>	<u>- 1,890,648</u>
<b>D) Value adjustments of financial assets and liabilities:</b>		
18) revaluations		
a) of equity investments		
d) of derivative financial instruments		13,214
19) write-downs		
a) of equity investments	-1,500	
d) of derivative financial instruments	<u>-44,702</u>	<u>-8,772</u>
<b>Total value adjustments of financial assets and liabilities</b>	<u>-46,202</u>	<u>4,442</u>
<b>Pre-tax result</b>	<u>-332,597</u>	<u>-22,270,167</u>
20) taxes due on financial year income, current, deferred and prepaid taxes		
a) Current taxes	-2,271,161	- 1,860
b) Taxes concerning previous years	-107,056	410,007
c) Deferred and prepaid taxes	2,741,989	-203,698
d) Costs/ Income from fiscal consolidation		5,860,648
<b>Total taxes due on financial year income, current, deferred and prepaid taxes</b>	<u>363,773</u>	<u>6,065,096</u>
21) Financial year profits (losses)	<u>31,176</u>	<u>-16,205,071</u>

## BALANCE SHEET

### ASSETS

	31/12/2019		31/12/2018	
A) Receivables from shareholders for amounts unpaid				
B) Fixed Assets:				
I - Intangible Fixed Assets:				
1) Plant and development costs				
3) Industrial patents and intellectual property rights	61		46	
4) Concessions, licenses, trademarks and similar rights	40		57	
7) Others	8	109	16	119
II - Tangible Fixed Assets:				
1) Land and buildings	6,749		7,289	
2) Plant and machinery	50,096		63,016	
3) Industrial and commercial equipment	4,581		3,678	
4) Other assets	847		649	
5) Fixed assets under construction and advance payments	2,896	65,169	1,853	76,485
III - Financial Fixed Assets:	(*)		(*)	
1) Investments in:		5,388		5,392
a) subsidiaries	727		727	
b) associates	5		9	
d - bis) other companies	4,656		4,656	
2) Receivables:	2,183		3,329	
a) from subsidiaries			1,448	
d) from subsidiaries of the parent company	4		4	
d - bis) from others	2,179		1,877	
4) derivative financial instruments		7,571		8,721
<b>TOTAL FIXED ASSETS (B)</b>		<b>72,849</b>		<b>85,325</b>
C) Operating capital:				
I - Inventories:				
1) Raw and auxiliary materials and consumables		13,526		19,692
3) Work in progress to order		221,661	235,187	151,668
171,360				
II - Receivables:	(**)		(**)	
1) from customers		11,419		7,054
2) from subsidiaries		5,139		2,431
3) from associates		2,731		2,713
4) from the parent company		952		9,175
5) from subsidiaries of the parent company		44,557		21,302
5 - bis) tax receivables		6,708		3,672
5 - ter) prepaid taxes		7,364		4,564
5 - quater) from others		12,389	91,259	15,593
66,504				
III - Financial Assets not constituting fixed assets:				
5) derivative financial instruments				
6) other securities				
IV - Cash and cash equivalents:				
1) bank and postal deposits		24,817		19,396
3) cash and cash equivalents		8	24,825	10
19,406				
<b>TOTAL OPERATING CAPITAL ( C )</b>		<b>351,271</b>		<b>257,270</b>
D) Accrued expenses and other prepayments		4,314		4,523
<b>TOTAL ASSETS</b>		<b>428,434</b>		<b>347,118</b>

(\*) Due within next financial year

(\*\*) Due after next financial year

## BALANCE SHEET

### LIABILITIES

	31/12/2019	31/12/2018
<b>A) Net equity:</b>		
I - Capital	10,116	10,116
II - Share premium reserve	4,622	4,622
IV - Legal reserve	1,913	1,913
VI - Other reserves indicated separately:		
Reserve for unrealised gains on exchange rates		
Conversion reserve	-172	-266
Payments on account for capital increases		
VII - Reserve for transactions hedging flows for expected financial revenues	-329	-174
Profits (losses) retained	-1,200	15,005
IX- Profits (losses) for the financial year	31	-16,205
	<u>14,981</u>	<u>15,011</u>
<b>B) Provisions for risks and charges:</b>		
2) For taxes, including deferred taxes	95	85
3) derivative financial instruments	714	464
4) others	7,242	8,457
	<u>8,051</u>	<u>9,006</u>
<b>C) Employee severance fund</b>	<u>3,351</u>	<u>3,602</u>
<b>D) Payables:</b>		
	(**)	(**)
4) payables to banks	59,428	30,490
5) payables to other creditors	21,082	22,524
6) advance payments	64,709	40,899
7) payables to suppliers	160,447	94,829
9) payables to subsidiaries	3,143	5,329
10) payables to associates		1
11) payables to the parent company	2,215	1,347
11 - bis ) payables to subsidiaries of the parent company	97,370	129,579
12) tax payables	1,484	5,538
13) payables to social security and welfare institutes	966	1,073
14) other payables	12,165	10,300
	<u>401,927</u>	<u>319,385</u>
<b>E) Accrued expenses and other prepayments</b>	<u>124</u>	<u>114</u>
<b>TOTAL LIABILITIES</b>	<u>428,434</u>	<u>347,118</u>

(\*) Due within next financial year

(\*\*) Due after next financial year



INCOME STATEMENT	2019		2018	
<b>A) Production value:</b>				
1) revenue from sales and services	332,343		332,481	
3) changes to work in progress on order	69,991		- 45,567	
4) increases in fixed assets for internal work				
5) other revenue and income	8,284		11,064	
<b>Total production value</b>		<u>410,618</u>		<u>297,978</u>
<b>B) Production costs :</b>				
6) for raw and auxiliary materials, consumables and goods		140,996		108,161
7) for services		157,233		125,519
8) for use of third party assets		982		1,097
9) for staff				
a) salaries and wages	47,842		41,558	
b) social security costs	19,332		15,748	
c) employee severance fund	2,869		2,749	
d) pension and similar costs	480		485	
e) other costs	<u>1,228</u>	71,751	<u>2,623</u>	63,163
10) amortizations and depreciations:				
a) amortization of intangible fixed assets	75		92	
b) depreciation of tangible fixed assets	30,045		21,348	
d) devaluations of credits included under operating capital and cash assets	<u>837</u>	30,957	<u>237</u>	21,677
11) changes in inventories of raw and auxiliary materials, consumables and goods		6,166		- 5,354
12) provisions for risks		110		1,259
13) other provisions				491
14) other operating costs		<u>1,138</u>		<u>2,348</u>
<b>Total production costs</b>		<u>- 409,333</u>		<u>- 318,361</u>
<b>DIFFERENCE BETWEEN PRODUCTION VALUE AND COSTS (A-B)</b>		<u>1,285</u>		<u>-20,383</u>
<b>C) Financial revenues and expenses :</b>				
15) income from equity investments:				
subsidiaries				
associates				
16) other financial income:				
a) from receivables booked under fixed assets				
other	139		139	
d) other income				
from subsidiaries	20		11	
from associates				
from subsidiaries of the parent company				
other	<u>444</u>	603	<u>97</u>	247
17) interest and other financial charges:				
to subsidiaries				
to associates				
to parent company	1			
to subsidiaries of the parent company	749		802	
other	<u>1,352</u>	- 2,102	<u>1,256</u>	- 2,058
17 - bis) profits and losses on exchange rates		- 73		- 80
<b>Total financial income and expenses</b>		<u>- 1,572</u>		<u>- 1,891</u>
<b>D) Value adjustments of financial assets and liabilities :</b>				
18) revaluations				
a) of equity investments				
d) of derivative financial instruments			13	13
19) write-downs				
a) of equity investments	-1			
d) of derivative financial instruments	<u>-45</u>	-46	<u>-9</u>	-9
<b>Total value adjustments of financial assets and liabilities</b>		<u>-46</u>		<u>4</u>
<b>Pre-tax result</b>		<u>-333</u>		<u>-22,270</u>
20) taxes due on financial year income, current, deferred and prepaid taxes				
a) Current taxes	-2,271		-2	
b) Taxes concerning previous years	-107		410	
c) Deferred and prepaid taxes	2,742		- 204	
d) Income from fiscal consolidation			5,861	
<b>Total taxes due on financial year income, current, deferred and prepaid taxes</b>		<u>364</u>		<u>6,065</u>
21) Financial year profits (losses)		<u>31</u>		<u>-16,205</u>

# *Statement of Cash Flows*

	2019	2018
<b>A. Cash flow arising from management earnings (indirect method)</b>		
<b>Financial year profit (loss)</b>	31,176	(16,205,071)
Income tax	(363,773)	(6,065,096)
Interest receivable/interest payable	1,571,469	1,890,648
Capital gains/losses arising from sale of assets	(420,912)	(341,250)
<b>1. Financial year profit (loss) before tax, interest, dividends and capital gains/losses from sales of assets</b>	<b>817,960</b>	<b>(20,720,769)</b>
Adjustment for non-cash items or which no counter-entry was made under net operating capital		
Provisions	812,717	2,279,966
Long term loss write down		
Fixed asset amortization	30,120,391	21,439,672
Other adjustment of non-cash items	249,677	194,358
<i>Total adjustment of non-cash items</i>	<i>31,182,785</i>	<i>23,913,996</i>
<b>2. Cash flow before ccn adjustments</b>	<b>32,000,745</b>	<b>3,193,227</b>
Adjustment to net operating capital		
Inventory increase/decrease	(63,826,746)	40,218,108
Receivables from customers decrease/(increase)	(30,819,131)	10,060,157
Payables to suppliers increase/(decrease)	86,871,527	(17,289,683)
Accrued and deferred assets decrease/(increase)	209,282	1,467,514
Accrued and deferred liabilities increase/(decrease)	10,290	-28,162
Other adjustments to net operating capital	(3,181,136)	1,533,853
<i>Total adjustment of net operating capital</i>	<i>(10,735,914)</i>	<i>35,961,787</i>
<b>3. Cash flow after ccn adjustment</b>	<b>21,264,831</b>	<b>39,155,014</b>
Other adjustments		
Interest received/(paid)	(1,439,931)	(1,665,671)
(Income tax reimbursed/paid)	8,500,066	(211,000)
Dividends received		
(Use of provisions)	(1,949,215)	(2,675,030)
<i>Total other adjustments</i>	<i>5,110,920</i>	<i>(4,551,701)</i>
<b>Cash flow from income management (A)</b>	<b>26,375,751</b>	<b>34,603,313</b>
<b>B. Cash flow from investments</b>		
Tangible fixed assets		
(Investments)	(18,818,419)	(5,454,854)
Realisable price of disposals	509,441	460,768
Intangible Fixed Assets		
(Investments)	(65,000)	(37,000)
Realisable price of disposals		
Financial fixed assets		
(Investments)		
Realisable price of disposals	1,146,995	229,881
<b>Cash flow from investments management (B)</b>	<b>(17,226,983)</b>	<b>(4,801,205)</b>
<b>C. Cash flow from financing activities</b>		
Third party means		
Increase/(decrease) in short-term payables to banks and equivalents	(5,516,938)	(4,025,394)
Loans granted	10,000,000	
Loans repaid	(8,211,496)	(8,178,379)
Own means		
Paid increases in capital		
Disposals (purchase of treasury shares)		
Dividends (advances on dividends paid)		
<b>Cash flow from financing activities(C)</b>	<b>(3,728,434)</b>	<b>(12,203,773)</b>
Increase in cash assets (A+-B+-C)	5,420,334	17,598,335
<b>Cash assets as at 1 January</b>	<b>19,405,279</b>	<b>1,806,944</b>
<b>Cash assets as at 31 December</b>	<b>24,825,613</b>	<b>19,405,279</b>

*Explanatory Notes to the  
Financial Statements*

– **Aspects of a General Nature**

As at December 31, 2019, Pavimental S.p.A. (hereinafter also the Company) has a capital of 10,116,452.45 Euros, with a number of shares amounting to 77,818,865 and is owned 59.40% by Atlantia S.p.A., 20% by Autostrade per l'Italia S.p.A., 20% by Aeroporti di Roma S.p.A. and 0.60% by Astaldi S.p.A.

The corporate purpose involves the undertaking, in Italy and abroad, and also together with third parties, of initiatives and activities of public and private interest, related to the execution of:

- 1) earthworks and any eventual related current type masonry and reinforced concrete works, demolitions and clearances;
- 2) civil, industrial and monumental works, complete with related and accessory installations and works, masonry works concerning complexes for energy production and distribution;
- 3) special reinforced concrete works;
- 4) road construction and surfacing, airport and railway-related works;
- 5) surfacing using special materials;
- 6) hydraulic works, aqueducts, sewerage systems, irrigation systems and hydraulic defence and installation systems;
- 7) maritime works, construction of piers, basins, sidewalks, etc.; drainage works;
- 8) dams;
- 9) tunnels;
- 10) miscellaneous special works, special foundations; land stabilization works; site clearance, handling, collection, transport, storage, processing, recovery and disposal of special waste and special hazardous waste.

The Company has adhered to the Group fiscal taxation regime entitled “Consolidated Fiscal Regime”.

The Company, which owns holdings in subsidiary companies, has not prepared the consolidated financial statements, given that the presuppositions for the exemption provided by art. 27, paragraph 3 of Legislative Decree 127/1991 are in place. The Group

consolidated financial statements, which the Company and its subsidiaries are part of, will be prepared by Atlantia S.p.A., with headquarters in Via A. Nibby 20, Rome, and will be made public in the terms and methods provided by the laws in force.

The shares representing the share capital of Atlantia S.p.A. are listed on the Electronic Stock Exchange organised and managed by Borsa Italiana S.p.A.. As of the date of these financial statements, Sintonia S.p.A. is the majority shareholder in Atlantia S.p.A. Neither Sintonia S.p.A. nor its parent company Edizione S.r.l. have powers of management and coordination over Atlantia S.p.A.

These financial statements were approved by the Board of Directors of Pavimental S.p.A. in its meeting on 10 April 2020, and have been audited by Deloitte & Touche S.p.A. as part of its duty to legally audit the accounts according to Legislative Decree 39/2010.

– **Structure and contents of the annual financial statements**

The financial statements for the year closed on 31 December 2019 have been prepared according to the dispositions of the Civil Code, as modified since 1 January 2016 by Legislative Decree 139/2015, which acknowledged European Directive no. 34/2014. The financial statements include the balance sheet prepared according to the scheme in art. 2424 of the Civil Code, the income statement prepared according to the scheme in art. 2425 of the Civil Code, the Statement of cash flows prepared according to that required by art. 2425 ter of the Civil Code and these explanatory notes prepared according to the dispositions of art. 2427 of the Civil Code.

The financial statements have been prepared on a going concern basis of respect the criterion of clarity, and provide a true and fair view of the asset and financial situation of the company and the economic result of the financial year.

No exceptional cases arose during the course of the financial year making recourse to the derogations of which in art. 2423, paragraph 5 of the Civil Code necessary.

The Balance Sheet, Income Statement and Statement of Cash Flows are in Euros without decimal points, as per art. 2423, paragraph 6 of the Civil Code. Unless otherwise stated, the comments on the items in the balance sheet and income statement in these explanatory notes are expressed to the nearest thousand Euros.

The values in the aforementioned accounts tables include the corresponding values in the financial statements for the previous year closed on 31 December 2018, for comparative purposes according to paragraph 5 of art. 2423 ter.

There is no equity allocated to a specific business transaction or loans allocated.

As regards the information on the business performance of the Company and the main events during the year, see that described in the Report on Management accompanying these financial statements, prepared by the Directors pursuant to art. 2428 of the Civil Code. Details of the main events occurring after the closure of the financial statements are included in a specific paragraph in these notes.

As regards the operations undertaken with related parties, it should be noted that, under art. 2427, paragraph 22-bis of the Civil Code, no significant operations were undertaken during the course of the financial year which were not concluded under normal market conditions in terms of both prices of the operations and of the motivation leading to the decision to undertake them.

It should be pointed out that, in respect of that established by art. 2497 bis, paragraph 4 of the Civil Code, the summary overview of the essential figures from the financial statements as at December 2018 of Atlantia S.p.A. (last financial statements approved as of the date of preparation of these explanatory notes), a company which as of the date of these financial statements exercises management and coordination activities over Pavimental S.p.A., has been annexed to these explanatory notes.

– **Accounting Principles and criteria for assessment**

The accounting principles used in the preparation of the annual financial statements are those provided by arts. 2423-bis (principles for preparing the financial statements) and 2426 (assessment criteria) of the Civil Code, interpreted and integrated by the accounting principles of the OIC, reviewed in 2016, to take into account the novelties introduced by Legislative Decree 139/2015 and amended in 2017, and accounting principle OIC 11 “Purposes and postulates of the annual financial statements”, published in March 2018.

Specifically, the following principles were observed in preparing the financial statements:

- a) Prudence: the assessment of the items has been made according to prudence, applying reasonable caution in estimates in uncertain conditions. Only the profits realised on the closure of the financial year have been stated and the risks and losses concerning the financial year have been taken into account, even if they became known after the closure of the financial year. The heterogeneous elements of the single items have been assessed separately;
- b) Prospects of going-concern: the assessment of the items has been made taking into consideration the continuation of activities;

- c) Substantial representation: the recording and presentation of the items took into account the substance of the transaction or contract in question;
- d) Competence: the income and costs concerning the financial year have been taken into account, independently of the date of receipt or payment;
- e) Consistency in the criteria for assessment: the criteria for assessment have not been modified for those used in the previous financial year.
- f) Relevance: the relevance of information has been assessed according to that stated in O.I.C. 11;
- g) Comparability: the amount of the corresponding item in the previous financial year has been given for each item in the balance sheet and income statement.

No items have been compensated.

As regards the most significant items in the financial statements, the criteria for assessment applied by the Company are described below.

### **Fixed assets**

As per art. 2424-bis of the Civil Code, among the fixed assets are recorded the equity elements, which are destined to be used sustainably.

The maintenance and repair costs of an incrementing nature are attributed to the assets they refer to and amortized in relation to the residual possibility of their use.

### **Intangible fixed assets**

With the consent of the Board of Statutory Auditors and when required, the intangible fixed assets have been recorded at the purchase or production cost, including when directly attributable accessory costs are incurred, determined in compliance with art. 2426, no. 1 of the Civil Code and are systematically amortized to the residual possibility of use and their expected economic utility. Amortization varies from a minimum of three financial years to a maximum of twenty financial years, in relation to the circumstances of the costs capitalized.

The costs incurred for both the tender contracts awarded and those currently being awarded are attributed to the income statement for the financial year in which they are incurred, given that they represent costs of a recurring nature required for the performance of ordinary business activities. As regards the costs for the State concessions, the amortization rate is calculated based on the duration of the concession.



The amortizations, concerning the capitalization of industrial patents are calculated regarding to the twenty-year duration of the patent.

The intangible fixed assets are depreciated whenever their value is found to be lower than the residual possibility of use. If during subsequent financial years the presuppositions for their depreciation are no longer in place, the original value is restored, adjusted for amortization only.

### **Tangible fixed assets**

The tangible fixed assets are recorded at the cost of purchase, determined in compliance with art. 2426, no. 1 of the Civil Code. Should the conditions be in place, the cost also includes the increases for any eventual accessory costs directly attributable, following the provisions of the civil laws and accounting principles recalled previously.

There are no assets in the corporate equity for which monetary reassessments have been carried out in the past.

The tangible fixed assets in foreign currency are accounted at the exchange rate on the day on which the purchase operation was completed.

The cost, determined as above, of the tangible fixed assets the use of which is limited over time is systematically amortized in every financial year on the basis of the technical and economic rates described later on, deemed congruous in relation to the residual possibility of use of the asset in question. As regards the fixed assets that were exercised during the year, the amortization is calculated as of the date of their entry into function.

The ordinary maintenance and repair costs are charged to the income statement for the financial year in which they are incurred, while the enhancement and expansion costs are recorded as an increase in the value of the assets, should they imply an increase in the value of the asset or its useful lifetime.

Should the recoverable value, defined as the greater of the value of use or the fair value, of the tangible fixed assets be durably less than their accountable value, it is depreciated correspondingly and attributed to the income statement. The original value is restored when the reasons that led to depreciation are no longer in place.

The amortization of the tangible fixed assets required for the construction of the Santa Lucia Tunnel, the main activity of the tender for the works for the expansion to three lanes - Lot 2 on the Barberino di Mugello - Florence North stretch of the Milan-Naples highway, is recorded in the financial statements on the basis of the linear distance excavated. Taking the specific nature of the activity carried out into account, this method of determining the

amortizations is deemed functional to the remaining possibility of use linked to the “economic duration” of such special fixed assets, as disciplined by national accounting principle OIC 16.

### **Financial fixed assets**

The holdings are recorded among the Fixed assets or the current assets according to whether their possession is deemed durable or not.

The holdings recorded under the financial fixed assets are assessed at the cost of purchase or subscription; the holdings in foreign currency are recorded at the exchange rate at the time of their purchase or at the cost they were originally recorded at. The cost is reduced for durable losses in value should the holding in question have accrued losses, also of a currency nature, and there are not expected to be any profits in the immediate future of an entity such as to absorb the losses or if the profit-making prospects of the holding company do not allow the complete recovery of the value recorded. Any losses that exceed the value the holding was recorded at are allocated in a suitable fund in the liabilities. Should the presuppositions for the depreciations made no longer be in place, the original value is restored within the limits of the depreciations made, with effects on the income statement. Furthermore, a fund for excessive holding depreciations is also recorded among the liabilities, to cover the additional costs that may be required for the management of the holdings.

Holdings are not subject to reassessment.

Any eventual dividends are accounted during the financial year in which the credit right arises, even if the date of payment has not yet been defined.

The receivables recorded among the financial fixed assets are included in the financial statements according to amortized cost, if applicable.

### **Inventories and work in progress contracts**

At the end of the financial year, the raw and subsidiary materials and consumables are assessed at the lesser of the purchase cost, determined using the “weighted average cost” method, and the realization value assumed on the basis of market performance.

The value of any eventual obsolete or slowly rotating assets is depreciated in relation to the expected future use or realization, by inclusion in a suitable adjustment fund in reduction of the value of the inventories themselves. The restoration of the original cost whenever the reasons which made the lowering of the market value necessary are no longer in place is accredited to the income statement.

The Work in progress contracts refer to tenders that were still ongoing at the end of the financial year by force of contracts with the contractors for works not yet certified; they are

recorded on the basis of the contractual payments accrued with reasonable certainty, calculated on the basis of the method of completion percentage and determined in relation to the physical progress of the works, gross of the advance payments received and net of the payments definitively charged.

Given the technical complexity, dimension and realisation duration of the works, the additional payments, contract variations, price reviews, the reserves and the incentives represent elements to be assessed even before the agreement with the counterparty is formalised. The requests for additional payments due to modifications to the works provided contractually are considered in the overall amount of the tender revenues when it is reasonably certain that the contractor will approve the variants and the relevant price. The other requests for payments (claims), due to increased costs incurred for reasons attributable to the contractor, for example, are considered in the overall amount of the revenues when there is a reasonable certainty that they will be recognised, in consideration of the advanced state of negotiation or technical/legal assessments.

The pre-operating costs are considered as tender costs; they are involved in the tender margin on the basis of the progress of the works determined in the methods provided for the application of the criterion of completion percentage.

If it is probable that the total estimated costs for a single tender will exceed the total estimated revenues, the probable loss for the completion of the tender is recorded as a decrease in the work in progress contracts. If this loss exceeds the value of the work in progress, a suitable provision for risks is allocated for the excess losses.

### **Receivables**

The receivables classified in the current assets are recorded in the financial statements according to the amortized cost, taking the time factor and presumed realization value into account. Should the effects of the application of the amortized cost criterion and/or actualization not be significant, the receivables are recorded in the financial statements at nominal value, taking into account the presumed realization value. The receivables are recorded in the financial statements net of the provision for bad debts, allocated for receivables that are considered foreseeable on the date of the financial statements.

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

The provisions for risks and charges are allocated to cover certain or probable losses or liabilities for which the amount or date of contingency is not determinable on the closure of

the financial year. The provisions reflect the best possible estimate on the basis of the elements available on the date of preparation of the financial statements. The risks for which the occurrence of liability is merely possible are indicated, if significant, in the comments on the funds, without the need to allocate provisions for risks and charges.

The cost of the services rendered by directors and employees remunerated on the basis of remuneration plans based on shares and settled in cash is measured at the fair value of the relevant liability and is recognised in the income statement as a counterparty to the provision for risks and charges during the period of accrual of the rights granted based on the best estimate of those that will become exercisable.

### **Employee Severance Fund for Subordinate Employment**

The employee severance fund for subordinate employment is determined in compliance with art. 2120 of the Civil Code, concerning to the regulatory modifications made in the meantime pursuant to and by the effect of the discipline of Legislative Decree no. 252 dated 5 December 2005 and subsequent amendments and integrations. The amount recorded in the financial statements reflects the debt accrued at the end of the year to employees, net of advance payments made and replacement tax. This liability is reassessed by means of indices.

Following the approval of Law no. 296 dated 27 December 2006 (Reform of complementary social security) and subsequent decrees and regulations, the allocations accrued from 1 January 2007 recorded in the income statement as personnel costs, in fulfilment of the reform of complementary social security, are periodically paid to INPS and the complementary pension funds chosen by the dependent employees as of the chosen date; those accrued before this choice is made are charged to the Employee Severance Fund.

OIC 31 has clarified that the economic part of the INPS Treasury Fund and the complementary Social Security Fund must be included in the Employee Severance Fund (B.9.c).

### **Payables**

Payables are recorded in the financial statements according to amortized cost, taking the time factor into account.

If the estimate of future cash flows is reviewed after the initial recording, the accountable value of the payables is rectified to reflect the reassessed estimated cash flows. The difference between the actual reassessed value of the payables on the date of review of the estimated

future cash flows and the previous value on the same date is recorded in the income statement under financial costs and income.

Should the effects due to the application of the amortized cost criterion and/or the effect of the time factor not be significant, the payables are assessed at nominal value.

### **Receivables and Payables in foreign currency**

The receivables and payables originally recorded in foreign currency are converted into Euros at the historical exchange rates on the date of the relevant transactions. The exchange rate differences that occur on receipt of the receivables and payment of the payables in foreign currency are included in the income statement. The receivables and payables in currency other than the Euro, excluding the fixed assets, are recorded in the financial statements at the exchange rate applied by the Bank of Italy on the date of closure of the financial year.

The net exchange rate differences are attributed in the income statement to item C17 bis - Profits and losses on exchange rates. The eventual net profits on unrealized differences in exchange rates are allocated to a suitable reserve not distributable until realization, on approval of the financial statements.

The accounts of the permanent establishment in Poland are kept in local currency (PLN; Polish Zloty); the balances are converted at the average exchange rate for the period for the income statements and at the exchange rate on the day for the balance sheets and aggregated to those of the parent company.

The exchange rate differences resulting from the recording of the items between the parent company and the Polish branch are included in a net equity reserve.

### **Derivative financial instruments**

The derivative financial instruments are recorded at fair value, even if they are incorporated in other financial instruments. The changes in fair value are attributed to the income statement or, if the instrument hedges the risk of the financial flows expected of another financial instrument or scheduled transaction, directly to a positive or negative net equity reserve. This reserve is attributed to the income statement to the extent and in the times corresponding to the occurrence of changes to the cash flows of the instrument hedged or when the transaction being hedged occurs. The elements being hedged against the risk of changes in interest rate or exchange rate or market prices or against the credit risk are assessed symmetrically with the hedging derivative instrument.

Hedging is deemed to exist in the presence from the start of a close and documented correlation between the characteristics of the instrument or hedged transaction and those of the hedging instrument.

### **Cash and cash equivalents**

The cash and cash equivalents represent the balance of bank accounts and the available cash and the amounts effectively available on closure of the financial statements are recorded.

### **Accrued Income and prepaid expenses**

The accrued income and prepaid expenses are determined according to the criterion of economic and temporal competence, so as to attribute to the financial year the quota of income and costs common to two or more financial years.

### **Taxes**

The income tax for the financial year is determined on the basis of a realistic forecast of the tax costs to be paid, in application of the fiscal laws and regulations in force.

As of the 2009 fiscal year, Pavimental has adhered to the National Consolidated Fiscal system on a non-continuous basis and has done so again for 2018 – 2020, defining all the reciprocal relations and responsibilities (so-called “Regulation”). The Regulation signed by the parties provides for the total recognition of the amount corresponding to the product of the IRES rate and the losses or profits transferred and the transfer of any eventual tax receivables. Consequently, the equity relations concerning the current IRES fiscal regime are classified in the financial statements under receivables from the parent company or payables to the parent company.

The recording of current and deferred IRAP tax remains unchanged. The payables for IRAP tax are recorded in the balance sheet under the item Tax payables, net of any advance payments made, or under the item Tax receivables if the balance is positive.

Furthermore, in fulfilment of the dispositions of article 2424 of the Civil Code, as modified by Legislative Decree 6/2003, the advance taxes are indicated separately in the financial statements (net of the compensated deferred taxes).

The advance and deferred income tax, commensurate to the temporary differences between the ordinary values recorded among the assets and liabilities in the financial statements and the corresponding fiscally significant values, and eventual backdated fiscal losses, are recorded on the basis of the fiscal rates known on the date of the financial statements for the

financial years in which they will occur and the Company makes accounting adjustments to the allocations on the basis of the new rates if the circumstances arise.

The deferred taxes deriving from income components for which deferred taxation is applied are recorded if there is a founded probability that the relevant debt will arise; the counterparty to them is the Fund for taxes, including deferred.

The future tax benefits deriving from fiscal losses brought forward or income components for which deferred deduction is applicable are only recorded if their future realization is reasonably certain and are recorded in the Current Assets under Advance taxes.

### **Revenues and Costs**

The revenues from production, other revenues and income and costs and charges have been recorded in application of the principle of economic and temporal competence and prudence.

In particular, the revenues deriving from tenders are accounted on the basis of the contractual payments accruing with reasonable certainty, calculated according to the completion percentage and determined in relation to the physical progress of the works.

## **BALANCE SHEET**

(values as at 31 December 2018 in brackets)

### **Balance Sheet - Assets**

**€ 428,434 thousand (347,118)**

### **Fixed assets**

**€ 72,849 thousand (85,325)**

### **Intangible Assets**

**€ 109 thousand (119)**

This item shows a net decrease of € 10 thousand compared to the previous financial year, in relation to the combined effect of the following factors:

- decrease by effect of the financial year amortization amounting to € 75 thousand;
- increase by effect of new software investments for a total of € 65 thousand for the realisation of a portal for the management of hire equipment.

The intangible fixed assets were not reassessed or depreciated, as the presuppositions for doing so were not in place.

The changes to the item in question are analytically represented in the following table:

€ thousands	31/12/2018			Changes in the current financial year			31/12/2019		
	Cost	Amortizations	Net value	Investments	Reclassifications	Amortizations	Cost	Amortizations	Net value
. Concessions, licenses, trademarks and similar rights:									
- Software licences	432	429	3			3	432	432	
- State grants	808	754	54			14	808	768	40
. Patents and property rights and rights of use									
- Software	3,549	3,509	40	65		49	3,614	3,558	56
- patent rights industrial property rights and rights	18	12	6			1	18	13	5
. Other:									
- construction sites and offices improvement	624	608	16			8	624	616	8
	<u>5,431</u>	<u>5,312</u>	<u>119</u>	<u>65</u>		<u>75</u>	<u>5,496</u>	<u>5,387</u>	<u>109</u>

See that described in the following comment on the tangible fixed assets as regards the test conducted on 31 December 2019 concerning the eventual presence of durable losses in value in the intangible and tangible fixed assets recorded in the financial statements.



## Tangible Assets

€65,169 thousand (76,485)

The decrease in value of the tangible assets, amounting to € 11,316 thousand, derives prevalently from the combined effect of the following factors:

- financial year amortizations amounting to €30,045 thousand;
- increase deriving from the new investments made by the Company, amounting to € 19,628 thousand, according to that illustrated in the Investments chapter of the Report on Management, which sees;
- adjustments for investments recorded as at 31 December 2018, for €811 thousand;
- decrease of €88 thousand, due to withdrawals from use and disposals net of the relevant amortization funds and exchange rate differences;

The amortization of the TBM and other investments required for the excavation of the Santa Lucia Tunnel, the main activity of the tender for the works for the expansion to three lanes - Lot 2 on the Barberino di Mugello - Florence North stretch of the Milan-Naples highway, is recorded in the income statement of the Company on the basis of the linear distance excavated and amounts to €21,994 thousand.

The following is a summary of the movements that occurred during the financial year:

	31/12/2018			Changes in the current financial year									31/12/2019			
				Historical Cost						Accumulated depreciation						
	Cost	Provision	Net value	Investments	Reclassifications	Disposals	Other adjustments	Diff. Exchange	Tot.	Depreciated	Disposals	Diff. Exchange	Tot.	Cost	Provision	Net value
Land and buildings Industrial	18,741	11,452	7,289	522	58	(8)	1	(1)	572	1,119	(8)	1	1,112	19,313	12,564	6,749
Plant and Machinery	152,082	89,066	63,016	13,278	590	(2,710)		1	11,159	26,709	(2,631)	1	24,079	163,241	113,145	50,096
Industrial and trade equipment	32,385	28,707	3,678	2,808	11	(762)			2,057	1,909	(755)		1,154	34,442	29,861	4,581
Other Assets	6,398	5,749	649	453	53	(9)			497	308	(9)		299	6,895	6,048	847
Fixed assets in progress and advances	1,853		1,853	2,567	(712)		(812)		1,043					2,896		2,896
	211,459	134,974	76,485	19,628		(3,489)	(811)		15,328	30,045	(3,403)	2	26,644	226,787	161,618	65,169

It must be noted that on 4 April 2018, a Deed for the constitution of a special privilege on the TBM in favour of Credit Agricole Corporate Investment Bank was signed, in fulfilment of that required by the loan contract for the purchase of the device.

It should be noted that, in application of accounting principle OIC 9, during the preparation of these financial statements, the presence of an indicator of a potential durable loss of value in the tangible and intangible assets ongoing as at 31 December 2019 was ascertained. This indicator is linked to the expected economic performance of the Company being worse than

that forecast. An impairment test was thus conducted, based on the required by the aforementioned OIC 9. The test was conducted by estimating the value of use, through the Unlevered Discounted Cash Flow method using the estimate of the future expected operating cash flows on the basis of the most recent of the Company's multi-annual plans. Given that Pavimental essentially carries out services supporting the concessionaries in the Atlantia Group (in the context of their investment and maintenance activities), it was deemed appropriate to use the same timeframe as the plans of the companies it carries out its activities for, in other words until 2044, without estimating the terminal value (from a prudential viewpoint). The estimated cash flows in the multi-annual plan were used at a rate of 6.02%, determined on the basis of the requirements of paragraph 26 of OIC 9, and deemed representative of the average weighted cost of the Company capital, taking the specific nature of the activities carried out into account. The result of the test showed that the accountable values recorded in the financial statements are fully recoverable.

Also, a sensitivity analysis was carried out in the event of an increase in the actualisation rate of 1%, which did not highlight any durable losses in value in the assets in the financial statements.

**Financial Assets**  
**(8,721)**

€ 7,571 thousand

For comments on the performance of the activities of the holding companies during the course of 2019, see that stated in the Report on Management in the paragraph entitled Holding companies and consortiums.

The item in question includes:

*Investments in subsidiary companies*

€ 727 thousand (727)

€ thousands	Book value	Provision for depreciation	Financial statements value
- Pavimental Est (in liquidation)	1,563	1,563	
- Pavimental Polska	713		713
- Consorzio Elmas (in liquidation)	6		6
- Consorzio Co.Im.A. (in liquidation)	8		8
	<u>2,290</u>	<u>1,563</u>	<u>727</u>

Pavimental Est in liquidation, the book value, €1,563 thousand, of which amounts to 100% of the Share Capital, had already been completely depreciated as of the financial statements closed on 31 December 1998. The excess holding depreciation fund in the liabilities includes € 343 thousand for the coverage of further estimated losses, also in consideration of the liquidation of the Company.

Pavimental S.p.A. is the sole owner of holdings in Pavimental Polska; the value of the holding amounts to €713 thousand. The 2018 financial statements, the last approved, closed with net profits of 3.5 million PLN (approximately €0.7 million); this result has brought the net equity of the Company to 16.7 million PLN (approximately €3.9 million).

The limited liability consortium Company Co.Im.A. entered liquidation during the course of 2018.

*Investments in associates*

€ 5 thousand (9)

These concern:

€ thousands	□ Book value	□ Provision for depreciation	□ Financial statements value
- Consorzio Galileo (in liquidation)			
- Consorzio R.F.C.C. (in liquidation)	155	155	
- Consorzio Ramonti (in liquidation)	5		5
	<u>160</u>	<u>155</u>	<u>5</u>

The investment in Consorzio R.F.C.C. in liquidation, recorded for €155 thousand and entirely depreciated, which is representative of 30% of the consortium fund. €3,162 thousand has been allocated to a specific excess holding depreciation fund to cover the estimated losses of the Consortium, as regards the quota that is the competence of the Company.

The allocation takes into account the losses in the financial statements of the Consortium as at 31 December 2018 and other liabilities that may derive from the liquidation proceedings.

The allocations made also prudentially take into account the negative effects that may derive from an unfavourable settlement of the ongoing disputes, for an update on which see the Report on Management.

The limited liability consortium Company Galileo was cancelled from the Companies Register on 7 May 2019.

*Investments in other companies* *€ 4,656 thousand*  
(4,656)

The TE, incorporated on 14 January 2009, is the project concessionary company for the design, realization and management of the External Eastern Bypass in Milan. It should be noted that there is a binding non-usability clause on the shares of the company TE in favour of the financing institutes.

On 11 June 2012, the EPC contract was signed for the awarding of the works on the part of the TE to the general contractor Co.Co.TEEM.

The activities for the realisation of the connection works in the concession contract have been completed.

Lastly, the consortium company Lambro is involved in the execution of the works awarded to the components of Group A of the Co.Co.TEEM.

€ thousands			
	Book value	Provision for depreciation	Financial statements value
- Tangenziale Esterna S.p.A.	4,649		4,649
- Consorzio Costruttori TEEM *			
- Consorzio Lambro	6		6
- Consorzio Autostrade Italiane Energia	1		1
	<u>4,656</u>		<u>4,656</u>

\* Book value € 100

The following is an illustration of the movements in all the items representative of the holdings owned in subsidiary, related and other companies:

€ thousands	31.12.2018			Changes in the current financial year				31.12.2019			
	Cost	valuation	valuation in fin.stat	Purchase	Revaluation (ex. Art. 2426, no. 4 of the Civil Code)	devaluation	valuation	Devaluation	Cost	valuation	valuation in fin.stat
<b>Equity Investments in Subsidiaries:</b>											
Pavimental Est (in liquidation)	1,563	(1,563)							1,563	(1,563)	
Pavimental Polska Sp. Zo.o.	713		713						713		713
Consorzio Elmas (in liquidation)	6		6						6		6
Consorzio Co.Im.A. (in liquidation)	8		8						8		8
	<u>2,290</u>	<u>(1,563)</u>	<u>727</u>						<u>2,290</u>	<u>(1,563)</u>	<u>727</u>
<b>Equity Investments in Associates:</b>											
Consorzio R.F.C.C. (in liquidation)	155	(155)							155	(155)	
Consorzio Galileo (in liquidation)	4		4					(4)			
Consorzio Ramonti (in liquidation)	5		5						5		5
	<u>164</u>	<u>(155)</u>	<u>9</u>					<u>(4)</u>	<u>160</u>	<u>(155)</u>	<u>5</u>
<b>Investments in Other Companies:</b>											
- Tangenziale Esterna S.p.A.	4,649		4,649						4,649		4,649
- Consorzio Lambro	6		6						6		6
- Consorzio Costruttori TEEM *											
- Consorzio Autostrade Italiane Energia	1		1						1		1
	<u>4,656</u>		<u>4,656</u>						<u>4,656</u>		<u>4,656</u>
<b>Total</b>	<u>7,110</u>	<u>(1,718)</u>	<u>5,392</u>					<u>(4)</u>	<u>7,106</u>	<u>(1,718)</u>	<u>5,388</u>

\* Book value € 100

The following table contains the summary figures concerning the investments in subsidiary, related and other companies:

Name	Head Office	Capital in foreign currency	Capital in Euros	Loss/profit in foreign currency	Loss/profit in Euros	Net equity in foreign currency	Net equity in Euros	Holding %	Corresp. Financial Statement N.A. (A)	Book value in Euros (B)	Excess (B - A)
<b>Subsidiaries:</b>											
Pavimental Est (in liquidation)	Moscow	Rub. 4,200,000	52,700	Rub. (1,089,000)	(13,700)	Rub. (32,054,000)	(402,100)	100	(402,100)		(402,100) *
Pavimental Polska Sp. Zo.o.	Trzebinia	Pln 3,000,000	718,200	Pln. 3,457,127	803,721	Pln. 16,611,456	3,861,872	100	3,861,872		3,861,872
Consorzio Elmas (in liquidation)	Rome		10,000				10,000	60	6,000	6,000	
Consorzio Co.Im.A. (in liquidation)	Rome		10,000				10,000	75	7,500	7,500	
									3,473,272	13,500	3,459,772
<b>Associates:</b>											
Consorzio R.F.C.C (in liquidation)	Tortona		510,000		(2,269)		(8,112,432)	30	(2,433,730)		(2,433,730) **
Consorzio Ramonti (in liquidation)	Tortona		10,000					49	4,900	4,900	
									(2,428,830)	4,900	(2,433,730)
<b>Other Holding Companies:</b>											
Tangenziale Esterna	Milan		464,945,000		(23,246,269)		315,073,775	1	3,150,738	4,649,450	(1,498,712) ***
Consorzio Costruttori TEEM	Milan		10,000				10,000	1	100	100	
Consorzio Lambro	Milan		200,000				200,000	2.78	5,560	5,560	
									3,156,398	4,655,110	(1,498,712)
<b>Notes:</b>											
(*) The excess, adjusted through waiver of Pavimental receivables booked in previous years, was fully covered by the "Investment devaluation surplus fund" under liabilities.											
(**) The surplus is entirely covered by the "Investments devaluation surplus Fund" under liabilities.											
(***) Financial statements figures refer to the last approved financial statements. Accumulated losses are considered recoverable.											

### Other receivables

€ 2,183 thousand (3,329)

The decrease in this item, amounting to €1,146 thousand, is mainly attributable to the receipt of the receivables for security deposits from the subsidiary Pavimental Polska (granted to guarantee the works) for €1,148 thousand.

The item also includes that paid out during 2015 in fulfilment of the dispositions of the Shareholder Loan Contract signed with Tangenziale Esterna S.p.A. and amounting to €1,150 thousand. The medium/long-term loan is interest bearing, at a rate of 12.06%. The interest due will be reimbursed from 2021 onwards.

### Current Assets

€351,271 thousand (257,270)

### Inventories

€235,187 thousand (171,360)

Raw and subsidiary materials and consumables  
(19,692)

€ 13,526 thousand

These are mainly the final inventories of materials, amounting to € 12,850 thousand, constituted by:

€ thousands	31.12.2019	31.12.2018
- Inert substances and cement	2,368	1,707
- Spare parts machinery and equipment	264	643
- Prefabricated and brick	1,577	1,273
- Steel, laminates and profiles	2,315	2,385
- Bitumen, fuels and lubricants	874	1,609
- Other materials	5,452	11,399
	<u>12,850</u>	<u>19,016</u>

The decrease in the item in question is a result of the operating requirements for the construction of the Santa Lucia tunnel and the construction of airport infrastructures.

The assessment of the inventories was made at average weighted purchase cost, and is lower than the market value; the final inventories of materials as at 31 December 2019 are not bound by mortgages, privileges or other real guarantees limiting their availability to the Company.

The item in question also includes land located in Magliana locality and up for sale (€676 thousand), as deliberated by the Board of Directors of the Company.

*Work in progress on contracts*

*€ 221,661 thousand (151,668)*

This item expresses the number of works carried out and not yet certified by progress reports as at 31 December 2019; said amount was determined according to the physical measurement method, on the basis of the agreed payments.

The inventories also include additional payments that are being finalised and formalised with the counterparty (work variants, price reviews, incentives, etc.) recorded in the financial statements in the measure in which their recognition is reasonably certain.

During the course of 2019, the reserves submitted to the contractor ASPI on the contract for the construction of the third lane between Florence South and Incisa Lot 1 (€2,970 thousand), the contract for the new “Telepass” booth at Borgonuovo locality (€362 thousand) and on contracts for sound barriers (€201 thousand) were paid through Settlement Agreements pursuant to art. 240 of Legislative Decree 163/2006.

The Company, supported by internal and external legal opinions, also ascertained reserves for €3,000 thousand on the contract for the construction of the fifth lane on the A8 between the Milan North barrier and the Lainate Interconnection and for €1,500 thousand on the contract for Compensatory Works in the Fano area on the A14, not yet defined with the contractor.

On the basis of that highlighted, the requests for additional payments to the Contractor ASPI amounted to €9,272 thousand as at 31 December 2019 (€1,802 thousand referring to additional payments accounted in previous years for the installation of sound barriers).

The breakdown of the inventories for works in progress is contained in the following table:



€ thousands	31.12.2019	31.12.2018
- Maintenance of road surfacing (ASPI)	13,364	4,344
- Infrastructure projects (ASPI)	109,700	90,130
- Other highway works (ASPI)	30,705	30,919
- Airport works (ADR)	42,657	18,164
- Airport works (other contractors)	1,050	125
- Other works (other contractors)	20,337	5,270
- Pre-operating costs	3,848	3,429
- Provisions for losses on multi-year projects		(713)
	<u>221,661</u>	<u>151,668</u>

The increase in work in progress on contracts, amounting to €69,993 thousand, compared to last year is mainly attributable to:

- the increase in third party inventories for €21,486 thousand due to the start of the Voltri interconnection lot and Polcevera completion awarded by the COCIV during the course of the year;
- the increase in ADR inventories for €24,538 thousand, for the start of new activities;
- the increase in ASPI inventories, amounting to €26,923 thousand, mainly regarding the increase in activities of Firenze Infrastrutture (€ 15,740 thousand) and Barberino Infrastrutture (€8,077 thousand) due to the increase in Lot 2 supplies correlated to the excavation and maintenance activities (€ 8,067 thousand). These effects are partially compensated by the decrease in infrastructure activities in the North area (€ 3,903 thousand).

It should also be noted that as at 31 December 2019, the Company had released funds to cover future losses allocated in previous financial years totalling €713 thousand.

Lastly, the Company released to the income statement €1,922 thousand in pre-operating costs concerning ongoing infrastructure tenders suspended in previous years in the value of the inventories and suspended pre-operating costs for new initiatives for €2,340 thousand.

## Receivables

**€91,259 thousand (66,504)**

The following is the representation by category and by geographical area of the receivables included in the item in question:

€ thousands	31.12.2019			31.12.2018		
	Italy	Abroad	Total	Italy	Abroad	Total
	<b>Receivables:</b>					
- From customers	11,419		11,419	7,054		7,054
- From subsidiaries	4,813	326	5,139	1,398	1,033	2,431
- From associates	2,731		2,731	2,713		2,713
- From the parent company	952		952	9,175		9,175
- From subsidiaries of the parent company	43,666	891	44,557	19,705	1,597	21,302
- Tax-related	6,708		6,708	3,672		3,672
- Prepaid taxes	7,364		7,364	4,564		4,564
- From others	12,389		12,389	15,593		15,593
	<u>90,042</u>	<u>1,217</u>	<u>91,259</u>	<u>63,874</u>	<u>2,630</u>	<u>66,504</u>

The movement is attributable to that described hereafter.

*Receivables from Customers*

€ 11,419 thousand

(7,054)

The breakdown of this item is illustrated in the following table:

€ thousands	31.12.2019	31.12.2018
<b>Receivables from contractors:</b>		
- Payments billed for works awarded	3,554	3,508
- Payments to be billed on completion of works	53	53
<b>Receivables from customers:</b>		
- Payments billed	14,420	10,148
- Payments to be billed	220	30
	<u>18,247</u>	<u>13,739</u>
<b>Bad debt provision</b>	(6,828)	(6,685)
<b>Total Receivables from Customers</b>	<u>11,419</u>	<u>7,054</u>

The increase of €4,365 thousand in receivables from clients is mainly attributable to the inclusion of receivables from Consorzio COCIV (€5,582 thousand) concerning the tender “Voltri Interconnection Lot and Polcevera completion” awarded in 2019.

This item includes amounts due from Adriatica S.c.a.r.l. in joint administration for €3,899 thousand, which the Company is recovering on the basis of the allocation plan.

The following movements occurred in the provision for bad debts during the year:

€ thousands	31.12.2018	Allocation	Used / Released	31.12.2019
Provision for bad debts from customers	6,685	143		6,828
	<u>6,685</u>	<u>143</u>		<u>6,828</u>

This item acknowledges the assessment made by the Company Directors, supported by internal and external legal opinions, as regards the recoverability of receivables due.

*Receivables from subsidiaries*

*€ 5,139 thousand (2,431)*

The details of this item are as follows:

€ thousands	31.12.2019	31.12.2018
Trade Receivables from:		
- Consorzio Co.Im.A. (in liquidation)	3,510	(202)
- Pavimental Polska	326	22
- Consorzio Elmas (in liquidation)	550	550
Financial Receivables from:		
- Pavimental Est (in liquidation)	423	383
- Consorzio Co.Im.A. (in liquidation)	20	20
- Pavimental Polska		697
- Consorzio Elmas (in liquidation)	1,030	1,030
	<u>5,859</u>	<u>2,500</u>
Bad debt provision	(720)	(69)
Total Receivables from Subsidiaries	<u>5,139</u>	<u>2,431</u>

The increase of €2.708 thousand in this item is mainly attributable to the combined effect of:

- the increase in trade receivables from Co.Im.a. Scarl in liquidation (€3,712 thousand) for the billing of the reserves paid through a transactive agreement between the SAT and SAT Lavori. The Company has prudentially depreciated part of the above amount (€ 651 thousand), the receipt of which is conditioned by a suspensive clause;
- the decrease in receivables from Pavimental Polska (€393 thousand).

*Receivables from associates*

*€ 2,731 thousand (2,713)*

There were no movements in this item during the year:

€ thousands	31.12.2019	31.12.2018
Trade Receivables from:		
- Consorzio R.F.C.C. (in liquidation)	124	124
- Consorzio Galileo (in liquidation)		
- Consorzio Ramonti (in liquidation)	145	142
Financial Receivables from:		
- Consorzio R.F.C.C. (in liquidation)	2,291	2,291
- Consorzio Ramonti (in liquidation)	171	156
	<u>2,731</u>	<u>2,713</u>
Bad debt provision		
Total Receivables from Associates	<u>2,731</u>	<u>2,713</u>

*Receivables from subsidiaries*

*€ 952 thousand (9,175)*

The breakdown of this item is illustrated in the following table:

€ thousands	31.12.2019	31.12.2018
Receivables from Atlantia S.p.A. :		
- Advance payments	1	169
- Receivables for adhesion to consolidated fiscal system	951	9,006
Total Receivables from the Parent Company	<u>952</u>	<u>9,175</u>

The decrease highlighted is due to the receipt of the tax receivables transferred in previous years in the Consolidated Fiscal regime.

As at 31 December 2019, this item is constituted by the receivables from Atlantia regarding the request for reimbursement of the amounts deductible for IRAP purposes on the basis of IRES taxes for the years subscribing to the Consolidated Fiscal regime (€951 thousand).

*Receivables from subsidiaries of the parent company € 44,557 thousand (21,302)*

This item includes the receivables of a trade nature from other companies in the Group.

The details of this item are illustrated below:

€ thousands	31.12.2019	31.12.2018
Trade Receivables		
- Payments billed for works awarded	40,482	16,865
- Payments to be billed on completion of works	2,765	3,023
Advance payments	2,459	2,536
Sundry Receivables	4	31
	<u>45,710</u>	<u>22,455</u>
Bad debt provision	(1,153)	(1,153)
Total Receivables from Subsidiaries of the Parent Company	<u>44,557</u>	<u>21,302</u>

The increase of € 23,255 thousand in the amount in question is mainly attributable to Autostrade per l'Italia as a result of the invoices issued in the last few days of 2019.

*Tax receivables*

*€ 6,708 thousand (3,672)*

The composition of the aforementioned receivables is illustrated in the following table:

€ thousands	31.12.2019	31.12.2018
Receivables from the State for:		
- VAT	4,509	486
- Tax paid overseas		
- Ires		848
- Irap	1,023	1,474
- Other	1,176	864
	<u>6,708</u>	<u>3,672</u>
Bad debt provision		
Total Tax Receivables	<u>6,708</u>	<u>3,672</u>

The increase of €3,036 thousand in tax receivables concerns the increase in VAT receivables compared to 31 December 2018.

We would point out that in 2019, the receivables for the request for reimbursement of the amounts deductible for IRAP purposes on the basis of IRES taxes recorded in previous years were received.

*Advance taxes*

*€ 7,364 thousand (4,564)*

The composition of the aforementioned receivables is illustrated in the following table:

€ thousands	31.12.2019	31.12.2018
Receivables from the State for:		
- VAT	4,509	486
- Tax paid overseas		
- Ires		848
- Irap	1,023	1,474
- Other	1,176	864
	<u>6,708</u>	<u>3,672</u>
Bad debt provision		
Total Tax Receivables	<u>6,708</u>	<u>3,672</u>

The advance taxes, recorded for the amount for which there is a presupposition for reasonably certain recoverability in the financial years they will be claimable in, concern the temporary differences used for taxation principally concerning amortizations deductible in future years, the allocations made to the provision for bad debts and the fund for ongoing legal proceedings deductible in future years.

*From others: from other creditors*  
(15,593)

*€ 12,389 thousand*

This item is composed of the following:



€ thousands	31.12.2019	31.12.2018
- Receivables from social security and welfare institutes		2,008
- Receivables from personnel	60	27
- Advance payments to suppliers and subcontractors	11,943	12,250
- Receivables from insurance companies	341	845
- Receivables from disputes with suppliers	346	346
- Other	210	586
	12,900	16,062
Provision for bad debts from others	(511)	(469)
Total Receivables from Others	12,389	15,593

**Cash and cash equivalents**  
**(19,406)**

**€ 24,825 thousand**

These are constituted by bank deposits amounting to €21,817 thousand and cash and values on hand amounting to €8 thousand. There are no cash funds or bank accounts in Italy or abroad that are bound or subject to restrictions and duration limits.

**Accrued expenses and other prepayments**

**€4,314 thousand (4,523)**

These include exclusively accrued income for payments made in advance, the details of which are in the table below:

€ thousands	31.12.2019	31.12.2018
- Rent due in subsequent years already paid	26	12
- Insurance premiums for policies taken out during the year valid for the next and subsequent years	3,952	4,082
- Other costs related to the following financial year for rents, CED, road taxes, state concessions etc.	336	429
	<u>4,314</u>	<u>4,523</u>

There are no accrued expenses and other prepayments with a duration over five years.

The tables below describe the receivables on the basis of expiry and nature, and also currency or exchange rate risk.

**RECEIVABLES CLASSIFIED BY MATURITY AND TYPE**

Description	31.12.2019				31.12.2018			
	Matured amounts				Matured amounts			
	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total
<b>Receivables in the Financial Fixed Assets</b>								
Security Deposits:								
To subsidiaries						1,448		1,448
To subsidiaries of the parent company		4		4		4		4
To others		2,179		2,179		1,877		1,877
		2,183		2,183		3,329		3,329
<b>Receivables in the Operating Capital</b>								
Financial receivables:								
To subsidiaries	1,473			1,473	2,130			2,130
To associates	2,462			2,462	2,447			2,447
To the parent company								
	3,935			3,935	4,577			4,577
<b>Trade Receivables</b>								
From customers	11,419			11,419	7,054			7,054
To subsidiaries	3,666			3,666	301			301
To associates	269			269	266			266
From parent company	1			1	169			169
To subsidiaries of the parent company	44,557			44,557	21,302			21,302
	59,912			59,912	29,092			29,092
<b>Receivables from others</b>								
Tax-related	6,708			6,708	3,672			3,672
Prepaid Taxes	1,052	6,312		7,364	265	4,299		4,564
From parent company	951			951	2,196	6,810		9,006
From others:								
Insurance companies	341			341	845			845
Suppliers	11,943			11,943	12,250			12,250
Other	105			105	2,498			2,498
	21,100	6,312		27,412	21,726	11,109		32,835
<b>Total Receivables</b>	<b>84,947</b>	<b>8,495</b>		<b>93,442</b>	<b>55,395</b>	<b>14,438</b>		<b>69,833</b>

RECEIVABLES AND CASH IN FOREIGN CURRENCY OR WITH EXCHANGE RISK						
Description	31.12.2019			31.12.2018		
	In foreign currency or foreign exchange risk	In Euros	Total	In foreign currency or foreign exchange risk	In Euros	Total
<b>Receivables in the Financial Fixed Assets</b>						
Security deposits		2,183	2,183	1,448	1,881	3,329
		2,183	2,183	1,448	1,881	3,329
<b>Receivables in the Operating Capital</b>						
From customers		11,419	11,419		7,054	7,054
To subsidiaries	326	4,813	5,139	317	2,114	2,431
To associates		2,731	2,731		2,713	2,713
To the parent company		952	952		9,175	9,175
From subsidiaries of the parent company	891	43,666	44,557	1,597	19,705	21,302
Tax-related		6,708	6,708		3,672	3,672
Prepaid Taxes		7,364	7,364		4,564	4,564
To others		12,389	12,389		15,593	15,593
	1,217	90,042	91,259	1,914	64,590	66,504
<b>Cash and cash equivalents</b>						
Bank and postal deposits	2,580	22,027	24,608	1,829	17,387	19,216
Cash and cash equivalents		8	8		10	10
Prepaid cards		209	209		180	180
	2,580	22,244	24,825	1,829	17,577	19,406
Total Receivables and cash and cash equivalents	3,797	114,469	118,267	5,191	84,048	89,239

**Balance Sheet – Liabilities**

**€428,434 thousand  
(347,118)**

**Net Equity**

**€14,981 thousand (15,011)**

The Net Equity is constituted by:

**Share Capital**

**€10,116 thousand (10,116)**

The fully subscribed and paid-up share capital is represented by 77,818,865 ordinary shares with a nominal value of €0.13 each.

The following are the details of the composition of the corporate set-up as at 31 December 2019:

Shareholders	Number of shares	Amount in Euros	% Ownership
Atlantia S.p.A.	46,223,290	6,009,027.70	59.40%
Autostrade per l'Italia S.p.A.	15,563,773	2,023,290.49	20.00%
Aeroporti di Roma S.p.A.	15,563,773	2,023,290.49	20.00%
Astaldi S.p.A.	468,029	60,843.77	0.60%
As at 31.12.2019	<u>77,818,865</u>	<u>10,116,452.45</u>	<u>100%</u>

There are no categories of shares other than the ordinary ones listed above.

**Share premium reserve** €4,622 thousand (4,622)

**Legal Reserve** €1,913 thousand (1,913)

**other reserves** €-172 thousand (-266)

*Reserve from conversion* € -172 thousand (-266)

This amount reflects the exchange rate differences resulting from the neutralization of items between Pavimental and the permanent establishment of the company in Poland.

**Reserve for hedging expected cash flows** €-329 thousand (-174)

This item includes the negative fair value of the Interest Rate Swap (IRS) subscribed to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM for the quota considered effective, net of the relevant fiscal effect.

**Retained earnings (losses)** **€ -1,200 thousand**  
**(15,005)**

**Financial year profits (losses)** **€31 thousand (-16,205)**

The following is the list of movements of the classes comprising the Net Equity and the table of reserves, stating their origin, possibility of use and distribution, and also their usage in previous financial years:

NET EQUITY MOVEMENTS											
Description	31.12.2017	Difference in the financial year				31.12.2018	Difference in the financial year				31.12.2019
		Shareholder s' Meeting Resolution of 19.03.2018	Other NE movements	Conversio n reserve	Profit (loss=) for the period		Shareholder s' Meeting Resolution of 19.03.2019	Other NE movements	Conversio n reserve	Profit (loss=) for the period	
Capital	10,116					10,116					10,116
Share premium reserve	4,622					4,622					4,622
Legal Reserve	1,124	789				1,913					1,913
<b>Other reserves:</b>											
<i>Payments for capital increase</i>											
<i>Conversion reserve</i>	(157)			(109)		(266)			94		(172)
<i>Foreign exchange gains from evaluation</i>											
Reserve covering hedging of expected financial flows	(22)		(152)			(174)			(155)		(329)
Profits (losses) retained		15,005				15,005	(16,205)				(1,200)
Profits (losses) for the financial year	15,794	(15,794)			(16,205)	(16,205)	16,205			31	31
	31,477		(152)	(109)	(16,205)	15,011			(61)	31	14,981

COMPOSITION OF NET EQUITY					
Description	Amount	Possibility of use	Amount available	Summary of uses in the three preceding financial years	
				To hedge losses	For other reasons
<b>Capital</b>	10,116	B			
<b>Capital reserves</b>	4,622	A,B,C	4,622		
<b>Legal reserve</b>	1,913	B			
<b>Other reserves:</b>					
- Conversion reserve	(172)	A,B,C	(172)		
- Reserve covering hedging of expected financial fl	(329)				
<b>Profits retained</b>	(1,200)	A,B,C	(1,200)		
<b>Total</b>	14,950		3,250		
<b>Non-distributable amount</b>					
<b>Remaining distributable amount</b>			3,250		

Key:

A: for capital increase

B: to cover losses

C: for distribution to shareholders

D: to cover multi-year costs not yet amortized (ex art. 2426, no. 5 of the Civil Code)

**Provisions for risks and charges****€8,051****thousand (9,006)**

The following are the details of movements in the provisions for risks and charges:

€ thousands	31.12.2018	Allocations	Used / Released	31.12.2019
Provision for risks and charges:				
- for taxes, including deferred	85	10		95
- derivative financial instruments liabilities	464	250		714
- other:				
provision for pending lawsuits	4,037	110	(1,254)	2,893
provision for environmental recovery costs	225			225
provision for losses on multi-year contracts				
provision for contractual costs	291		(291)	
provision for multi-year staff incentives	399	619	(399)	619
provision for share premium excesses	3,505			3,505
	<u>9,006</u>	<u>989</u>	<u>(1,944)</u>	<u>8,051</u>

**Tax fund, including deferred****€95 thousand (85)**

This fund includes the deferred fiscal costs, allocated to cover the income from evaluation changes that are expected to be realized in coming financial years, as illustrated in the following table:

COMPOSITION OF DEFERRED TAXES						
Description	31.12.2019			31.12.2018		
	Temporary differences	Rate applied	Deferred tax	Temporary differences	Rate applied	Deferred tax
<b>Allocation to taxed funds:</b>						
Provision for risks and charges:						
- taxes, including deferred (Income from ex. rate from evaluation)	402	24.00%	96	362	24.00%	87
Amortized cost (release)	(8)	24.00%	(2)	(8)	24.00%	(2)
<b>Balance</b>	<u>394</u>		<u>95</u>	<u>354</u>		<u>85</u>



**Passive derivative financial instruments** **€ 714 thousand (464)**

This item shows the negative market value of the derivative contracts ongoing as at 31 December 2019 and includes:

- the negative fair value (€480 thousand) of the Interest Rate Swap (IRS) subscribed to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM;
- the negative fair value (€234 thousand) of a floor type derivative incorporated in the above loan.

It should be noted that the first of the two derivative financial instruments has the characteristics to be qualified as hedging and consequently, the changes in its fair value are attributed as a counterpart in a suitable net equity reserve, as mentioned previously.

**Other Funds** **€7,242 thousand (8,457)**

In detail:

*Fund for ongoing lawsuits* **€ 2,893 thousand (4,037)**

This item is an estimate of the probable costs deriving from ongoing litigations as of the closure of the financial statements. The amount allocated represents the best possible estimate on the basis of the available elements, taking into account the opinions of the external legal advisers.

The decrease of €1,144 thousand is given by the combined effect of:

- the direct use for settling litigations for €740 thousand;
- the release to the income statement due to excessive allocations made in previous years for €514 thousand;
- the allocation for litigations during the year for €110 thousand.

*Fund for environmental recovery costs* € 225 thousand  
(225)

This Fund includes an estimate of the costs that the Company will incur for the restoration of sites and environmental recovery.

*Fund for multi-annual contract losses* € - thousand (-)

There were no movements in this fund during the year.

*Fund for contractual charges* € - thousand (291)

The fund allocated in 2018 to hedge the costs concerning the disposal of the material resulting from the demolition of road surfacing (cut) was completely used up.

*Fund for Multi-annual staff Incentives* € 619 thousand (399)

This fund includes the liabilities for services rendered by directors and employees and remunerated through share-based payments and settled in cash measured at fair value.

The following movements occurred during the year:

- new allocations for €619 thousand;
- use for exercising stock options for €399 thousand.

*Fund for Excess Holding Depreciation* € 3,505 thousand (3,505)

This fund has been allocated to cover the equity deficits emerging from the assessment of the probable costs to be incurred in relation to Pavimental Est in liquidation (€343 thousand) and Consorzio R.F.C.C. in liquidation (€3,162 thousand).

The composition and variations of the fund are illustrated in the following table:

€ thousands	31.12.2018	reclassification	Allocations	Uses	31.12.2019
Subsidiaries:					
Pavimental Est (in liquidation)	343				343
Associates:					
Consorzio R.F.C.C. (in liquidation)	3,162				3,162
	<u>3,505</u>				<u>3,505</u>

**Employee severance fund for subordinate employment**      **€3,351 thousand**  
**(3,602)**

The following table summarizes the movements that occurred during the financial year:

€ thousands	31.12.2018	Allocations	Uses for payments	Uses for advance payments	Decrease for substitute tax	31.12.2019
Employee severance fund	7,006	74	(752)			6,328
Advance payments	(3,192)	(46)		462		(2,776)
Tax on Employment severance f	(212)	(6)			17	(201)
	<u>3,602</u>	<u>22</u>	<u>(752)</u>	<u>462</u>	<u>17</u>	<u>3,351</u>

The allocations of the severance fund quotas destined for complementary social security funds do not pass through the employee severance fund but are recorded directly as payables to social security and welfare institutes and paid on a month-by-month basis.

**Payables****€401,927 thousand (319,385)****Payables to Banks****€59,428 thousand (30,490)**

This item is composed of the following:

€ thousands	31.12.2019	31.12.2018
Short-term payables to banks	27,252	215
Payables to banks for loans:		
- CA-CIB	22,176	26,008
- UBI Banca	10,000	4,267
	<u>59,428</u>	<u>30,490</u>

The balance includes the temporary exposure to the banking system as at 31 December 2019, amounting to €27,252 thousand.

The Company closed the financial year with more indebtedness to the banking system, using the current account credit line held with ASPI to a lesser extent.

The debt for the loan granted by Credit Agricole Corporate Investment Bank Deutschland underwritten on 2 October 2015 and valued at amortized cost amounted to €22,176 thousand. This investment is for the purchase of the TBM machine, relevant accessories and any other working machine required for the completion of the works concerning Lot 2 Santa Lucia Tunnel, and the cost of the insurance policy granted by Euler Hermes in favour of the exporter of the TBM and accessory costs. The nominal interest rate on the loan as at 31 December 2019 was 0.6% and the deadline for paying back the loan is September 2025. The loan contract requires that Pavimental maintain orders for works and services from the Companies in the Group amounting to at least treble the amount of the ongoing loan and grants the

financing bank the right to withdraw from the contract should the Atlantia Group cede control of the Company (Change of Control clause).

As at 31 December 2018, this item included the residual payables of €4,267 thousand of the loan underwritten on 30 October 2017 with UBI Banca at a fixed rate of 0.92% all-in and required for the purchase of accessories to the TBM. The last instalment will be paid back in October 2019.

Lastly, on 26 September, a loan contract was underwritten, again with UBI Banca, for a duration of 18 months and an amount of €10,000 thousand.

The rate determined is Euribor 3m + 1.20 spread without zero floors. The end rate as at 31 December 2019 was 0.93% annually.

## Advances

**€64,709 thousand (40,899)**

This item is composed of the following:

€ thousands	31.12.2019	31.12.2018
Deposits from Autostrade per l'Italia S.p.A.	29,877	14,878
Deposits from Aeroporti di Roma S.p.A.	33,859	25,926
Deposits from third party contractors	973	95
	<u>64,709</u>	<u>40,899</u>

The advances received from ASPI increased due to the recording of the advance payment on the maintenance contract signed during the course of 2019, amounting to €15,000 thousand.

The advances received from Aeroporti di Roma S.p.A. increased due to the advance payments received for new initiatives totalling € 24,925 thousand, partially compensated by the recovery due to invoices issued during the year.

The advances from other contractors include the recording of the advance payment of €1,054 thousand received from GESAC S.p.A. concerning the contract for the adjustment works on the Cargo Terminal at Naples Capodichino Airport net of that recovered through amounts invoiced in 2019.

### **Payables to suppliers**

**€160,447 thousand (94,829)**

The increase of €65,618 thousand concerns the increased activities during the financial year, especially in the later months of the year, and the supplies of equipment and systems for the preparation of the worksite for the Voltri Interconnection Lot and Polcevera completion, as mentioned in the Report on Management.

The liabilities in foreign currency for invoices received or to be received were adjusted to the exchange rate applicable on 31 December 2019.

### **Payables to subsidiaries**

**€3,143 thousand (5,329)**

The details of this item are as follows:

€ thousands	31.12.2019	31.12.2018
Trade Payables to:		
- Consorzio Co.Im.A. (in liquidation)	1,630	2,660
- Pavimental Polska	71	1,221
- Consorzio Elmas (in liquidation)	1,442	1,448
	<u>3,143</u>	<u>5,329</u>

### **Payables to associates**

**€- thousand (1)**

**Payables to the parent company****€2,215 thousand (1,347)**

These represent that payable to Atlantia S.p.A. for trade relations, for adhesion to the group consolidated fiscal regime and relations of a financial nature.

The composition of this item as at 31 December 2019 was as follows:

€ thousands	31.12.2019	31.12.2018
Trade Payables to Atlantia S.p.A.	34	203
Tax-related Payables to Atlantia S.p.A.	1,819	294
Other Payables to Atlantia S.p.A.	45	30
Financial Payables to Atlantia S.p.A.	317	820
	<u>2,215</u>	<u>1,347</u>

**Payables to subsidiaries of the parent company****€97,370 thousand (129,579)**

This item is composed of the following:

€ thousands	31.12.2019	31.12.2018
Trade Payables to subsidiaries of the parent company	1,636	1,837
Financial Payables to subsidiaries of the parent company	95,306	127,356
Other Payables to subsidiaries of the parent company	428	386
	<u>97,370</u>	<u>129,579</u>

The decrease of €32,209 thousand in this item is attributable to the lesser usage of the joint bank account held with ASPI (€32,050 thousand), the charge for which is remunerated at rates in line with the market (Euribor average 1 month + 100 base points); the balance as at 31 December 2019 amounted to €95,306 thousand.

**Tax payables** **€1,484 thousand (5,538)**

This item decreased by €4,054 thousand compared to 31 December 2018, and this is mainly related to the fact that the company had Receivables from the State coffers for VAT as at 31 December 2019, while it had VAT Payables as at 31 December 2018.

**Payables to pension funds and social security** **€966 thousand (1,073)**

These are represented by contributions due from the Company accrued as at 31 December 2019 and payable in the following months. The payments were made according to the terms of the law.

**Other payables** **€12,165 thousand (10,300)**

The breakdown of the item in question is as follows:

€ thousands	31.12.2019	31.12.2018
- Payables to personnel	7,383	6,799
- Payables to companies in grouping	55	55
- Payables to insurance companies	4,458	3,174
- Payables for state concessions	8	22
- Payables to others	261	250
	12,165	10,300

**ACCRUED EXPENSES AND OTHER PREPAYMENTS** **€124 thousand (114)**



€ thousands	31.12.2019	31.12.2018
Deferred liabilities		
- Interest due on payables to banks	102	114
Accrued income		
- Rent receivable	22	
	<u>124</u>	<u>114</u>

Attached are the details of the payables and income, broken down by expiry date and nature, and also currency or exchange rate risk.

There was a special privilege on the TBM to guarantee the loan contract with CACIB on closure of the financial year; there are no other payables assisted by real guarantees on corporate assets.

PAYABLES CLASSIFIED BY MATURITY AND TYPE								
Description	31.12.2019				31.12.2018			
	Matured amounts				Matured amounts			
	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total	Within following FY	From 2nd to 5th following FY	Beyond 5th FY	Total
<b>Payables to banks</b>								
Short-term payables to banks	27,252			27,252	215			215
Payables to banks for loans	11,094	21,082		32,176	7,751	18,631	3,893	30,275
<b>Financial payables</b>								
Payables to the parent company	317			317	820			820
Payables to subsidiaries of the parent company	95,306			95,306	127,356			127,356
	133,969	21,082		155,051	136,142	18,631	3,893	158,666
<b>Trade payables</b>								
Deposits	64,709			64,709	40,899			40,899
Payables to suppliers	160,447			160,447	94,829			94,829
Payables to subsidiaries	3,139			3,139	5,325			5,325
Payables to associates					1			1
Payables to the parent company	34			34	203			203
Payables to subsidiaries of the parent company	1,636			1,636	1,837			1,837
	229,965			229,965	143,094			143,094
<b>Other payables</b>								
Payables to subsidiaries	4			4	4			4
Payables to associates								
Payables to the parent company	1,864			1,864	324			324
Payables to subsidiaries of the parent company	428			428	386			386
Tax-related	1,484			1,484	5,538			5,538
To social security and welfare institutes	966			966	1,073			1,073
To others	12,165			12,165	10,300			10,300
	16,911			16,911	17,625			17,625
<b>Total Payables</b>	380,845	21,082		401,927	296,861	18,631	3,893	319,385
Deferred and accrued liabilities	124			124	114			114
<b>Total</b>	380,969	21,082		402,051	296,975	18,631	3,893	319,499

PAYABLES IN FOREIGN CURRENCY						
Description	31.12.2019			31.12.2018		
	In foreign currency	In Euros	Total	In foreign currency	In Euros	Total
<b>Financial Payables</b>						
To banks		59,428	59,428		30,490	30,490
To the parent company		317	317		820	820
To subsidiaries of the parent company		95,306	95,306		127,356	127,356
		155,051	155,051		158,666	158,666
<b>Trade payables</b>						
Deposits	37	64,672	64,709		40,899	40,899
To suppliers	746	159,701	160,447	16	94,813	94,829
To subsidiaries	71	3,068	3,139	1,221	4,104	5,325
To associates					1	1
To the parent company		34	34		203	203
To subsidiaries of the parent company		1,636	1,636		1,837	1,837
	854	229,111	229,965	1,237	141,857	143,094
<b>Other Payables</b>						
Payables to subsidiaries		4	4		4	4
Payables to associates						
Payables to the parent company		1,864	1,864		324	324
Payables to subsidiaries of the parent company		428	428		386	386
Tax-related	3	1,481	1,484	116	5,422	5,538
To social security and welfare institutes		966	966		1,073	1,073
To others		12,165	12,165		10,300	10,300
	3	16,908	16,911	116	17,509	17,625
<b>Total Payables</b>	857	401,070	401,927	1,353	318,032	319,385

## INCOME STATEMENT

**Production Value** **€410,618 thousand (297,978)**

**Revenues from Sales** **€25 thousand (593)**

**Revenues from Services** **€332,318 thousand (331,888)**

The analysis of the Revenues from sales and from services is represented in the following table:

REVENUE FROM SALES AND SERVICES				
Description	2019	2018	Difference	Difference %
<b>Revenue from sales</b>				
Sales to others of conglomerates and inert materials	25	593	(568)	
Sales to parent company				
	25	593	(568)	-95.78%
<b>Revenue from services</b>				
<b>Autostrade per l'Italia:</b>				
Maintenance - Road surfacing	4,206	58,508	(54,302)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 0	3,777	9,513	(5,736)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 1	23,839	39,885	(16,046)	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 2	91,724	71,698	20,026	
Expansion to 3 lanes Barberino di Mugello - Florence North Lot 13		1,612	(1,612)	
Soundproofing	1,884	3,559	(1,675)	
Roadside barriers		1,998	(1,998)	
Other highway works	8,051	3,677	4,374	
Florence infrastructures	30,906	22,840	8,066	
Completion of Lots 9-11-12	4,114	15,760	(11,646)	
Expansion to 4 lanes A4	28,463	27,437	1,026	
Expansion to 3 lanes A9 Lainate Como		1,107	(1,107)	
Expansion to 5 lanes A8 Milan Laghi	300	1,706	(1,406)	
SP 46 Paderno Rho - Nuovo Polo Fieristico stretch	753	3,675	(2,922)	
Adriatica A14 various Lots	2,300		2,300	
Adriatica A14 Lot 6 B	500	2,677	(2,177)	
Foggia Infrastructures	291		291	
Crespellano Infrastructures				
Fano compensation works	14,528	9,089	5,439	
La Certosa Infrastructures		1,423	(1,423)	
San Benigno Lot 1	1,689		1,689	
Refurbishment of service stations	689		689	
Junctions	1,416	4,421	(3,005)	
Padova Infrastructures	167		167	
Expansion to 4 lanes Modena Bologna				
	219,594	280,585	(60,991)	-21.74%
<b>Road / highway works:</b>				
Nardo' Technical Center Srl	14,879		14,879	
Co.Im.A. Scarl	3,184	108	3,076	
Stalexport	1,735	1,299	436	
Tangenziale di Napoli S.p.A.	102		102	
Società Autostrade Meridionali S.p.A.		501	(501)	
Lambro Scarl	141	41	100	
Co.Co.TEEM Scarl		16	(16)	
Pavimental Polska		108	(108)	
Other contractors	145			
<b>Railway works:</b>				
COCIV	5,074		5,074	
	25,260	2,073	23,042	1111.54%
<b>Airport works:</b>				
Aeroporti di Roma	86,451	48,987	37,464	
Aeroporto di Napoli	419		419	
	86,870	48,987	37,883	77.33%
<b>Other services:</b>				
Services to others	299	19	280	
Services to subsidiaries	285	210	75	
Services to associates				
Inter-company services	11	14	(3)	
Services to other holdings				
	595	243	352	144.86%
<b>Total revenue from services</b>	<b>332,318</b>	<b>331,888</b>	<b>286</b>	0.09%
<b>Total revenue from sales and services</b>	<b>332,343</b>	<b>332,481</b>	<b>(282)</b>	-0.08%

**Variation in work in progress on contracts** **€69,991 thousand (-45,567)**

This item includes the difference between final inventories for the previous year (€151,668 thousand) and the value of the final inventories for 2019 (€221,661 thousand). This item was further adjusted (€2 thousand) as a result of the conversion of the items for the permanent establishment in Poland, expressed in local currency.

The change in the pre-operating costs and the fund for multi-annual contract losses, for the part concerning work in progress, is included in the item in question.

**Increases in Fixed Assets for internal works** **€- thousand (-)**

**Other revenues and income** **€8,284 thousand (11,064)**

This item is composed of the following:

€ thousands	2019	2018	Difference
- Capital gains from disposal of assets	467	383	84
- Staff costs recovery	1,769	2,150	(381)
- Recovery of cost of materials, supply of services and other charges	2,685	4,479	(1,794)
- Definition of costs and revenue from previous financial years	1,349	186	1,163
- Rounding off and discounts on supplies	126	39	87
- Sale of scrap	142	135	7
- Absorption of risks and charges provision	804	1,548	(744)
- Third party compensation	516	731	(215)
- Miscellaneous income	322	1,173	(851)
- Rent receivable	104	240	(136)
	<u>8,284</u>	<u>11,064</u>	<u>(2,780)</u>

Below is the breakdown of revenues by geographical area:

€ thousands	Italy	Europe	Total
- Revenue from sales	25		25
- Revenue from services			
- Works	330,047	1,676	331,723
- Services	595		595
- Difference in works in progress	70,050	(59)	69,991
- Other revenue and income	8,256	28	8,284
<b>Total Production Value *</b>	<b><u>408,973</u></b>	<b><u>1,645</u></b>	<b><u>410,618</u></b>

## Production Costs

**€409,333 thousand (318,361)**

This item includes:

€ thousands	2019	2018	Difference
- Raw and subsidiary materials and consumables	140,996	108,161	32,835
- Services	157,233	125,519	31,714
- Use of third party assets	982	1,097	(115)
- Staff	71,751	63,163	8,588
- Depreciation and write-off	30,957	21,677	9,280
- Changes in inventories of raw and accessory materials and consumables	6,166	(5,354)	11,520
- Risks and charges provision	110	1,259	(1,149)
- Other provisions		491	(491)
- Other management costs	1,138	2,348	(1,210)
	<u>409,333</u>	<u>318,361</u>	<u>90,972</u>

The overall increase in the production costs, amounting to €90,972 thousand, is correlated to the increased requirement for goods and services due to more production being completed.

## **Purchase of raw and subsidiary materials and consumables €140,996 thousand (108,161)**

The cost of materials purchased in the financial year is broken down as follows:

€ thousands	2019	2018	Difference
- Inert substances and cement	6,893	7,197	(304)
- Bitumens, fuel, lubricants and packaged conglomerates	18,498	12,935	5,563
- Steel, laminates, profiles and grids	19,520	12,062	7,458
- Spare parts, plant and machinery	1,289	713	576
- Works materials	61,460	42,021	19,439
- Other materials	33,336	33,233	103
	<u>140,996</u>	<u>108,161</u>	<u>32,835</u>

**Service costs****€157,233 thousand (125,519)**

The cost of services procured in the financial year is broken down as follows:

€ thousands	2019	2018	Difference
- Works awarded to third parties	84,941	49,716	35,225
- Surveillance	3,185	5,839	(2,654)
- Canteen, mission reimbursements and staff-related costs	5,573	4,490	1,083
- Utilities and postal costs	6,653	4,474	2,179
- Transport and shipping	9,060	11,920	(2,860)
- Insurance	7,828	7,355	473
- Maintenance of fixed assets	4,345	3,611	734
- Rent	14,338	12,441	1,897
- CED maintenance fees	437	397	40
- Consultancy and auditing of the financial statements	5,356	4,998	358
- Legal and notary services	895	850	45
- Highway toll fares	532	607	(75)
- Cleaning	738	711	27
- Laboratory tests and analysis	941	824	117
- Temporary employment/fixed project employment	126	103	23
- Safety and security	630	550	80
- Technical assistance	38	125	(87)
- Services from parent company / Intercompany	220	349	(129)
- Waste disposal	7,500	8,492	(992)
- Services for issue of certification	94	35	59
- Personnel services	576	1,806	(1,230)
- Common consortium costs	5	198	(193)
- Directors' fees	450	426	24
- Auditors' fees	22	22	
- Other services	2,750	5,180	(2,430)
	<u>157,233</u>	<u>125,519</u>	<u>31,714</u>

As highlighted, the increase is correlated to the increased requirements for services due to more production being completed. The remuneration due to the Directors amounted to a total of €450 thousand.

The remuneration for the Auditors for the financial year amounted to a total of €22 thousand.

**Use of third party assets****€982 thousand (1,097)**

This item is represented by:



€ thousands	2019	2018	Difference
- Rents payable	777	903	(126)
- Software	138	115	(138)
- State grants	56	79	(56)
- Real rights on third party assets	<u>11</u>	<u>-</u>	<u>(11)</u>
	<b><u>982</u></b>	<b><u>1,097</u></b>	<b><u>(331)</u></b>

## Staff costs

**€71,751 thousand (63,163)**

The breakdown of the components of the staff costs is as follows, compared to the corresponding figures for the 2018 financial year:

€ thousands	2019	2018	Difference
- Salaries and wages	47,842	41,558	6,284
- Social security costs	19,332	15,748	3,584
- Employee severance fund	2,869	2,749	120
- Pension fund	480	485	(5)
- Other costs	1,228	2,623	(1,395)
	<b><u>71,751</u></b>	<b><u>63,163</u></b>	<b><u>8,588</u></b>

In fulfilment of that established by OIC 31, the economic part of the INPS Treasury Fund and the Fund for complementary social security and welfare has been included in the Employee Severance Fund (B.9.c.).

The following is the average remunerated workforce of the Company (which increased from 862.22 units in 2018 to 912.92 in 2019), subdivided by category as follows:

	2019			2018			Delta
	CONT.	FT	TOTAL	CONT.	FT	TOTAL	
Executives	8.08	-	8.08	9.00		9.00	(0.9)
Managers	24.14	0.33	24.47	24.80	2.00	26.80	(2.3)
Office workers	263.64	4.38	268.02	266.32	7.55	273.87	(5.9)
Manual workers	529.02	83.33	612.35	428.28	124.27	552.55	59.8
	<u>824.88</u>	<u>88.04</u>	<u>912.92</u>	<u>728.40</u>	<u>133.82</u>	<u>862.22</u>	<u>50.70</u>

## Amortizations and depreciations

€ 30,957 thousand (21,677)

This item includes:

*Amortization of intangible fixed assets*

€ 75 thousand (92)

These represent the quota of the multi-annual costs charged to the financial year, calculated according to that described in the criteria for assessment, and are broken down as follows:

€ thousands	Rate	2019	2018	Difference
- Application software	33.33%	49	61	(12)
- Industrial patents	5.00%	1	1	
- Software licences	33.33%	3	8	(5)
- State grants	10.00%	14	13	1
- Cost for improvement Trezzo worksites	10.00%	8	9	(1)
		<u>75</u>	<u>92</u>	<u>(17)</u>

*Amortizations of tangible fixed assets*

€ 30,045 thousand (21,348)

These are broken down in the following table:

€ thousands	Rate	2019	2018	Difference
- Works and improvements on land	4.00%	57	57	
- Light buildings	10.00%	9	9	
- Light buildings	12.50%	1,053	1,082	(29)
- Generic plant	10.00%	452	313	139
- Special systems and equipment		21,994	13,848	8,146
- Specific plant and machinery	12.50%	76	166	(90)
- Specific plant and machinery	15.00%	4,187	3,695	492
- Miscellaneous tools	40.00%	65	55	10
- Motor cars and other vehicles	25.00%	339	410	(71)
- Vehicles, lorries, excavators and mechanical diggers	20.00%	1,505	1,400	105
- Electromechanical and electronic machinery	20.00%	259	262	(3)
- Furniture and fittings	12.00%	49	51	(2)
		<u>30,045</u>	<u>21,348</u>	<u>8,697</u>

The increase highlighted is essentially attributable to the recording of the amortization of the TBM and other equipment used for excavation, which increased by €8,146 thousand. It must be recalled that in March 2018, a serious anomaly in the system of internal gaskets had caused the interruption of the excavations, which started again in the second half of June the same year. The percentage of progress of the excavations was 85.37% as at 31 December 2019.

Amortizations of equipment and installations purchased in 2019 and required for the excavation part of the tender awarded by the COCIV (Consorzio Collegamenti Integrati Veloci) for €541 thousand were also recorded in 2019.

*Depreciation of the receivables included in the current assets and cash and cash equivalents € 837 thousand (237)*

In 2019, the Company allocated €837 thousand to align to the presumable value of realization the items which arose in previous financial years and doubtfully recoverable receivables.

### **Changes in the inventories of raw and subsidiary materials and consumables**

**€6,166 thousand (-5,354)**

The item in question is represented by the difference between the final inventories at the end of the previous financial year (€19,016 thousand) and those at the end of the financial year

being examined (€ 12,850 thousand). The variation is essentially due to the operating requirements of the Barberino Lot 2 tender and the tenders awarded by ADR.

**Allocations to provisions for risks** **€110 thousand (1,259)**

Amounts for probable risks due to litigations for €110 thousand were allocated during the current financial year.

**Other allocations** **€- thousand (491)**

The Company made no allocations in 2019.

**Other operating expenses** **€1,138 thousand (2,348)**

This amount is illustrated in the following table:

€ thousands	2019	2018	Difference
- Losses from disposal of fixed assets	46	42	4
- Representation costs	26	17	9
- Subscription fees and purchase of publications	25	36	(11)
- Stamp and registration fees, government grants	90	85	5
- Vehicle tax	59	105	(46)
- Property tax	126	130	(4)
- Waste disposal tax	111	127	(16)
- Fines	70	388	(318)
- Definition of costs and revenue of previous financial years	85	501	(416)
- Third party damages	35	154	(119)
- Other	465	763	(298)
	<u>1,138</u>	<u>2,348</u>	<u>(1,210)</u>

**Financial Income and Expenses** **€- 1,572 thousand (- 1,891)**

This amount is illustrated in the following table:

€ thousands	2019	2018	Difference
<b>Financial income:</b>			
- Income from non-current receivables	139	139	
- Income from subsidiaries	20	11	9
- Miscellaneous income	444		444
- Interest on arrears		97	(97)
	<u>603</u>	<u>247</u>	<u>356</u>
<b>Financial expenses:</b>			
- Financial payables to Autostrade per l'Italia	749	802	(53)
- Financial payables to Atlantia	2		2
- Short-term financial payables to banks	372	390	(18)
- Interest on loans	694	705	(11)
- Interest on derivative financial instruments	185	208	(23)
- Other financial costs		1	(1)
- Bank commissions and charges	84	(51)	135
- Interest for late payment to suppliers	16	3	13
	<u>2,102</u>	<u>2,058</u>	<u>44</u>
<b>Profits and losses on exchange rates:</b>			
Profits from exchange rates realised		1	(1)
Profits from exchange rates from evaluation	40	5	35
Losses from exchange rates realised	113	24	89
losses from exchange rates from evaluation		62	62
	<u>(73)</u>	<u>(80)</u>	<u>7</u>
<b>Total Financial Income and (Expenses)</b>	<u>(1,572)</u>	<u>(1,891)</u>	<u>319</u>

The item in question shows an overall decrease of €319 thousand compared to 2018.

The increase in financial income reflects the effect of the variation in the nominal debt for the loan granted by Credit Agricole Corporate Investment Bank Deutschland notified by the bank during the course of 2019 (€392 thousand).

### **Value adjustments to Financial Assets**

**€-46 thousand (4)**

This item includes the effects of recording the ongoing derivative financial instruments, specifically:

- the recording of the ineffective portion, amounting to €19 thousand, of the Interest Rate Swap (IRS) underwritten to hedge the interest rate risk of the loan granted by Credit Agricole Corporate Investment Bank Deutschland for the purchase of the TBM;

- b) the recording of the negative change in fair value of €26 thousand of the floor type derivative incorporated in the above-mentioned loan.

**Financial year income tax**

**€364 thousand (6,065)**

In the 2019 financial year, the Company recorded advance taxes, dependently on the temporary differences prevalently concerning the amortizations deductible in future financial years, allocations made to the fund for future charges and the fund for multi-annual contract losses and the emoluments to be paid to the Chief Executive Officer and the Board of Directors. This item, which was recorded in observance of the taxation laws in force, was dealt with in respect of the principle of prudence. Therefore, the advance taxes have been recorded to the extent to which there is a reasonable certainty of the existence for these amounts of sufficient levels of taxable income in future fiscal years to enable their recovery. Specifically, advance taxes of €3,507 thousand were allocated in the financial year, and advance taxes of €755 thousand were released, as shown in the following table.

<b>PREPAID TAX MOVEMENTS</b>	
<b>Balance 31/12/2018</b>	4,564
<b><u>Releases</u></b>	
Losses on multi-year contracts	(171)
Board of Directors fees	(97)
Provision for pending lawsuits	(301)
Provision for contractual costs	(70)
Provision for multi-year staff incentives	(94)
MBO 2018	(22)
<b><u>Allocations</u></b>	
Amortizations deductible in future years	2,843
Losses from exchange rates from evaluation	
Provision for pending lawsuits	27
Board of Directors fees	108
Provision for environmental recovery costs	
Provision for contractual costs	
Bad debt provision	200
Provision for multi-year staff incentives	146
MBO 2018	178
<b>Effect on the Income Statement</b>	<b>2,747</b>
<b>Effect on the net equity (derivative instruments)</b>	<b>53</b>
<b>Balance 31/12/2019</b>	<b>7,364</b>

<b>DEFERRED TAX MOVEMENTS</b>	
<b>Balance 31/12/2018</b>	85
<b><u>Releases</u></b>	
Earnings from exchange rate transactions	10
Write down cost	
<b><u>Allocations</u></b>	
Earnings from exchange rate transactions	
<b>Effect on the Income Statement</b>	10
<b>Balance 31/12/2019</b>	95

The above effect is partially compensated by the allocation of IRES (€1,819 thousand) and IRAP (€452 thousand) tax during the financial year.

The following table represents the summary overview of the links between fiscal costs in the financial statements and theoretical fiscal costs.



## RECONCILIATION BETWEEN ACTUAL TAX CHARGE AND THEORETICAL TAX CHARGE

*(Amounts in thousands of Euros)*

<b>IRES (INCOME TAX)</b>			
Description	Total differences	Tax effect	
		Amounts	Incidence
Pre-tax result	(333)		
Theoretical tax Charge/Gain		(80)	24.0%
Temporary taxable differences in future years:			
Other temporary differences			
Total			
Temporary deductible differences in future years:			
Amortizations deductible in future years	11,843		
Allocation Bad debt provision	836		
Allocation provision for pending law suits	110		
Allocation provision for environmental recovery costs			
Allocation provision for future costs			
Allocation provision for multi-year staff incentives	611		
Allocation for losses on multi-year contracts			
Other temporary differences	450		
Total	13,850		
Reversal of temporary differences from previous years			
Uses provision for pending law suits	(1,253)		
Uses provision for multi-year staff incentives	(392)		
Uses provision for future costs	(291)		
Absorption of provision for multi-year contracts	(713)		
Other recovery of temporary differences	(542)		
Total	(3,191)		
Permanent differences			
Deduction cars	421		
Ace	(194)		
Excess depreciation	(4,636)		
Balance other permanent differences	1,661		
Total	(2,748)		
<b>IRES taxable base</b>	<b>7,578</b>		
Effective tax Charge/Gain		1,819	-546.16%
Reimbursement by the parent company for tax consolidation			

<b>IRAP</b>			
Description	Total differences	Tax effect	
		Amounts	Incidence
Difference between production value and costs	1,285		
Values not relevant for IRAP purposes	72,698		
<b>Total</b>	<b>73,983</b>		
Theoretical tax charge		3,181	4.30%
Temporary taxable differences in future years:			
-			
Total			
Temporary deductible differences in future years:			
Total			
Temporary deductible differences in future years:			
Total			
Reversal of temporary differences from previous years			
Total			
Permanent differences			
Balance of permanent differences	(63,484)		
Total	(63,484)		
IRAP taxable base (average rate 4.3%)	10,499		
Effective tax charge		451	0.61%

During the year, the Company also recorded costs of €107 thousand for the settlement of IRES for 2018.

**Financial year result**

**€31 thousand (-16,205)**

## STATEMENT OF CASH FLOWS

### INTRODUCTION

In fulfilment of that established by OIC 10, the Statement of cash flows represents all the outgoing and incoming financial flows of the cash and cash equivalents during the financial year.

In the Statement of cash flows, illustrated and commented on the hereafter, the individual financial flows are separated into one of the following categories:

1. income management;
2. investment management;
3. financing activities.

The financial flows from income management are determined using the indirect method.

The algebraic sum of the financial flows in each of the categories listed above represents the net variation (increase/decrease) in the cash and cash equivalents during the course of the financial year.

The variation in the cash and cash equivalents amounts to €5,419 thousand.

The financial flow from income management is positive and amounts to €26,377 thousand. It represents the cash flow generated by the operating activities by the effect of the non-monetary income elements (amortizations and allocations), partially compensated by the changes in current assets.

The financial flow from investments is negative and amounts to €17,229 thousand.

The financial flow from financing activities is negative and amounts to €3,729 thousand, as a result of the payback of the loans granted by CACIB and UBI according to the respective amortization plans and the reduced recourse to short-term indebtedness. The loan underwritten in September 2019 with UBI Banca for €10,000 thousand was also included.

## **Commitments, guarantees and risks**

According to art. 2427, paragraph 22 ter of the Civil Code, there are no ongoing agreements not resulting from the Balance Sheet the risks and/or benefits of which are significant in terms of the equity and financial assessment and economic result of the Company.

### **Real guarantees granted**

**€6,013 thousand (6,013)**

Includes the sureties granted to third parties in the interest of the consortium company R.F.C.C. in liquidation (€1,364 thousand) and the pledge on the shares of Tangeziale Esterna granted by Pavimental to guarantee a loan contract (€4,649 thousand).

<b>REAL GUARANTEES GRANTED</b>		
€ thousands	31.12.2019	31.12.2018
R.F.C.C. in liquidation and TE Milan:		
Performance bond	81	81
Guarantee withholdings	490	490
Financial liabilities	793	793
Pledge on purchase of TE shares	4,649	4,649
<b>Total to associates</b>	<b>6,013</b>	<b>6,013</b>

### **Sales commitments**

**€729,335 thousand (639,330)**

These represent the works and services still to be carried out for the contracts awarded, broken down as follows:

## SALES COMMITMENTS

€ thousands	31.12.2019	31.12.2018
Autostrade per l'Italia:		
Road surfacing maintenance	62,728	
Infrastructures	195,736	393,550
Other highway works	74,436	2,322
Soundproofing and roadside barriers	191	191
Other Companies in the Altantia Group :		
Airport works	136,217	227,885
Other works		52
Other Contractors:		
Other works	260,027	15,330
<b>Total sales commitments</b>	729,335	639,330

## Other guarantees

The breakdown of the other guarantees is illustrated in the following table:

## OTHER MEMORANDUM ACCOUNTS

€ thousands	31.12.2019	31.12.2018
Real and Personal Guarantees received	58,289	60,036
Third party liabilities Guarantees for company:		
Performance bond	175,904	170,122
Contractual advances	61,786	26,952
Other	24,576	15,410
<b>Total Other Guarantees</b>	320,555	272,520

## **RELATIONS WITH RELATED PARTIES**

With regard to that provided by art. 2427, paragraph 22 bis of the Civil Code on information with related parties, it should be noted that the following trade and/or financial relations are ongoing with the Companies listed below. These relations are under normal market conditions or on the basis of the quota of the joint costs incurred, in the interest of expanding the Company's activities.

### **Parent company**

- **Atlantia:** the direct parent company of Pavimental, as it owns 46,223,290 shares representing 59.4% of the share capital of the Company, Atlantia exercises management and coordination activities. In 2018, the Company renewed the consolidated fiscal option, in which Atlantia is the consolidating company. There is a rent contract ongoing between the parent company and Pavimental for the offices of the Company in Villa Fassini in Rome. Lastly, in 2018 the parent company granted to the Company a credit line (regulated at market rates) generating interest receivable and payable within the Group, through which insurance charges, managers' salaries, items concerning participation in the consolidated fiscal regime and also lesser items are managed in the framework of the Centralized Treasury.

The following tables summarise the economic relations ongoing in 2019 and the equity relations ongoing as at 31 December 2019:

€ thousands

**Relations with the Parent Company (Trade, financial and others)**

	Atlantia S.p.A.	Atlantia S.p.A.
	<b>31 December 2019</b>	<b>31 December 2018</b>
<i>Receivables</i>		
Advance payments	1	169
Tax Receivables	951	9,006
<i>Total Receivables</i>	<i>952</i>	<i>9,175</i>
<i>Payables</i>		
Trade payables	34	203
Tax payables	1,819	294
Other payables	45	30
Financial payables	317	820
<i>Total Payables</i>	<i>2,215</i>	<i>1,347</i>
<i>Memorandum accounts</i>		
Guarantees - Sureties	22	22
	<b>2019</b>	<b>2018</b>
<i>Income</i>		
Other income		5
<i>Total income</i>		<i>5</i>
<i>Costs</i>		
<i>Production costs:</i>		
Services	65	53
Use of third party assets	448	556
Other costs		
Financial costs	2	
<i>Total Costs</i>	<i>515</i>	<i>609</i>

**Companies in the Atlantia Group**

- **Autostrade per l'Italia (ASPI):** an associate, with which there are significant ongoing trade and financial relations which, from an active viewpoint, involve both the ordinary and extraordinary maintenance of the highways granted under concession to ASPI and the construction of infrastructures. The performance of the works

awarded by ASPI represented approximately 62% of the entire production of the Company. The outgoings concerned the recharging of highway toll fares, fees for the directors, outsourcing, staff on secondment, work-related fines and sundry costs.

The financial relations with ASPI are constituted by a credit line (regulated at market rates) generating interest receivable and payable within the Group, through which only financing operations to cover the overdrawn bank accounts are managed in the framework of the Centralised Treasury. It can be evinced from the above that the relations generated refer to operations of everyday nature.

There are “sales commitments” to ASPI which represent work still to be carried out as part of the works awarded and “sureties” concerning insurance and bank guarantees for the proper execution of works. As at 31 December 2019, the Company owns 15,563,773 shares, amounting to 20% of the share capital of Pavimental.

The following tables summarise the economic relations ongoing in 2019 and the equity relations ongoing as at 31 December 2019 with ASPI:



€ thousands

**Relations with ASPI (Trade, financial and others)**

	Autostrade per l'Italia	Autostrade per l'Italia
	<b>31 December 2019</b>	<b>31 December 2018</b>
<i>Receivables</i>		
Works in progress	153,772	125,396
Trade receivables	30,266	8,273
-Depreciation funds	(1,153)	(1,153)
Sundry Receivables		
Advance payments to suppliers	2,459	2,536
Other receivables		
<i>Total Receivables</i>	<i>185,344</i>	<i>135,052</i>
Financial fixed assets	4	4
Tangible fixed assets		
<i>Total Fixed Assets</i>	<i>4</i>	<i>4</i>
<i>Payables</i>		
Trade payables	1,050	1,257
Advances on SAL/advance payments	29,878	14,877
Tax payables		
Other payables	419	376
Financial payables	95,306	127,356
Deferred liabilities		
<i>Total Payables</i>	<i>126,653</i>	<i>143,866</i>
<i>Memorandum accounts</i>		
Sales commitments	333,091	396,063
Guarantees - Sureties	123,869	116,404
	<b>2019</b>	<b>2018</b>
<i>Income</i>		
<i>Production value:</i>		
Works	247,970	223,452
Services-Sales	11	
Other income	1,088	1,090
Financial income		
<i>Total income</i>	<i>249,069</i>	<i>224,542</i>
<i>Costs</i>		
<i>Production costs:</i>		
Services	1,138	1,403
Use of third party assets	60	55
Other costs		456
Financial costs	749	802
<i>Total Costs</i>	<i>1,947</i>	<i>2,716</i>

- **ADR GROUP:** an associate; there were active trade relations ongoing with this company in the framework of maintenance activities and the construction of airport infrastructures.

ADR owns 15,563,773 shares, amounting to 20% of the share capital of Pavimental.

€ thousands

**Relations with ADR Group companies (Trade, financial and others)**

	Aeroporti di Roma Group	Aeroporti di Roma Group
	31 December 2019	31 December 2018
<i>Receivables</i>		
Works in progress	42,657	18,164
Trade receivables	11,070	9,112
<i>Total Receivables</i>	<i>53,727</i>	<i>27,276</i>
<i>Payables</i>		
Trade payables	586	528
Advances on SAL/advance payments	33,859	25,927
Other payables		9
<i>Total Payables</i>	<i>34,445</i>	<i>26,464</i>
<i>Memorandum accounts</i>		
Sales commitments	136,217	227,885
Guarantees - Sureties	78,887	72,768
	<b>2019</b>	<b>2018</b>
<i>Income</i>		
<i>Production value:</i>		
Works	110,944	56,524
Services-Sales		
Other income	320	349
<i>Total income</i>	<i>111,264</i>	<i>56,873</i>
<i>Costs</i>		
<i>Production costs:</i>		
Service costs	124	652
Other costs	85	95
<i>Total Costs</i>	<i>209</i>	<i>747</i>

- **Essediessa (SDS):** an associate; during 2019, SDS provided service activities for the management of general services; there were also relations for the recharging the cost of seconded staff;
- **Telepass:** an associate; there are relations of a trade nature ongoing with the company concerning highway usage by Company vehicles;
- **Società Autostrade Meridionali:** an associate; finalisations of productions recorded in previous years were recorded in the accounts in 2019. There are also relations ongoing with this company for recharging the cost of seconded staff;
- **Tangenziale di Napoli:** an associate; Pavimental has receivables from this company for invoices issued and ongoing works for activities carried out in previous years;
- **Spea:** an associate; there were relations ongoing with the company concerning the recharging of the cost of seconded staff;
- **Giove Clear:** an associate; there were relations ongoing with the company concerning the recharging of the cost of seconded staff;
- **Stalexport Autostrada Malopolska S.A.:** an associate, there were active relations of a trade nature concerning production carried out in Poland by the Pavimental branch in temporary association with the subsidiary Pavimental Polska.

€ thousands

<b>Equity relations</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>Difference</b>
<u>Trade receivables and assets under construction</u>			
Società Autostrade Meridionali S.p.A.	215	250	(35)
Stalexport Autostrada Malopolska S.A.	995	1,758	(763)
Tangenziale di Napoli S.p.A.	655	569	86
Essediesse S.p.A.	25	80	(55)
Spea S.p.A.	406	320	86
Giove Clear	-	34	(34)
	<u>2,296</u>	<u>3,011</u>	<u>(715)</u>
<u>Trade payables</u>			
Società Autostrade Meridionali S.p.A.	-	1	(1)
Telepass S.p.A.	2	-	2
Essediesse S.p.A.	-	53	(53)
	<u>2</u>	<u>54</u>	<u>(52)</u>
<u>Memorandum accounts</u>			
<u>Sales commitments</u>			
Tangenziale di Napoli S.p.A.	52	52	
	<u>52</u>	<u>52</u>	

€ thousands

<b>Economic relations</b>	<b>2019</b>	<b>2018</b>	<b>Difference</b>
<u>Ordered works</u>			
Società Autostrade Meridionali S.p.A.	-	(232)	232
Stalexport Autostrada Malopolska S.A.	1,676	1,306	370
Tangenziale di Napoli S.p.A.	64	-	64
	<u>1,740</u>	<u>1,074</u>	<u>666</u>
<u>Other income</u>			
Essediesse S.p.A.	86	98	(12)
Società Autostrade Meridionali S.p.A.	27	72	(45)
Spea S.p.A.	336	439	(103)
Giove Clear	12	56	(44)
	<u>461</u>	<u>665</u>	<u>(204)</u>
<u>Costs for services and use of third party assets</u>			
Essediesse S.p.A.	44	87	(43)
Società Autostrade Meridionali S.p.A.	-	2	(2)
Spea S.p.A.	-	56	(56)
Telepass S.p.A.	12	11	1
	<u>56</u>	<u>156</u>	<u>(100)</u>
<u>Other costs</u>			
Società Autostrade Meridionali S.p.A.	-	1	(1)
Spea S.p.A.	-	1	(1)
	<u>-</u>	<u>2</u>	<u>(2)</u>

## **OPERATIONS WITH THE OBLIGATION OF WITHDRAWAL ON TERMINATION**

The Company has no payables and/or receivables deriving from operations with the obligation for the purchaser to withdraw on termination.

## **FINANCIAL LEASING OPERATIONS**

The Company had the following assets under financial leasing as at 31 December 2019.

€ thousands

Contract no.	Description of asset	Book value of the asset	Amortization fund	Current value of the leasing instalments not expired	2019 amortization	Implicit interest payable
7407130155	Citroen DS 7 vehicle	28	6	23	6	1
7407128365	Citroen DS 7 vehicle	28	6	23	6	1

## **SIGNIFICANT EVENTS AFTER THE CLOSURE OF THE FINANCIAL YEAR**

It is well known that since February 2020, the Covid-19 epidemic has been progressively spreading in Italy and has led to the emanation by the government and the regional authorities of a series of measures aimed at reducing the spread of the epidemic, which have also placed restrictions on personal movements and business activities. As regards the ongoing health emergency, the Company has begun mapping the level of criticality of the ongoing works and identified action to protect the workers in line with the directives issued by the authorities on health and safety and as regards the worksites and the Rome head office. In the context of this emergency, the Company has acted promptly, introducing precautionary measures of an extraordinary nature into the production process. The worsening of the health situation and the government dispositions issued as a result have made obtaining supplies of materials, goods and services increasingly complex, limiting the presence and operations of the subcontractors, and has made the management of manual labour more complicated, implying a slow-down or temporary suspension of activities.

As a result of the national health emergency, the so-called “Cura Italia” Decree-Law was emanated, art. 19 of which envisages the possibility for employers who suspend or reduce

business activities due to the COVID-19 emergency to apply for ordinary salary integration benefits (CIGO). The Company has implemented the procedures required to benefit from this social safety net for all of the infrastructural worksites and the Rome head office. It was decided to use the current CIGS procedure for the maintenance worksites.

In the light of the above, and on the basis of the information available on the date of preparation of these financial statements, the Company has drawn up an estimate of the possible impact of the spreading of the coronavirus pandemic on business activities and on the economic result for 2020 (about 4.2 million Euros less than the 2020 Budget), with the presupposition that the Company will start business activities again gradually from mid-April 2020.

Also see that illustrated in the paragraph entitled “Outlook” in the Report on Management by the Directors, which accompanies these financial statements.

**SUMMARY OF KEY FIGURES OF THE LATEST FINANCIAL STATEMENTS OF THE COMPANY  
EXERCISING MANAGEMENT AND COORDINATION PURSUANT TO ART. 2497 BIS CC**

<b>ATLANTIA S.p.A.</b>	
<b>KEY FIGURES FROM 2018 FINANCIAL STATEMENTS</b>	
<b>(Thousands of Euros)</b>	
<b>EQUITY-FINANCIAL SITUATION</b>	
Non-current assets	16,714,583
Current assets	432,788
<b>Total Assets</b>	<b>17,147,371</b>
Net Equity	11,202,726
of which share capital	825,784
Non-current liabilities	5,045,307
Current liabilities	899,338
<b>Total Net Equity and Liabilities</b>	<b>17,147,371</b>
<b>INCOME STATEMENT</b>	
Operating revenues	3,219
Operating costs	-100,736
<b>Operating result</b>	<b>-97,517</b>
<b>Financial year result</b>	<b>694,721</b>

## **PROPOSALS TO THE SHAREHOLDERS' MEETING**

Dear Shareholders,

the draft Financial Statements that we are submitting for approval show net financial year profits of 31,176 Euros.

We would, therefore, ask that you approve the text we have submitted as the Financial Statements for the 2019 financial year, and this Report on Management, proposing that:

- 5% be allocated to the legal reserve, amounting to 1,559 Euros;
- 29,617 Euros be allocated to the reserve for profits on exchange rates ex art. 2426, point 8 - *bis* of the Civil Code.

Rome, 10 April 2020

**Report by the Board of Auditors to the Financial Statements as at  
31 December 2019  
of PAVIMENTAL S.p.A.  
Company under the management and coordination of Atlantia S.p.A.  
pursuant to article 2429, second paragraph of the Civil Code**

Dear Shareholders,

During the course of the financial year closed on 31 December 2019, we performed the supervisory activities required of the Board of Auditors pursuant to art. 2403 of the Civil Code and – as applicable – art. 149 of Legislative Decree 28/98 and subsequent amendments or integrations.

This report has been prepared pursuant to art. 2429, second paragraph of the Civil Code and art. 153, paragraph 1 of Legislative Decree 58/98 and subsequent amendments or integrations, according to the principles of conduct for the Board of Auditors of companies that are subsidiaries of companies with shares traded on regulated stock markets, emanated by the National Order of Chartered Accountants and Bookkeepers.

Furthermore, we have also taken into account, as applicable, Consob Communication no. DEM/1025564 dated 6 April 2001 and subsequent amendments or integrations.

With regard to the activities carried out during the course of the 2019 financial year, we would bring the following to your attention:

- we attended the Shareholders' Meetings and the meetings of the Board of Directors, supervising over the respect of the regulations in the company statutes and the laws and regulations in force disciplining the functioning of the company and we are able to attest that no significant resolutions were passed that were in potential conflict of interest or such as to compromise the integrity of the corporate equity without giving prior and suitable notification to the Directors and the Auditors;
- attending the meetings of the Board of Directors and also the meetings held with the directors and top management of the company – on at least a quarterly basis – has enabled us to obtain information on the activities carried out in overall terms by the company and on its transactions deemed to be of the most significance in economic, financial and equity terms, thereby ascertaining that the action deliberated and undertaken was in compliance with the laws and Company Statutes and were not



blatantly imprudent or risky, in potential conflict of interest or in contrast with the resolutions passed by the corporate bodies or such as to compromise the integrity of the corporate equity;

- we conducted the analysis, for the matters of our competence, concerning the adequacy of the organizational structure of the company, by obtaining information and also examining the documentation that was sent to us by the managers of the corporate departments and by the representatives of the independent auditing firm during the meetings scheduled for the reciprocal exchange of data and information;
- we supervised over the adequacy of the internal auditing system which is structured at a Group level and is constantly updated by both the parent company and the subsidiary companies;
- we acquired knowledge and supervised over the adequacy of the administration and accounting system and on its reliability in terms of properly representing the management events, by obtaining information from the managers of the corporate departments, examining the documents and obtaining information from the independent auditing firm and through meetings with the Supervisory Board;
- we verified the punctuality with which both the data required for the preparation of the Financial Statements and the interim reports and the news of which in arts. 114, 115 and 150 of Legislative Decree 58/98 and subsequent amendments or integrations was given to the parent company.

Furthermore, with regard to the verification activities carried out, we hereby confirm that:

- the Company did not carry out any atypical or unusual operations, including those within the group and with related parties. As regards the operations within the Group and with related parties of an ordinary nature, the Board of Directors has provided detailed information in its own report. In this regard, we believe that such operations as carried out were congruous with and responding to the interests of the Company;
- no reports ex art. 2408 of the Civil Code were received and we received no claims from third parties;

- during the course of the activities carried out, no omissions, irregularities or censurable facts, or in any case significant events, emerged such as to require reporting to the corporate bodies or mention in this report;
- there were no cases during the financial year in which it was necessary to obtain the opinion of the Board of Auditors pursuant to the law;
- the company is subject to the management and coordination of the parent company Atlantia S.p.A., and all of the advertising obligations provided by art. 2497 bis of the Civil Code were fulfilled;
- the company has subscribed to the national consolidated fiscal system, pursuant to art. 117 and following of the T.U.I.R., with Atlantia S.p.A. as the consolidating company.

The auditing of the financial statements was performed by Deloitte & Touche S.p.A., which also audits the financial statements of the parent company. During the course of the financial year, regular meetings were held with the independent auditing firm, in the form of both formal meetings which were also attended by the administrative managers of the company and informal contacts.

As regards the annual financial statements, we would report the following:

- given that the analytical auditing as regards the content of the financial statements is not our responsibility, we supervised over their general layout and that of the Report on Management, their general compliance with the law, as regards their layout and structure, and we have no specific observations to make in this regard;
- the Company has prepared the annual financial statements according to civil law and the Italian accounting standards, at the same time preparing the periodical reports containing the economic and equity situation to be sent for the preparation of the interim reports and the Consolidated Financial Statements of Atlantia S.p.A., according to the international accounting standards (IAS/IFRS);
- we have verified the response of the financial statements to the facts and information that we have become aware of during the completion of the duties assigned to us;
- as far as we are aware, the Directors did not derogate any matters to the law pursuant to art. 2423, fourth paragraph of the Civil Code.

The Board of Auditors would point out to the Shareholders that described by the Directors in the paragraph entitled “Outlook” in the Report on Management, regarding the effects of the emergency linked to the spread of the COVID-19 pandemic in Italy.

The government dispositions emanated as a result of the emergency have imposed a slow-down and temporary suspension of the Company’s business activities in March and April of this year. With regard to this, an estimate has been drawn up of the impact of these extraordinary events on the economic result expected for 2020 and on the financial situation..

In the light of the information available on the date of preparation of these financial statements, the Directors believe that the short-term uncertainties regarding the outlook are not significant, specifying, however, that the significance of the effects on the pandemic on the outlook must necessarily be commensurate to the duration and extent of the containment measures and updated on the basis of the development of the events connected to the epidemic, which are not entirely predictable as of the date of preparation of these financial statements.

In its Report issued on 21 April 2020 pursuant to art. 14 of Legislative Decree 39 of 27.1.2010, the independent auditing firm declared the following:

- *“In our opinion, the annual financial statements truthfully and accurately represent the equity and financial situation of the Company as at 31 December 2019, the economic result and the cash flows for the financial year closed on said date, in compliance with the Italian laws governing the criteria for preparation”;*
- *“In our opinion, the report on management is consistent with the annual financial statements of Pavimental S.p.A. as at 31 December 2019 and has been prepared in compliance with the law”.*

As regards the contents of this report, also taking into account the opinion of the independent auditing firm, the Board of Auditors hereby gives its favourable opinion as regards the approval of the annual financial statements as at 31 December 2019 as prepared by the Directors and acknowledges and agrees with their proposal for the allocation of the financial year profits.

Rome, 21 April 2020

THE BOARD OF AUDITORS

Chairman: Francesco Mariano Bonifacio (Signed)

Standing auditor: Mario Anaclerio (Signed)

Standing auditor: Pier Giorgio Cempella (Signed)

## **INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010**

**To the Shareholders of  
Pavimental S.p.A.**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of Pavimental S.p.A. (the Company), which comprise the balance sheet as at December 31, 2019, the statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Italian law governing financial statements.

#### **Basis for Opinion**

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

#### **Responsibilities of the Directors and the Board of Statutory Auditors 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 law governing financial statements, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

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

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism 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 management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditor's 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 auditor's 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 an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Opinion pursuant to art. 14, paragraph 2 (e) of Legislative Decree 39/10**

The Directors of Pavimental S.p.A. are responsible for the preparation of the report on operations of Pavimental S.p.A. as at December 31, 2019, including its consistency with the related financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the financial statements of Pavimental S.p.A. as at December 31, 2019 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the financial statements of Pavimental S.p.A. as at December 31, 2019 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Claudio Martino**  
Director

Rome, Italy  
April 21, 2020

*This report has been translated into the English language solely for the convenience of international readers.*