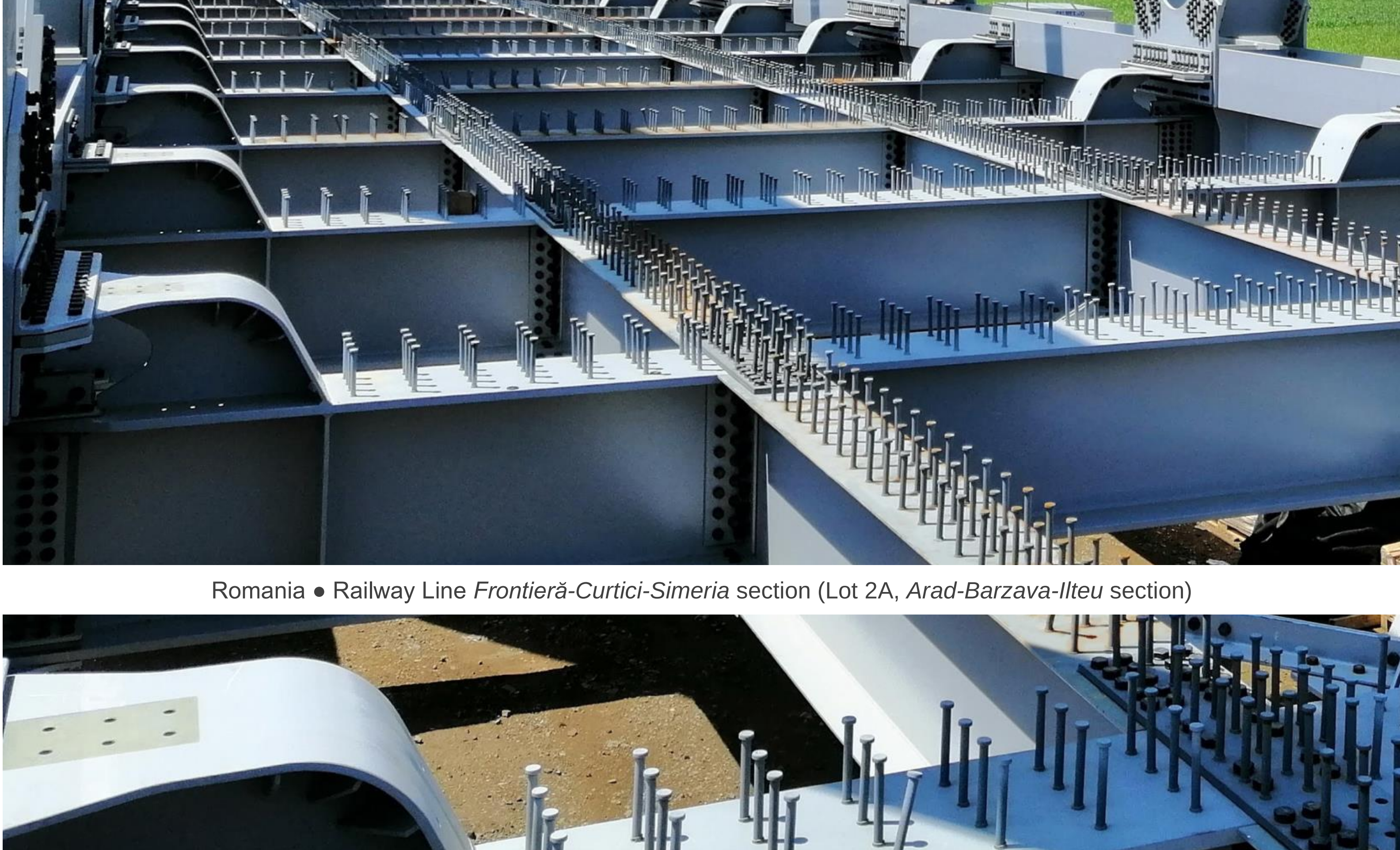
(Translation from the Italian original which remains the definitive version)

Annual Financial Report

31 DECEMBER 2019

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

Romania ● Railway Line *Frontieră-Curtici-Simeria* section (Lot 2A, *Arad-Barzava-Ilteu* section)



General Index

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

Italy ● Line C of the Rome Metro, *Piazza Venezia* station

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

Directors' report

Poland ● Lodz–Fabryczna Railway Station

Contents

Company bodies

Board of directors

Paolo Astaldi, Chairman

Ernesto Monti[1], Deputy chairman

Michele Valensise, Deputy chairman

Filippo Stinellis, Chief executive officer

Caterina Astaldi, Director

Paolo Cuccia[2], Director

Piero Gnudi[2], Director

Chiara Mancini[2], Director

Nicoletta Mincato[2], Director

Fabrizio Clemente, board secretary

Chief restructuring officer

Paolo Amato, Chief restructuring officer[3]

Honorary chairman

Vittorio Di Paola, Honorary chairman[4]

[1] Independent as per Legislative decree no. 58/1998 as subsequently amended (the "Consolidated Finance Act").
[2]Independent as per the Consolidated Finance Act and the Code of Conduct
[3] On 31 May 2019, the parent's board of directors appointed Paolo Amato chief restructuring officer ("CRO") to supervise the general implementation of the composition plan, also to comply with the terms of the binding offer presented by Salini Impregilo S.p.A. (now WeBuild). As of that date, the CRO has attended all the meetings of the board of directors and board committees. The board of directors continues to have independent decision-making powers in compliance with the applicable laws and regulations, as well as the composition plan and proposal. More information is available in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section d.
[4] Vittorio Di Paolo resigned from his position as honorary chairman on 21 March 2019.

Board of statutory auditors

Giovanni Fiori, Chairman

Anna Rosa Adiutori, Standing statutory auditor

Lelio Fornabaio, Standing statutory auditor

Giulia De Martino, Alternate statutory auditor

Francesco Follina, Alternate statutory auditor

Gregorio Antonio Greco, Alternate statutory auditor

Independent auditors

KPMG S.p.A.

Board committees

- **Control and risks committee**

  Nicoletta Mincato, Chairwoman

  Paolo Cuccia

  Ernesto Monti

- **Appointments and remuneration committee**

  Piero Gnudi, Chairman

  Ernesto Monti

  Paolo Cuccia

- **Related parties committee**

  Chiara Mancini, Chairwoman

  Paolo Cuccia

  Nicoletta Mincato

General management[5]

General management (at 1 January 2019)

Paolo Citterio
GENERAL MANAGER
Administration and finance

Mario Lanciani
GENERAL MANAGER
Industrial services

Marco Foti
GENERAL MANAGER
Italy and Maghreb area

Cesare Bernardini
GENERAL MANAGER
Europe, Russia, Georgia, Africa and Middle East

Fabio Giannelli
GENERAL MANAGER
Turkey, Iran and Far East

Francesco M. Rotundi
GENERAL MANAGER
Americas

General management (from 14 January 2019)

Paolo Citterio
GENERAL MANAGER
Administration and finance

Francesco M. Rotundi
GENERAL MANAGER
Italy, American Continent, Algeria, Morocco and Tunisia

Cesare Bernardini
GENERAL MANAGER
Europe, Asia and Africa and Brenner (Italy)

[5] On 14 January 2019, the parent's board of directors approved a number of organisational changes to streamline the decision-making processes: *(i)* it eliminated the industrial services general management department, the Italy and Maghreb area general management department, the Europe, Russia, Giorgia, Africa and Middle East general management department, the Turkey, Iran and Far East general management department and the Americas general management department, *(ii)* confirmed the administration and finance general management department, which continues to be headed up by Paolo Citterio, and *(iii)* set up the Italy, American Continent, Algeria, Morocco and Tunisia general management department under Francesco M. Rotundi and the Europe, Asia and Africa, Italy-Brenner general management department led by Cesare Bernardini.

Group profile

The Astaldi Group is an international market player and one of the major general contractors in Italy. It has a large share of the European and global construction market. Listed on the stock exchange since 2002, it mostly operates as an EPC[6] contractor and delivers complex and integrated projects. It designs, develops and operates public infrastructure and large-scale civil engineering works.

The group has an offer capacity based on several product lines - transport infrastructure, hydraulic and energy production plants, civil and industrial construction and plant engineering. It also operates under concession and provides operation and maintenance (O&M) services for the management of the infrastructure and works it builds.

Chart 1 shows the group's KPIs[7].

Chart 1 – Key performance indicators[8]

STRONG TRACK RECORD	
TRANSPORT	**5,885+ km** of railways and metros **15,260+ km** of roads and motorways **320+ km** of bridges and viaducts
TUNNELLING	**726 km of tunnels** of which **~450 km** for railway/metro projects **110 km** of road tunnels **144 km** of hydraulic tunnels
WATER & ENERGY	**6,000+ MW** of installed capacity
CIVIL CONSTRUCTION	**25,700,000 m³** **24** healthcare facilities (9,923 beds) **22** airports

[6] Engineering, Procurement, Construction.
[7] Key Performance Indicators.
[8] Source: Astaldi archives.

While the group has strong roots in Italy, it also has a significant presence abroad. At year end, its order backlog was worth €7.9 billion[9], including €6.6 billion for the construction segment and approximately €1.3 billion for the O&M segment, with a business spanning the world. Its long-standing base in Italy contributes orders of approximately €3.8 billion (around 48% of the total) while its foreign orders amount to €4.1 billion (the other 52%). Outside Italy, the group mostly works in Europe (Romania, Poland, Sweden and Turkey), the Americas (Chile, Canada, USA and Paraguay), Africa (Algeria) and Asia (India).

At year end, the group's average annual workforce numbered 6,681 employees, of whom roughly 17% based in Italy and 83% abroad.

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On 28 September 2018, Astaldi S.p.A. ("Astaldi" or the "parent") commenced a composition with creditors on a going concern basis procedure as per article 186-bis of the Bankruptcy Law. [10]At the date of preparation of this directors' report, this procedure is in place as described in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law" section.

[9] Order backlog for its industrial activities (construction and O&M)
[10] Bankruptcy Law – Royal decree no. 267 of 16 March 1942 as subsequently amended.

Key events of the year

On 28 September 2018, Astaldi S.p.A. commenced a composition with creditors on a going concern basis procedure as per article 186-bis of the Bankruptcy Law. The events directly related to this procedure are described in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law" section.

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Acquisition of a new lot of the high speed Naples-Bari railway line in Italy – In January, Astaldi announced that it had been awarded the contract to develop another 18.7 km of the high speed Naples-Bari railway line in a joint venture with Salini Impregilo (now Webuild, "Webuild")[11]. The new lot includes the construction of the Apice-Hirpinia section, the Hirpinia Station, three bored tunnels and four viaducts.

Reorganisation of the group's organisational model – In January, the parent's board of directors approved a number of organisational changes to streamline the decision-making processes by reducing the general management departments: *(i)* it eliminated the industrial services general management department, the Italy and Maghreb area general management department, the Europe, Russia, Georgia, Africa and Middle East general management department, the Turkey, Iran and Far East general management department and the Americas general management department, *(ii)* confirmed the administration and finance general management department, which continues to be headed up by Paolo Citterio, and *(iii)* set up the Italy, American Continent, Algeria, Morocco and Tunisia general management department under Francesco Maria Rotundi and the Europe, Asia, Africa, and Brenner (Italy) general management department led by Cesare Bernardini. In March, Vittorio Di Paola resigned from his position as honorary chairman.

Filing of the composition plan and proposal – In February, Astaldi filed its composition plan and proposal (as identified later in more detail) at the terms approved on the same date by the parent's board of directors with the bankruptcy section of the Rome Court (the "Rome Court"). The financial manoeuvre underpinning the filed documents is consistent with Webuild's offer (as described in more detail later in this report), allowing, inter alia, the parent to safeguard its know-how.[12]

Paolo Amato appointed chief restructuring officer – In May, the parent's board of directors appointed Paolo Amato as its chief restructuring officer to aid the group with its ongoing restructuring.[13]

Gebze–Orhangazi–Izmir Motorway inaugurated in Turkey – In August, the Turkish government opened the last section of the Gebze-Orhangazi-Izmir Motorway to the public. This project involved the construction of 426 km of new motorway under a BOT[14] contract, with a concession term of 21 years. The new motorway is

[11] Salini Impregilo S.p.A. – it changed its name to Webuild S.p.A. in May 2020. It plays a key role in Astaldi's composition with creditors procedure presented in 2019. More information on the composition with creditors proposal and the contract in general is provided in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors proposal" and "Construction - Italy" sections.
[12] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law" section.
[13] See the "Company bodies - Board of directors" section for more information.
[14] Build, Operate, Transfer.

essential for freight transport as it halves the travel times (from 8 hours to 3.5 hours) from Gebze (near the capital Istanbul) to Izmir (an important industrial city on the Aegean coast).

Astaldi's composition with creditors procedure application accepted – In August, the Rome Court accepted Astaldi's application for composition with creditors on a going concern basis, finding that its composition plan and proposal are consistent with the binding offer received from Webuild (as described in more detail later in this report) and can be implemented at the terms and using the methods set out therein. On the same date, the Rome Court authorised the parent to agree new pre-preferential financing, necessary to support its financial requirements until authorisation of the procedure (up to a maximum of €125 million and bonding facilities for a maximum of €384 million). The court also set the date for the creditors' meeting and their vote on the composition with creditors proposal as 6 February 2020 (subsequently postponed to 9 April 2020 for reasons not attributable to the parent).[15]

New contract for the Hurontario Light Rail Transit Project in Canada – In October, Astaldi and Webuild (as part of the Mobilinx consortium with Hitachi and some Canadian partners) announced that they had been awarded the civil engineering works for the Hurontario Light Rail Transit ("HuLRT") Project. The consortium will design, build, finance and operate the HuLRT for a 30-year term. The HuLRT is an 18-kilometre, 19-stop light rail transit system that will run along Hurontario Street from Port Credit in Mississauga to the Brampton Gateway Terminal in Ontario.

Closing of the sale of the remaining investments in the car parks business – In November, Astaldi Concessioni (Astaldi Group) finalised the sale of its remaining 5% investments in AST B Parking and AST VT Parking, holders of concessions to build and operate five public car parks in Bologna (Riva Reno and Piazza VIII Agosto), Turin (Corso Stati Uniti and Porta Palazzo) and Verona (Piazza Cittadella), built by Astaldi.[16]

Signing of the contract for the Yaciretà Hydroelectric Power Plant in Paraguay – In November, Astaldi signed the contract for the performance of works to upgrade the Yaciretà Hydroelectric Power Plant on Río Paraná which runs along the border between Argentina and Paraguay (the "Brazo Aña Cuá Project") as part of a joint venture. The contract covers all the civil works and some electromechanical works to install three additional Kaplan turbines in the existing hydroelectric power plant to increase its installed capacity by 270 MW for an average annual energy output of 1,700 GWh.

Roll out of works for the New Linares Hospital in Chile – In November, the contract for the New Linares Hospital entered its construction phase. This healthcare facility will have 329 beds and will increase the national healthcare system's reception capacity in the Maule region of Chile.

Preliminary activities for the sale of the Third Bosphorus Bridge operator commenced – In December, after receiving authorisation from the Rome Court, Astaldi announced it had commenced the preliminary activities for the sale of its share of the Third Bosphorus Bridge operator in Turkey to its partner ICTAS (this agreement was finalised in March 2020[17]).

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[15] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law" section.

[16] More information on this sale is available in the "Concessions" section.

[17] See "Events after the reporting date - Composition with creditors on a going concern basis (updates after the reporting date)" section for more information.

Closing of the sale of the investment in the operator of the four Tuscan hospitals in Italy – In December, the group and its partners Techint and Pizzarotti sold their investments in SAT, the operator of the four Tuscan hospitals, built under a project financing contract by Astaldi. This completed a complicated sales transaction (the first P3 in Italy involving multiple assets and the most important in the healthcare sector). Commenced in 2016 with the signing of the preliminary agreement, the transition involved an initial closing (in December 2017) for the transfer of a part of the shares, and a second definitive closing (in December 2019) to complete the sale after which the Equitix fund now holds 98% of SAT.

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Information about the events more directly related to the composition with creditors on a going concern basis procedure commenced by the parent in September 2018 is available in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law" section.

Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law

Composition with creditors on a going concern basis

On 28 September 2018, Astaldi filed its application (no. 63/2018) with the Rome Court for its composition with creditors procedure as per article 161.6 of the Bankruptcy Law[18] (the "composition with creditors procedure" or the "composition procedure") in order to present its proposal of composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law.

On 17 October 2018, the Rome Court granted a 60-day period to allow the parent to file its composition with creditors proposal, the related plan (the "composition proposal" and the "composition plan", respectively, as defined in more detail below) and the additional documentation required by article 161.2/3 of the Bankruptcy Law. The court concurrently appointed Stefano Ambrosini, Vincenzo Ioffredi and Francesco Rocchi as the judicial commissioners (the court subsequently replaced the commissioners for reasons not attributable to the parent as explained below).The Rome Court also ordered the parent file once a month *(i)* an updated report on its financial position, and *(ii)* a report on the status of the composition proposal and the composition plan, and its current operations, including financial, with a description of the key transactions performed, of a contractual, operating, industrial, financial or settlement nature of more than €500 thousand, specifying the cash-in-hand and the key changes (the parent has regularly complied with this requirement during the procedure).

On 18 December 2018, the deadline for the presentation of the composition proposal in accordance with the application filed by the parent as per article 161.6 of the Bankruptcy Law was extended for another 60 days given the complexity of the activities to be performed as part of the composition plan and the procedure. Therefore, the deadline set for the presentation of the composition plan and proposal in accordance with article 160 and subsequent articles of the Bankruptcy Law was 14 February 2019.

On 14 February 2019, the parent filed its composition proposal and plan as per articles 160, 161 and 186-bis of the Bankruptcy Law, along with the additional documentation required by article 161.2/3 of the Bankruptcy Law. On 19 June 2019, following the requests for clarifications from the bankruptcy section of the Rome Court, as per article 162 of the Bankruptcy Law, on the composition with creditors proposal presented by the parent - together with the composition plan and report -, Astaldi filed a revised composition proposal and plan with the Rome Court together with an updated report drafted as per article 161.3 and article 186-bis.2.B) of the Bankruptcy Law. Astaldi subsequently supplemented the documentation on 16 July 2019, 20 July 2019 and 2 August 2019.

On 5 August 2019, the Rome Court accepted the parent's application for the composition with creditors procedure as per article 171.2/3 of the Bankruptcy Law *(i)* authorising the commencement of the composition with creditors procedure proposed by Astaldi, *(ii)* appointing Angela Goluccio as the delegated judge for the

[18] Bankruptcy Law – Royal decree no. 267 of 16 March 1942 as subsequently amended.

procedure ("the delegated judge"), *(iii)* calling a creditors' meeting to vote on the composition with creditors proposal before the delegated judge (the "creditors' hearing") for 6 February 2020, and *(iv)* appointing Stefano Ambrosini, Vincenzo Ioffredi and Francesco Rocchi as the judicial commissioners. Subsequently, after the removal of Stefano Ambrosini and the resignation of Vincenzo Ioffredi followed by Francesco Rocchi for reasons not attributable to the parent, the Rome Court *(i)* replaced the three judicial commissioners with Vincenzo Mascolo, Piergiorgio Zampetti and Enrico Proia (together the "judicial commissioners"), and *(ii)* accordingly postponed the creditors' meeting to 26 March 2020 (then definitively postponed to 9 April 2020 due to the regulations and urgent measures adopted by the Italian government to contain and manage the Covid-19 epidemiological emergency.

The "Events after the reporting date – Composition with creditors on a going concern basis (updates after the reporting date)" section provides information on the status of the ongoing proceedings.

Other procedures linked to the Astaldi S.p.A. composition with creditors

This section provides an overview of the additional procedures linked to the parent's composition with creditors procedure, commenced during the year. They are also described in the section on the events after the reporting date for their proper presentation.

Reference should also be made to the information about the additional procedures linked to the parent's composition with creditors procedure commenced after the reporting date presented in the "Events after the reporting date - Other procedures linked to the Astaldi S.p.A. composition with creditors (updates after the reporting date)" section.

NBI – COMPOSITION WITH CREDITORS PROCEDURE PENDING BEFORE THE ROME COURT – NBI S.p.A. ("NBI"), wholly-owned by Astaldi, submitted an application for a separate composition with creditors on a going concern basis procedure to the Rome Court as per article 161.6 of the Bankruptcy Law. NBI was subsequently authorised to continue certain contracts tendered under the new Public Contract Code. The Rome Court authorised it to issue the certification of labour compliance (DURC) and to collect receivables due from customers. The subsidiary filed its composition with creditors proposal on 7 June 2019, before the deadline set by the Rome Court. As a result of the clarifications requested by the court and within the timeline set by it, NBI filed a revised composition with creditors proposal on 6 November 2019 with the related documentation. It also commenced a debt restructuring procedure in Chile. NBI informed the Rome Court with its communication of 7 February 2020 that it had obtained the majority vote required by Chilean law for approval of its local debt restructuring proposal presented in that country. The Rome Court accepted NBI's application for the composition with creditors procedure with its ruling of 26 February 2020 and ordered that the creditors' meeting be called for 24 June 2020. On 9 May 2020, the competent judicial commissioners expressed their positive opinion on the composition plan and the proposal in accordance with article 172 of the Bankruptcy Law. With its measure handed down on 27 May 2020 and filed on 29 May 2020, the Rome Court found NBI's procedure to be urgent, confirmed the date set for the creditors' meeting and established that it will take place remotely in the manner prescribed in the regulation issued on the same date.

ASTALDI BRANCH IN CHILE - JUDICIAL REORGANISATION PROCEDURE – On 6 November 2018, the Chilean branch (Astaldi's base in Chile, the "Chilean branch") applied to the Santiago court (the "local court") to have the parent's composition with creditors procedure endorsed so that the effects of the Italian procedure would be valid in Chile. The Chilean bankruptcy law provides that endorsement of crossborder composition with creditors procedures gives the debtor temporary protection from individual enforcement actions by creditors. As provided for by the local law, the Chilean branch firstly applied to the local court for a precautionary financial protection measure as per article 57.1 of the local bankruptcy law ("financial protection"). Subsequently, upon a creditor's request, the local court revoked the Chilean branch's financial protection measure. On 25 February 2019, the Chilean branch applied for the Chilean judicial reorganisation procedure (which is an alternative to a winding up procedure) which, in short, provides for (i) the presentation by the branch of a debt restructuring proposal for its creditors, (ii) the appointment of a body (the "Veedor") by the three main creditors to assist the debtor in preparing its proposal and to express an opinion on its feasibility, and (iii) the calling of a creditors' meeting to vote on the debtor's proposal. On 27 March 2019, the parent presented an application to the Rome Court for its authorisation to activate the procedure, which the court granted on 29 March 2019. Therefore, on the same date, the Chilean branch presented its judicial debt restructuring agreement proposal to the eleventh civil courtroom of Santiago ("Juzgado Civil"). On 15 April 2019, the creditors were asked to vote on the proposal which they approved with a very large majority (more than 90% of the qualified creditors in terms of the amounts and number involved). Starting from that date, the Chilean debt restructuring agreement is valid in accordance with Chilean bankruptcy legislation and, therefore, the branch commenced payment of the instalments as per the agreement within the dates and using the methods approved therein.

ASTALDI BRANCH IN PERU – INSOLVENCY PROCEDURE – Prompted by a Peruvian creditor and following a series of checks, including with the parent's legal advisers, the competent local commission (Instituto Nacional de Defensa de la Competencia y de la Protección de la Propiedad Intelectual – INDECOPI) began an ordinary winding up procedure for Astaldi's Peruvian branch with Decision no. 3178-2019/CCO-INDECOPI of 18 March 2019. On 4 April 2019, the branch appealed against such decision. Pursuant to the ruling regulations (Ley No. 27809, Ley General del Sistema Concursal - LGSC), the competent authority (Sala Especializada en Procedimientos Concursales) officially commenced the local insolvency proceedings on 22 October 2019. In the next few months, the creditors' committee will be set up and will appoint an administrator/liquidator for the branch's assets and, in the meantime, the branch retains administrative powers in the interest of the creditors.

Reasons for the financial difficulties

In order to facilitate a greater understanding of the issues that led the parent to commence the composition with creditors procedure, this section describes the events that began to cause financial difficulties starting from 2017.

The most significant factors that affected Astaldi's performance and financial conditions before it commenced the composition with creditors on a going concern basis procedure were:

a) the steady deterioration of the general economic situation and the crises impacting the sectors in which the parent operates. Specifically, Astaldi was heavily affected by certain factors such as:
   - the lengthening of the payment times of public administrations;
   - non-collection of some outstanding receivables;
   - the application of tougher lending criteria by the banks;
   - higher operating costs, in particular for services and the greater resort to subcontractors, which squeezed the operating profits;
   - the general crisis in the Italian public works sector;

b) the political and financial instability of certain countries where the group operates, such as Venezuela and Turkey, which led to a steady contraction in its liquidity.

Together with the unavailability of credit facilities and the guarantees necessary to secure the group's operations, these factors meant it was unable to complete the capital strengthening measures by the established dates (including a capital increase) and the planned sale of the assets related to the Third Bosphorus Bridge in Turkey (the "Third Bridge") in 2018. All these factors significantly worsened Astaldi's financial difficulties.

The events that impacted the group are described in more detail below.

In May 2017, the parent commenced an assessment to decide how to postpone its repayment dates. Accordingly, in June 2017, it issued equity-linked bonds for €140 million with a seven-year maturity (the "equity-linked bonds"). It concurrently repurchased the existing equity-linked bonds issued in 2013 and redeemable in 2019; this issue was just the first stage of a more structured debt refinancing programme.

After the United States' introduction of new sanctions against Venezuela, on 8 November 2017, after formally acknowledging the serious deterioration of the South American country's economic and financial situation (the group had three large railway projects in progress), the parent prudently recognised an impairment loss of €230 million on its local assets and concurrently commenced discussions with its main financial backers to negotiate the terms of a capital increase.

On 14 November 2017, the parent's board of directors reviewed a capital strengthening and refinancing manoeuvre (the "manoeuvre") through *(i)* a revised capital increase of €200 million and the issue of additional financial instruments for €200 million, to take place in the first quarter of 2018; *(ii)* another postponement of the group's financial debt payment dates, and *(iii)* receipt of a credit facility of €120 million if certain conditions were met. An extraordinary meeting of the parent's shareholders was to be called to approve this project at a date to be defined after 31 December 2017.

In the last quarter of 2017, the main rating agencies announced the downgrading of the Astaldi share to the financial markets while Astaldi continued its negotiations with the banks to define the manoeuvre to bolster its industrial operations and return its credit rating to its pre-downgrade rating and then to reschedule the redemption dates of its bonds.

Moreover, the parent proactively and profitably continued its commercial policy and acquired important contracts in the period from November 2017 to June 2018 (including the Barros Luco Hospital in Santiago and the New Hospital in Linares in Chile, a lot of the high speed Naples-Bari railway line, the Braila bridge in Romania, the Versova-Branda Sea Link and three lots of Line 4 of the Mumbai Metro in India). On 15 March 2018 and partly based on the outcome of the negotiations with the banks, the parent's board of directors approved its 2017 results and reviewed the manoeuvre, which had already been presented to the market on 14 November 2017 but had been revised. The new project, which considered the agreements reached with the main banks and was prepared with the assistance of leading advisors, provided for *(i)* a revised capital increase of around €300 million, and *(ii)* the banks' willingness to assist the group's industrial and commercial growth.

The parent planned to call a new board meeting to be held before the end of April 2018 to approve the definitive manoeuvre and, accordingly, its new 2018-2022 business plan. On 15 March 2018, the parent announced the terms of the new manoeuvre, hinged on the €300 million capital increase and additional support from the banks for the group's industrial and commercial operations, to the financial markets. It also communicated a project to refinance its revolving credit facility of €500 million and the high yield bonds redeemable in 2020 over the next 12 to 18 months.

In this period, the banks asked the parent to appoint a party to act as its global coordinator for the €300 million capital increase. The parent engaged J.P. Morgan.

On 15 May 2018, the parent's board of directors resolved, inter alia, to ask the shareholders to: *(i)* eliminate the shares' nominal amount, and *(ii)* approve a capital increase of a maximum of €300 million against payment, including a premium, to take place with the issue of new ordinary shares to be offered to the shareholders (this capital increase was approved by the shareholders on 28 June 2018). The board of directors also approved the consolidated results for the first quarter of 2018 and the 2018-2022 business plan, which was based on a manoeuvre of more than €2 billion and the potential entry of a new industrial shareholder (IHI).

The latest version of the project provided that *(i)* the capital increase of €300 million was to take place before the third quarter of 2018 and, therefore, with another delay compared to the previous plan, *(ii)* €790 million was to be raised from the asset disposal plan in place at that date, *(iii)* more than €350 million was to be obtained through the extension of the committed and uncommitted credit facilities' terms, and *(iv)* the high yield bonds were to be refinanced for €750 million.

With respect to the capital increase, the parent signed a pre-underwriting agreement with J.P. Morgan, the sole global coordinator, whereby the latter undertook to enter into, together with other financial institutions to be selected prior to the launch of the subscription of the capital increase, an underwriting agreement regarding subscription of any newly-issued shares not taken up at the end of the rights offering and subsequent offer on the stock exchange. The execution of the pre-underwriting agreement was subject to certain conditions precedent, including *(i)* J.P. Morgan's commitment not to exceed €30 million, *(ii)* the signing of an investment agreement with the industrial shareholder IHI, *(iii)* confirmation or extension of the repayment dates for some committed or uncommitted credit facilities for an aggregate amount of at least €300 million, *(iv)* consent to waive compliance with financial covenants at 30 June 2018, and *(v)* receipt of a binding offer for the sale of the parent's investment in the Third Bosphorus Bridge operator at a satisfactory price.

On 15 May 2018, Astaldi, IHI Corporation and IHI Infrastructure Systems Co, a subsidiary of IHI Corporation, entered into an industrial strategic partnership agreement (the "global partnership agreement") aimed at enhancing respective skills and strengths through synergies, including of a commercial nature. At the same time, Astaldi, its reference shareholders FIN.AST and Finetupar International (a Luxembourg-based company wholly owned by FIN.AST) and IHI Corporation also signed an investment agreement subject to the satisfaction of certain conditions precedent (including the receipt of a binding offer for the parent's investment in the Turkish operator), under which, following the announced capital increase, IHI will disburse €112.5 million to acquire a significant non-controlling interest in the parent equal to approximately 18% of Astaldi's share capital and approximately 13% of its overall voting rights. Following the capital increase and based on the investment agreement, FINAST will continue to hold de jure control of Astaldi, directly and through Finetupar International, maintaining approximately 50.2% of the voting rights. The conditions precedent of the agreement with IHI included *(i)* approval of the capital increase by Astaldi's shareholders, *(ii)* the existence of an underwriting syndicate that would guarantee this increase by 1 October 2018, and *(iii)* Astaldi's receipt of a binding offer for the acquisition of its investment in the Third Bosphorus Bridge operator for not less than €185 million.

Given this situation, the parent made the following requests of the group's reference banks (Banca Intesa, BNP Paribas, Banco BPM and UniCredit) during its meetings and in relation to the capital increase: *(i)* their participation in the underwriting agreement, *(ii)* their confirmation of the existing uncommitted credit facilities of €217 million, *(iii)* extension of the term of the existing committed bilateral facilities of €47 million until 2020-2022, and *(iv)* the granting of new bonding facilities of approximately €167 million. These requests were consistent with that set out in the 2018-2022 business plan which provided that, as the set targets are feasible, in addition to the manoeuvre, the group required support from the banks in the form of cash and bonding facilities to bolster its commercial activities.

The banks responded with letters of the same tone all dated 15 May 2018, confirming their intention to have their competent bodies approve the parent's requests should certain conditions be met, including: *(i)* the receipt of an independent business review of the group's financial position and liquidity, *(ii)* the authentication of the truthfulness of the data and the reasonableness, feasibility and sustainability of the revised business plan by the president of the Rome branch of the Italian Accounting Profession, *(iii)* confirmation by Astaldi's reference shareholder and industrial shareholder IHI of their intention to subscribe the majority of the capital increase, and *(iv)* confirmation from the rating agencies that the parent's credit rating would be at least B- following the manoeuvre and capital increase.

On 17 May 2018, based on the communication received from the parent about its business plan and the manoeuvre, the majority shareholder FIN.AST provided it with a €20 million capital injection.

On 30 May 2018, the banks informed the parent with letters of similar content that they were authorised to provide a new facility of €60 million, including €30 million as the available facility portion, for immediate use after agreement of the financing contract, and another €30 million as a back-up facility portion, to be used only if certain conditions are met, including (*i*) the receipt of an unconditional binding offer for the sale (which then took place) of the investment in the operator for the Ospedale dell'Angelo di Venezia-Mestre, Italy (VSFP)[19], and *(ii)* the receipt of an unconditional binding offer for the sale of the investment in the Third Bosphorus Bridge Operator. The banks also communicated their availability to provide a new bonding facility of up to €179 million, if certain conditions were met.

On 24 June 2018, the presidential elections were held early in Turkey. They should have taken place in 2019, but they were brought forward by the Turkish president. This inevitably led to the first postponement of the deadline for the ongoing negotiations for the sale of the parent's investment in the Third Bosphorus Bridge operator.

In its letter of 3 July 2018, the parent updated Rothschild (the banks' advisor for the restructuring project) on the sale of its investments in the Third Bosphorus Bridge operator and VSFP, hoping for "*[..] the effective and timely availability of the cash and bonding facilities, already discussed with the banks - which cannot be deferred - and the subsequent capital increase".*

On 16 July 2018, the parent updated the banks again, especially as regards the sale of the Third Bosphorus Bridge operator, requesting approval of the new credit facilities and the immediate availability of the above-mentioned €30 million to support its business operations.

The negotiations with the banks slowed down, given that some of them held that the disbursement of any form of credit (cash or bonding facilities) should be tied to the successful outcome of the negotiations to sell the investment in the Turkish operator.

As a result and also because the timeline for the sale of the Turkish operator had been postponed, the parent's financial difficulties increased with a significant reduction in its liquidity.

On 3 August 2018, the parent updated the banks' representatives on the status of the two sales and, especially, on the outcome of the meeting held in Hong Kong with the representatives of a consortium of Chinese investors (the "Chinese consortium") for the investment in the Third Bosphorus Bridge operator. The parent informed the banks that it had signed a memorandum of understanding whereby, inter alia, the Chinese consortium confirmed its real interest in acquiring the Turkish operator and stated that it did not expect to request that the price stated in the previous offer be decreased.

The parent prudently concurrently engaged in negotiations with the Turkish company Ic Ictas Sanayi ve Ticaret A.Ş ("ICTAS", which is Astaldi's partner for the concession) and on 1 August 2018, ICTAS sent the parent a binding offer. The banks requested an update of the parent's financial position and performance to include the amount of the offer received, which was lower than the investment's carrying amount.

In August 2018, Turkey's economic difficulties transmuted into a serious crisis which led to another strong depreciation of the currency among other things.

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[19] See the "Concessions" section.

With its letter of 10 August 2018, the parent informed the banks that the period of time originally envisaged for the sale of its investment in the Turkish operator had been pushed out for reasons not attributable to it and that could not, moreover, have been foreseen (the early presidential elections, the economic crisis and the currency's strong depreciation), which slowed down the negotiations with the Chinese consortium. Accordingly, the parent noted that *(i)* this delay would obviously lead to an extension of the timeframe originally planned for the capital increase, as the receipt of a binding offer for the Third Bosphorus Bridge operator was a condition precedent for the formation of the underwriting syndicate and, that, as a result, *(ii)* the banks should provide the cash and bonding facilities to support the parent's operations.

With their letter of 4 September 2018, the banks involved in the negotiations noted that the sale of the Turkish operator was essential to proceed with the parent's recapitalisation and that its delay would affect the entire capital increase. They also concurrently stated that they were no longer in a position to provide the requested support in the form of funding and guarantees.

In the same month, the main rating agencies downgraded Astaldi again.

The considerable postponement of the performance of the capital increase (which was first slated for the first quarter of 2018 and subsequently before the third quarter of 2018 even though it changed structure), mainly due to the drawn out negotiations for the sale of the Turkish operator (for reasons wholly outside the parent's control) and also the lack of cash and bonding facilities adequate to ensure the group's operations inevitably led to a gradual slowdown of work at the active work sites (especially in Italy). These contracts continued to generate fixed costs without being able to produce the planned revenue which would have allowed the group to reach its production and profit margins as communicated to the market in its 2018-2022 business plan. This situation made it impossible to achieve the plan objectives, creating a serious liquidity crisis for the parent and jeopardising the renewal of its order backlog as the parent was unable to provide the contractually-required guarantees for those contracts it was awarded.

Therefore, it can be said that the delays in the sale of the Turkish operator and the impossibility of implementing the group's manoeuvre within the scheduled timeline created an unsustainable situation for the parent, which was thus obligated to present its application for a composition with creditors on a going concern basis procedure as described earlier in this report.

Composition with creditors proposal

The essential information required to understand the content of this proposal is set out in this section. The events that took place after the reporting date and that contribute to its proper presentation are also described.

Scope of the composition with creditors proposal

The proposal's objective is to ensure the parent can continue to operate. Specifically, it intends to strengthen its capital and refinance through a capital increase to be subscribed by the investor Salini Impregilo (which subsequently changed its name to Webuild in May 2020, "Webuild").

The parent's financial manoeuvre underpinning its composition with creditors proposal (the "financial manoeuvre") includes the changes as per the binding offer received from Webuild on 15 July 2019 ("Webuild's binding offer").

Based on the analyses performed, the expert confirmed that the parent's continuity (i.e., going concern) provided for in the composition plan would provide better satisfaction of its creditors compared to any other liquidation option, such as the parent's winding up, or the extraordinary administration procedure for large companies in financial difficulties.

Key dates for the implementation of the composition with creditors proposal

The Rome Court accepted the parent's application on 5 August 2019 and originally set the date for the creditors' meeting as 6 February 2020. On 28 November 2019, following the replacement of two judicial commissioners, the court postponed the creditors' meeting to 26 March 2020. It then postponed the meeting to 9 April 2020 so that it could take place remotely as allowed by article 163.2.2-bis of the Bankruptcy Law on 23 March 2020, given the regulations and urgent measures adopted by the Italian government to contain and manage the Covid-19 epidemiological emergency.

Following the hearing of 9 April 2020, with its ruling of 4 May 2020, the Rome Court *(i)* set the hearing date for the authorisation of the composition with creditors as per article 180 of the Bankruptcy Law as 23 June 2020, and *(ii)* acknowledged the completion of the voting process for the composition with creditors proposal, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote.

The composition plan's main characteristics

The 2018-2023 business plan attached to the composition with creditors proposal (the "plan" or the "composition plan"), presented for authorisation on 14 February 2019 and then again on 19 June 2019, was prepared considering the parent's financial position and performance at 28 September 2018. The proposal was supplemented on 16 July 2019, 20 July 2019 and 2 August 2019 as a result of, inter alia, the requests for clarifications from the Rome Court. The parent's application was approved on 5 August 2019.

The plan attached to the composition with creditors proposal is structured using the template for the composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law. The parent prepared a financial manoeuvre, also based on the commitments taken on by Webuild in its binding offer (which is subject to certain conditions precedent set out therein), which provides for Astaldi's capital strengthening and refinancing through:

(i) Astaldi's continuation of its activities;
(ii) pre-preferential bonds subscribed by an SPE owned by Webuild (which obtained the funds for this investment through a dedicated bank loan) and by illimity Bank for a maximum nominal amount of €190 million (the "pre-preferential financing") to support the parent's business continuity until the composition with creditors application is authorised;
(iii) an indivisible cash capital increase of €225 million by the parent, excluding a rights offering for the shareholders, reserved to Webuild, as per the terms of its binding offer (see below);

(iv) a divisible capital increase, reserved solely to the unsecured creditors excluding a rights offering for the shareholders, for a maximum nominal amount of €98.65 million to service the conversion of Astaldi's unsecured liabilities into shares;
(v) the issue of warrants for Astaldi's lending banks as part of Webuild's new binding offer (the "lending bank warrants") to be exercised against payment at the terms and conditions set out in the regulation attached to Webuild's binding offer;
(vi) a divisible third capital increase, if necessary, excluding a rights offering for the current shareholders, up to a maximum amount (to be estimated) that would be sufficient should unsecured creditors come forward with claims exceeding the related provision for unsecured claims provided for in the plan in the ratio of 12.493 shares to each €100 of the filed or potential unsecured claim presented to Astaldi;
(vii) the granting of a revolving credit facility of €200 million the ("RCF 200"), to be used to redeem the above pre-preferential bonds;
(viii) additional bonding facilities up to €384 million.

The plan also provides for the transfer of assets not deemed pertinent to the parent's continuity to a separate unit set up in accordance with article 2447-bis and following articles of the Italian Civil Code (the "unit"). These assets include *(a)* the concessions business with the projects for the Third Bridge, the Gebze-Orhangazi-Izmir Motorway ("GOI") and the Etlik Integrated Health Campus in Ankara (the "Etlik Hospital") in Turkey, the Arturo Merino Benítez International Airport (the "Santiago Airport") in Santiago and the West Metropolitan Hospital (the "Felix Bulnes Hospital") in Santiago, in Chile; *(b)* the Venezuelan receivables, *(c)* the building housing the parent's offices in Rome, all to be sold on the market (as described later). The net proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of PFI[20] of the separate unit which will give them the right to receive the proceeds from the sales[21]. More information on the set up of the unit, approved in May 2020, is provided below.

The plan covers a projected period of five years (2019-2023), including four years after the date of authorisation of the composition with creditors proposal.

With respect to the satisfaction of the parent's creditors:

1. the proposal provides for a single category of unsecured creditors that will receive the same treatment. Specifically, their claims will be met in part through the assignment of 12.493 new ordinary shares for each €100 of unsecured claim recognised and one participating financial instrument for each €1 of unsecured claim filed within 120 days of the definitive authorisation of the composition of creditors application;

[20] Participating financial instruments.
[21] Net of these amounts, specifically provided for in the regulation for the participating financial instruments attached to the composition with creditors proposal, for which reference should be made to the Investor Relations - Composition with Creditors section of the website www.astaldi.com.

2. the pre-preferential claims and the costs and fees incurred for the procedure (including the judicial commissioners' fees and those of the industrial, financial, legal, tax and accounting consultants) will be paid in full;
3. the preferential claims will be paid in full (and in the case of claims secured by guarantee, up to the limit of the underlying asset) within 12 months from the definitive authorisation of the composition with creditors application;
4. the tax and social security liabilities will be settled within one year from the authorisation of the composition with creditors application at the terms and conditions set out in the proposal to settle such tax and social security liabilities as per article 182-ter of the Bankruptcy Law. This provides for, in short: (i) the full payment of the secured tax/social security liabilities within 12 months from the authorisation date; (ii) the partial payment of any unsecured liabilities through the assignment of shares and participating financial instruments in the same ratio as that offered to the other unsecured creditors; (iii) the complete elimination of the potential tax liability arising on the tax assessment (currently pending before the Campania Regional Tax Commission), without prejudice to that set out in point 3 above;
5. the subordinated claims will not be satisfied during the period of the composition plan.

Specifically, the cash inflows generated by Webuild's binding offer will mainly be used to pay the pre-preferential and preferential claims, while the net proceeds from the sale of the assets transferred to the separate unit will be entirely used to satisfy the unsecured creditors, which will receive the participating financial instruments that include the right to receive such proceeds.

After implementation of the composition plan provided for in the composition with creditors proposal, the parent's shareholders will include:

(i) Webuild, as the majority shareholder with around 65% of Astaldi's share capital;
(ii) the unsecured creditors, that can convert their claims into shares for a total of roughly 28.5% of Astaldi's share capital;
(iii) the current shareholders, which will hold approximately 6.5% of Astaldi's share capital after the above-mentioned planned capital increases.

The capital increase

As described earlier, the composition with creditors proposal provides for, inter alia:

(i) a capital increase of €225 million reserved to Webuild, excluding a rights offering for the shareholders, as established by Webuild's binding offer (described below) and, in particular, through the issue of 978,260,870 new ordinary shares (at a price of €0.23 each), with regular dividend rights and the same rights and characteristics as the parent's ordinary shares (the "Webuild capital increase"). The proceeds will be used to pay the pre-preferential and preferential claims of approximately €165 million, while the remainder will be used to support the continuity plan (including the investments needed to complete the works covered by concession contracts that the parent will gradually dispose of);

(ii) a capital increase with a maximum nominal amount of €98.65 million reserved to the unsecured creditors, excluding a rights offering for the shareholders, to service the conversion of their claims into shares through the issue of a maximum of 428,929,766 new ordinary shares (at a price of €0.23 each), with regular dividend rights and the same rights and characteristics as the parent's ordinary shares (the "capital increase for the unsecured creditors"). The unsecured creditors will have the right to receive 12.493 ordinary shares (the "new shares") for each €100 of unsecured claim filed (claims of less than €100 will be paid using a mechanism to negotiate the remainder[22]);

(iii) a third possible capital increase, again excluding a rights offering for the shareholders, of a certain maximum amount (to be decided subsequently) to satisfy additional unsecured creditors, not included in the composition plan, that present claims subsequently, if the amounts claimed are higher than the accruals to the provision for the unsecured claims as per the plan with the right to receive 12.493 ordinary shares for each €100 of the filed or potential unsecured claim (the "possible capital increase");

(iv) the issue of lending bank warrants (described later) for up to 5% of the share capital calculated on a fully diluted basis to the banks financing the transaction with an exercise price of €0.23 per share;

(v) the issue of anti-dilutive warrants (described later) to Webuild to ensure that its investment in Astaldi will not be diluted should other equity instruments be assigned to the unsecured creditors that are not provided for in the composition plan and present a claim subsequently, as described above.

The composition with creditors proposal provides that the Webuild capital increase and the capital increase for the unsecured creditors will be approved by Astaldi's shareholders in an extraordinary meeting after the creditors approve the composition with creditors proposal. Pending the proposal's authorisation, the effectiveness of these resolutions will be subject to the definitive authorisation of the composition with creditors proposal before the deadline of 31 March 2021.

The composition with creditors proposal also provides that new shares and participating financial instruments will be allocated to the unsecured creditors within 120 days of the definitive authorisation of the proposal.

Astaldi's shareholders will approve the possible capital increase after the creditors have approved the composition with creditors proposal in their meeting pending its authorisation with effectiveness subject to the definitive authorisation of the proposal (by 31 March 2021). The parent's board of directors will be delegated to organise such capital increase and will exercise its delegation after the authorisation of the proposal every six months as necessary to satisfy the unsecured creditors that present claims after adoption of the above-mentioned shareholders' resolution and whose claims are unchallenged or acknowledged by the enforcement measure.

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[22] More information about this mechanism is available in the regulation of the participating financial instruments attached to the composition with creditors proposal available in the Investor Relations - Composition with Creditors section of the website www.astaldi.com.

Webuild's binding offer

Following Webuild's binding offer of 13 February 2019, as subsequently confirmed in its letter of 18 June 2019 and definitively confirmed with its letter of 15 July 2019 ("Webuild's binding offer" as defined earlier) subject to certain conditions precedent, Webuild will subscribe the Webuild capital increase and obtain an investment of roughly 65% in Astaldi's share capital.

Webuild's binding offer is part of a more far-reaching transaction affecting the entire sector, Progetto Italia, whereby Webuild intends to create a major construction group which can boost growth in the Italian market and improve the competitive edge of Italian construction companies on international markets.

(a) Anti-dilutive warrants

Pursuant to Webuild's binding offer and as part of the Webuild capital increase, it will be assigned anti-dilutive warrants giving it the right to subscribe and receive free of charge a number of ordinary shares, without a premium, to ensure that its investment remains at roughly 65% even if additional claims are presented for an amount greater than the accrual to the provision for unsecured claims as provided for by the composition plan.

(b) Lending bank warrants

Pursuant to Webuild's binding offer, the composition plan also provides for the issue of warrants to the lending banks (the "lending bank warrants") that will finance Astaldi's business continuity by providing unsecured credit facilities (already partly available) or cash facilities. The number of lending bank warrants approved for issue shall be sufficient to allow Astaldi's lending banks banks to subscribe a number of ordinary Astaldi shares for up to 5% of its share capital, considering the dilution effect of the planned capital increases (i.e., calculated using the share capital after the Webuild capital increase, the capital increase for the unsecured creditors and the issue of the shares for the lending bank warrants). They shall subscribe these shares in cash or using other methods during the established exercise window at a price of €0.23 per share. Following the Webuild capital increase and the capital increase for the unsecured creditors, Webuild will hold 65% of Astaldi's share capital, while the unsecured creditors will hold 28.5% and the current shareholders the remaining 6.5%. Should the lending bank warrants be exercised in full by the banks, the dilution effect would affect all the shareholders (including Webuild) and, therefore, Webuild would hold 61.7% of Astaldi's share capital, the unsecured creditors 27.1% and the current shareholders 6.2%, while the banks subscribing the lending bank warrants would hold 5%.

(c) General provisions

Webuild's binding offer includes certain provisions about Astaldi's governance during the interim period between presentation of the composition with creditors proposal and its authorisation by the Rome Court (the "interim period"). During this period, Webuild may request that up to three of Astaldi's non-independent directors leave office (other than the chairman of the board of directors and the chief executive officer) and replace them with three new directors. Should this take place, the parent's board of directors would have nine directors, seven of whom would be independent. During the procedure, *(i)* Webuild may assist the parent with certain activities, such as its procurement strategies, cost control, budgeting orders and dispute management, and *(ii)* Astaldi agrees to inform Webuild of its decisions about contracts of values above a certain threshold, after consulting the chief restructuring officer (the "CRO") if their input is required.

Again in line with the provisions of Webuild's binding offer, on 30 May 2019, the parent's board of directors appointed Paolo Amato as CRO to supervise the general implementation of the composition plan. The board of directors continues to have independent decision-making powers about new commercial and business opportunities that may arise during the interim period and whether to pursue such opportunities in accordance with the applicable laws and regulations, the composition with creditors proposal and the plan attached thereto. It will consult the CRO.

(d) Terms of Webuild's binding offer

Webuild's binding offer is subject to, inter alia, the definitive authorisation of the composition with creditors proposal before 31 March 2021, receipt of the anti-trust authorisations and the non-occurrence of negative changes in the conditions that could affect the feasibility and implementation of the composition with creditors proposal and related plan.

Participating financial instruments

Pursuant to Webuild's binding offer, the composition with creditors proposal and the composition plan provide for the issue of participating financial instruments which give the parent's unsecured creditors the right to receive the net proceeds from the sale of the non-core assets directly and/or indirectly held by the parent and transferred to a separate unit (set up in May 2020).

Should additional pre-preferential and/or preferential claims not included in the composition with creditors plan be presented subsequently, they will be reimbursed before satisfying the unsecured creditors, including by using the proceeds from the sale of the non-core assets included in the separate unit.

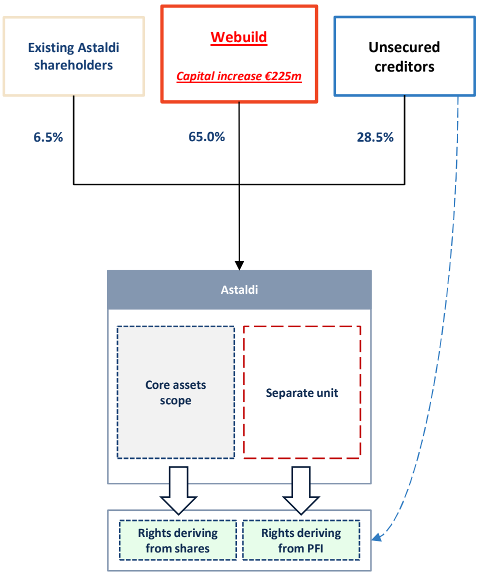
More information is available in the regulation of the participating financial instruments attached to the composition with creditors proposal available in the Investor Relations - Composition with Creditors section of the website www.astaldi.com.

The separate unit

The composition plan provides for the separation of the core and non-core assets, with the transfer of the latter to a separate unit to be managed by a proxy with the necessary professional and reputation requirements established for statutory auditors of listed companies.

The following chart shows Astaldi's shareholding structure after authorisation of the composition with creditors proposal and the set up of the separate unit.

Chart 2 – Shareholding structure after authorisation of the composition with creditors proposal and the set up of the separate unit



The scope of the core assets ("core assets") mainly consists of EPC contracts (i.e., the order backlog, new orders and other financial assets), O&M activities and other less significant assets under concession.

The separate unit mainly comprises the following assets:

– most of the assets under concession, i.e.:

  – the shareholder loans and investments held directly by Astaldi in the operators *(i)* of the Gebze-Orhangazi-Izmir Motorway in Turkey, and *(ii)* the Etlik Integrated Health Campus in Ankara, Turkey;
  – the shareholder loans and investments held indirectly by Astaldi, via Astaldi Concessioni S.p.A., in the operators of *(i)* the Arturo Merino Benítez International Airport of Santiago, Chile, *(ii)* the West Metropolitan Hospital in Santiago, Chile, and *(iii)* the Etlik Integrated Health Campus mentioned above;
  – Astaldi's gross amount due from IC Içtas Inşaat Sanayi ve Ticaret A.Ş. for the sale of its 20% investment in Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusun Ve Kuzey Marmana Otoyolu Yatirim Ve Isletme Anonim Sirketi (an SPE that holds the concession to build and operate the Third Bosphorus Bridge) and the related shareholder loan;

– amounts due from IFE (State Railways Institution) of Venezuela for the projects to build the Puerto Cabello-La Encrucijada, San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway line sections (the "Venezuelan trade receivables");

– the building and appurtenance land in Via Giulio Vincenzo Bona 65, Rome, which houses the parent's current offices (the "Rome offices");

– 100% of Astaldi Concessioni S.p.A. after the completion of the partial demerger (described later).

Astaldi Concessioni S.p.A. (“Astaldi Concessioni”, the subsidiary in charge of developing the concessions and O&M market) underwent a preliminary partial demerger in the first half of 2020 to separate the assets to be sold (to satisfy the parent’s unsecured creditors) from the other judicial relationships. As a result, certain O&M activities and other assets were demerged to a newco (Astaldi Concessions) while Astaldi Concessioni will continue to hold the following assets to be used to satisfy the unsecured creditors:

a) a shareholder loan and a 51% investment in Sociedad Concesionaria Metropolitana de Salud S.A., a Chilean SPE that owns the concession to build and operate the Felix Bulnes Hospital;
b) a shareholder loan and a 15% investment in Sociedad Concesionaria Nuevo Pudahuel S.A., a Chilean SPE that owns the concession to build and operate the Santiago Airport;
c) a shareholder loan and a 46% investment in Ankara Etlik Hastane A.S., a Turkish SPE which owns the concession to build and operate the Etlik Integrated Health Campus. The parent directly holds 5% of this SPE and has also given it a shareholder loan.

It should be noted that the resolution to demerge Astaldi Concessioni was taken by its shareholders on 22 January 2020 and registered with the Rome company registrar on 23 January 2020. The parent waited for the terms reserved to the subsidiary’s creditors to oppose the demerger to expire before finalising the demerger deed. This deadline was 26 May 2020[23], given the suspension of judicial activities during the lockdown period imposed in Italy to deal with the Covid-19 public health emergency. The formal stipulation of the demerger deed and the separation of the demerged company (Astaldi Concessioni) from the beneficiary (Astaldi Concessions) took place on 28 May 2020, effective from 8 June 2020, when the deed was registered with the Rome company registrar.

Astaldi Concessioni (the demerged company) will continue to carry out its business activities under management by the separate unit proxy, assisted by personnel of the beneficiary (Astaldi Concessions) and possibly also by Astaldi with respect to the service agreement attached to the resolution setting up the separate unit.

On 24 May 2020, the separate unit was set up as approved by the parent’s board of directors, subject to the condition precedent that the composition with creditors proposal be authorised.

Upon the definitive authorisation of the composition with creditors procedure, Astaldi will issue participating financial instruments to the separate unit. Each of Astaldi’s unsecured creditors (also if they only present their claims after the definitive authorisation) will have the right to one participating financial instrument for each euro of their unsecured claim.

[23] The deadline was originally 23 March 2020 and was deferred to 26 May 2020 given the extraordinary suspension of activities imposed by the Covid-19 public health emergency. This extraordinary suspension period lasted from 9 March to 11 May 2020 for civil, criminal and tax proceedings as established by article 83 of Decree law no. 18/2020 and article 36.1 of Decree law no. 23/2020.

Financing to support the composition plan

In order to implement the composition plan, the parent will receive financing both before and after the authorisation of the composition with creditors proposal in the form of investments in its share capital and financing.

Before authorisation of the composition with creditors proposal, the parent received financial assistance through the pre-preferential bonds subscribed by an SPE owned by Webuild (which financed this investment by taking out a specific bank loan) and illimity Bank for up to €190 million. The parent has used and will use this financing to support its business continuity during the interim period. In addition to this financing, it will also have bonding credit facilities of €384 million from banks to guarantee it can continue as a going concern.

After authorisation of the composition with creditors proposal, the parent will finance implementation of the related plan through *(i)* a cash injection as a result of the Webuild capital increase, and *(ii)* the receipt of the RCF 200 (as defined earlier) to support its business continuity (mostly used to redeem the pre-preferential bonds described earlier).

The composition plan and the creditors

This plan will have been fully implemented when the parent pays off its pre-preferential and preferential debts in cash and assigns the unsecured creditors the new shares as per the capital increase for the unsecured creditors and the participating financial instruments, in accordance with the composition with creditors proposal's terms. The new shares and the participating financial instruments will be assigned to each unsecured creditor within 120 days of the definitive authorisation of the composition with creditors proposal.

Moreover, starting from the date on which the proposal is authorised and every six months from then, the parent's board of directors will exercise its delegation for the possible capital increase and, therefore, implement additional capital increases as necessary to satisfy the unsecured creditors that present claims after the adoption of the resolution, whose claims are unchallenged and acknowledged by the enforcement measure.

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More information about the composition with creditors procedure, proposal and plan and all the related documentation, as well as the estimates about the satisfaction percentage of the creditors based on the proposal and all the valuations expressed by the judicial commissioners in their report prepared in accordance with article 172 of the Bankruptcy Law are available in the Investor Relations - Composition with Creditors section of the website www.astaldi.com.

Financial agreements and contracts signed during the interim period

This section provides an overview of the financial agreements and contracts signed during the interim period[24], pursuant to the authorisations received from the bankruptcy section of the Rome Court as part of the ongoing composition with creditors procedure.

First issue bonds - €75 million due 12 February 2022

On 12 February 2019, Astaldi issued the first issue bonds denominated "Euro 75,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022", ISIN code: IT0005359267) of €75 million due on 12 February 2022 (the "first issue bonds" and together with the second issue, the "bonds"). The first issue bonds are part of the urgent pre-preferential financing as per article 182-quinquies.3 of the Bankruptcy Law.

These bonds were issued to obtain the resources needed to make the investments and cover the operating costs described, inter alia, in the court's authorisation issued on 8 January 2019 and supplemented on 16 January 2019 of the application presented by Astaldi as per article 182-quinquies.3 of the Bankruptcy Act.

The first issue bonds were secured by a security package, which was subsequently confirmed and extended to all of the bonds issued, with certain exceptions.

In order to implement the integrated manoeuvre (as defined earlier[25]) set out in the plan, the regulation applicable to the first issue bond (the "regulation") was significantly amended on 27 November 2019 in order to, inter alia, increase their maximum nominal amount and enable Astaldi to issue additional bonds, in one or more tranches, for a maximum amount of €115 million (i.e,, the second issue).

After the regulation had been amended, Astaldi issued the additional bonds of €50 million on 2 December 2019 and €63.9 million on 10 February 2020.

€40 million loan agreement with illimity

The integrated manoeuvre provides that Webuild, together with possible additional financial backers, grant Astaldi the interim financing (in addition to that gained from the first issue bonds) required to obtain authorisation of the composition with creditors procedure, i.e., the second tranche. However, the time necessary to draft the contract for the second tranche was not compatible with Astaldi's need for financing, so Astaldi decided to look for financial backers willing to back it until the second tranche was issued. It received an offer from illimity Bank S.p.A. ("Illimity") confirming that it would be willing to grant Astaldi a bridge loan of up to €40 million as per article 182-quinquies.1 of the Bankruptcy Law.

Therefore, on 2 August 2019, Astaldi signed a loan agreement with Illimity subject to Italian law and subsequently modified on 3 October 2019 for €40 million to be used to finance the objectives set out in the composition plan and proposal (the "Illimity loan"). The loan was fully used and then entirely repaid on 2

[24] As defined earlier - see the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section.
[25] As defined earlier - see the "Main risks and uncertainties - Going concern assumption" section.

December 2019 after Astaldi issued the first tranche of the second issue bonds, as detailed below, for €50 million (bonds that were fully subscribed by Illimity).

Specifically, in accordance with the terms of the Illimity loan agreement, it was repaid in a bullet payment on the date of the first tranche of the second issue.

It should be noted that the Illimity loan was also secured by a security package. Upon repayment of the Illimity loan on 2 December 2019, all of the guarantees included in the security package were first released and subsequently re-issued to the bondholders to guarantee such bonds.

Second issue

In order to grant Astaldi with the interim financing (in addition to that obtained with the first issue of bonds) needed up until authorisation of the composition with creditors procedure (and, therefore, the second issue bonds), the plan provides that Webuild (by itself - directly or via a wholly-owned newco - or together with other lenders):

(i) would purchase the first issue bonds of €75 million placed by Astaldi on the secondary market;

(ii) would subscribe one or more new issues of the same bonds for a maximum amount of €125 million (as subsequently took place with the second issue), to be issued as per article 182-quinquies.1 of the Bankruptcy Law, and would benefit - pending authorisation of the bankruptcy section of the Rome Court - from the bonds' pre-preferential status as per article 111 of the Bankruptcy Law (such authorisation was issued by the Rome Court on 5 August 2019 and subsequently supplemented on 27 September 2019).

In addition, on 2 August 2019, Astaldi and Webuild were notified by Illimity that it would subscribe €50 million of the second issue bonds, in accordance with the terms and conditions set out in its communication (which provided for the full repayment of the Illimity loan after issue of the first tranche of the second issue).

Accordingly, on 3 October 2019, the first issue bondholders transferred the full amount of their bonds to Beyond S.r.l. ("Beyond"), wholly-owned by Webuild.

Subsequently, on 27 November 2019, the first issue bond regulation was amended to increase, inter alia, the maximum nominal amount of the bonds to €190 million, thus enabling Astaldi to issue additional bonds, in one or more tranches, for a maximum amount of €115 million (i.e., the second issue), to be merged with the first issue bonds, creating one series with the same ISIN code IT0005359267.

The bonds were denominated "Up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022".

It should be noted that Astaldi will issue the additional second issue bonds in two separate instalments, as follows:

(i) one on 2 December 2019 for €50 million, fully subscribed by Illimity;

(ii) one on 10 February 2020 for €63.9 million, fully subscribed by Beyond.

On 2 December 2019, subsequent to the second issue as per point (i), Astaldi repaid the Illimity loan in full and the related security package given to Illimity was released.

As surety for the bonds:

1. the sureties included in the security package for the first issue bonds were confirmed and extended to the second issue bonds, for both Beyond and Illimity, with certain limited exceptions;
2. following the full repayment of the Illimity loan and the release of the related sureties, the same security package for the Illimity loan was given to Beyond and Illimity as the bondholders to guarantee the obligations arising from the entire bond issue.

The bonds denominated “Up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022” (i.e., both the first and second issue bonds) are, therefore, all subject to the same regulation, as amended on 27 November 2019 (the “bond regulation”).

Under the bond regulation, the bonds shall be redeemed at par, in one instalment, at their maturity date, i.e., 12 February 2022, or at the mandatory early redemption date, i.e., 150 days after the authorisation of the composition plan or the date on which Astaldi uses the RCF 200 (as defined below and except in the event of voluntary early redemption).

Bonding facility

On 10 August 2019, Astaldi signed a bonding facility agreement for up to €384 million with a bank syndicate comprising UniCredit, Intesa Sanpaolo, BNP Paribas – Italian Branch, Banca Monte dei Paschi di Siena and SACE (the “bonding facility”).

This bonding facility was granted as per article 182-quinquies.1 of the Bankruptcy Law after authorisation was received from the bankruptcy section of the Rome Court on 5 August 2019, subsequently amended on 27 September 2019, and thus, benefits from pre-preferential status as per article 111 of the Bankruptcy Law.

The bonding facility means that Astaldi can obtain guarantees (for example, performance bonds, advance payment bonds and retention money bonds) for certain projects in Italy and abroad (currently in progress and/or in stand-by or pending award) needed to needed to continue the parent’s activities and implement the composition plan.

It is divided into two tranches: tranche A for €196.9 million available until 31 December 2019 (subsequently extended to 30 June 2020) and tranche B for €187.1 million available until 31 December 2020.

The bonding facility agreement also provides for the issue of stand-alone first demand guarantees by SACE in favour of the bank issuing the bonds for a set maximum percentage and for the bonds given for the foreign contracts that meet certain requirements.

Pursuant to the commitment letter signed in October 2019, Webuild agreed to provide the bank syndicate that issued the bonding facility to Astaldi with, inter alia, a stand-alone first demand guarantee for Astaldi’s obligations deriving from such bonding facility, subject to Webuild subscribing the Webuild capital increase.

The main amendments to the bonding facility agreement approved on 10 August 2019 include a mechanism to reallocate the total facility (up to a maximum of €384 million) to, inter alia, provide for the issue of guarantees for new projects not included in the scope of the original bonding facility agreement, subject to specific conditions (including a due diligence on the new project that satisfies the banks, identification of a bank to issue the new guarantee and the bankruptcy section of the Rome Court approving the new project).

RCF 200 commitment letter

A bank syndicate agreed to make a revolving credit facility of €200 million (the "RCF 200") available to Astaldi on the basis of a commitment letter signed with Astaldi and Webuild on 2 August 2019. The RCF 200 is pre-preferential as per article 182-quater.1 and article 111 of the Bankruptcy Law and can be used to finance Astaldi's ordinary operations and to redeem the bonds after the date on which the Webuild capital increase is authorised and takes place.

This new revolving credit facility is unsecured (i.e., neither Astaldi or its subsidiaries have to pledge their assets as collateral) but will be secured by a stand-alone first demand guarantee to be issued by Webuild after it subscribes the Webuild capital increase.

The conditions precedent for the initial use of the revolving credit facility include:

(i) proof that the Webuild capital increase (i.e., the €225 million Astaldi capital increase reserved to Webuild) has been fully subscribed;

(ii) proof that the Webuild capital increase of €600 million has been fully subscribed;

(iii) proof that the composition plan has been definitively authorised;

(iv) proof that the stand-alone first demand guarantee has been issued by Webuild.

Introduction

Foreword

The Astaldi Group's 2019 Annual Report comprises a directors' report, the consolidated financial statements, the separate financial statements of the parent, Astaldi S.p.A., the report on corporate governance and ownership structure and the related annexes.

Pursuant to Legislative decree no. 32 of 2 February 2007 and given the group's structure, the parent decided to present the information previously contained in two directors' reports (one for the group and one for the parent) in just one report - this directors' report.

Management has prepared the 2019 consolidated financial statements applying the same basis of preparation used to draw up the 2018 consolidated financial statements except for the standards and interpretations that have become applicable since 1 January 2019.[26]

The parent's board of directors approved the 2019 Annual Report on 16 June 2020.

Main changes in the consolidation scope

The group's consolidation scope underwent changes during the year. Reference should be made to the "Notes to the consolidated financial statements - Consolidation scope" section in the consolidated financial statements accompanying this directors' report.

[26] See the "Notes to the consolidated financial statements - Accounting policies" and the "Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2019" sections in the consolidated financial statements which accompany this directors' report.

The group's financial position and performance

Foreword

The group's 2019 results show that the activities included in the core assets scope (as defined earlier) have picked up. Net of the non-recurring costs of the composition with creditors procedure, the group's ordinary operations show signs of recovery, confirming the wisdom of the actions implemented to relaunch its business activities.

Its consolidated financial statements reflect the non-recurring nature of the negative effects linked to commencement of the composition with creditors procedure in September 2018 as well as the group's return to a more positive position, which will be assisted by the gradual resolution of the reasons for its financial difficulties. They included specifically *(i)* the slowdown of production activities in Italy due to bureaucratic issues/the lack of resources of the customers, *(ii)* delays in collecting slow-moving receivables, *(iii)* delays in selling the investment in the Third Bosphorus Bridge operator (which took place in March 2020 as part of an agreement with the partner ICTAS), *(iv)* the worsening in Venezuela's crisis, which led the group to recognise large impairment losses in the period from 2017 to 2019 and to commence international arbitration proceedings in June 2019, *(v)* the non-receipt of contract advances, which contributed to a growing liquidity crisis, and *(vi)* the generalised reluctance of the banks to provide companies with funding.

Partly thanks to the positive outcome of the actions introduced to combat this difficult situation, the composition with creditors proposal did not hinder the group's completion of some key objectives and continuation of its business activities in line with that set out in the composition plan and proposal. The group's far-reaching reorganisation introduced in 2018 also affected its results. This project was rolled out to adapt the organisation to the group's new operating requirements and had been approved by the parent's board of directors. It led to a reduction in the fixed costs at the head office, branches and work sites (mostly due to structural measures implemented at the head office and for the project teams, the freezing of incentive policies and an agreement signed with Italian managers for the voluntary reduction of their salaries throughout 2019, in line with the measures taken for all the other employees using the CIGS scheme[27]).

After the significant negative effects of the parent's composition with creditors procedure (from September 2019) and the exclusion of the concessions segment (mostly transferred to the separate unit), the group's order backlog amounts to €7.9 billion compared to €9.3 billion in 2018. A breakdown by geographical segment shows Italy's strong contribution (€3.8 billion, 48% of the total) as well as that of the foreign contracts (€4.1 billion, 52% of the total), mainly based in Europe (Romania, Poland, Sweden and Turkey), the Americas (Chile, Canada, USA and Paraguay), Africa (Algeria) and Asia (India). New orders acquired in 2019 have a value in excess of €700 million, of which over 70% to be performed with Webuild. The order backlog does not include another €356 million for the Sibiu-Pitesti Motorway contract in Romania (to be included in the 2020 new orders).

[27] Extraordinary government-sponsored lay-off scheme

The group's performance

RECLASSIFIED STATEMENT OF PROFIT OR LOSS
(€'000)

	Note no.	2019	% of revenue (%)	2018*	% of revenue (%)
Revenue	1	1,368,827	92.8%	975,042	99.0%
Fines for contract terminations		--	0.0%	(92,727)	-9.4%
Total revenue from contracts with customers		**1,368,827**	**92.8%**	**882,315**	**89.6%**
Other operating revenue	2	106,197	7.2%	102,091	10.4%
Total revenue		**1,475,024**	**100.0%**	**984,405**	**100.0%**
Operating costs	3-4	(1,135,850)	-77.0%	(1,472,008)	-149.5%
Added value		**339,174**	**23.0%**	**(487,603)**	**-49.5%**
Personnel expenses	5	(300,872)	-20.4%	(468,366)	-47.6%
Other operating costs	6	(24,231)	-1.6%	(69,425)	-7.1%
Change in costs capitalised to fulfil a contract	7	(2,863)	-0.2%	1,995	0.2%
Share of profits from joint ventures and associates	8	30,671	2.1%	93,843	9.5%
Gross operating profit (loss)		**41,878**	**2.8%**	**(929,556)**	**-94.4%**
Amortisation and depreciation	9	(50,985)	-3.5%	(33,795)	-3.4%
Provisions	10	4,307	0.3%	(190,279)	-19.3%
Impairment losses	9	14,546	1.0%	(181,399)	-18.4%
Operating profit (loss)		**9,747**	**0.7%**	**(1,335,030)**	**-135.6%**
Net financial expense	11-12	(45,906)	-3.1%	(181,489)	-18.4%
Pre-tax loss from continuing operations		**(36,159)**	-2.5%	**(1,516,519)**	-154.1%
Income taxes	13	(27,804)	-1.9%	76,677	7.8%
Loss from discontinued operations	14	(6,620)	-0.4%	(472,238)	-48.0%
Loss for the year		**(70,584)**	**-4.8%**	**(1,912,170)**	**-194.2%**
Profit (loss) attributable to non-controlling interests	15	1,417	-0.1%	(3,746)	-0.4%
Loss attributable to the owners of the parent		**(72,000)**	-4.9%	**(1,908,424)**	**-193.9%**

** The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.*

Despite the ongoing financial restructuring and the complexity of the non-recurring transactions involving the group, its ordinary operations showed signs of recovery in 2019 confirming the wisdom of the actions taken to relaunch its business included in the core assets scope (as defined later).

Before commenting on the results, it should be noted that in order for the two years to be comparable, the group restated the 2018 comparative statement of profit or loss figures in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. It reclassified revenue earned in geographical segments in 2018 that the group intended to exit or with business activities to be disposed of in 2019 to discontinued operations. This complies with the new 2018-2023 business plan approved by the parent's board of directors on 13 February 2019, attached to the composition with creditors proposal as described earlier. Pursuant to IFRS 5, the group classified the profits or losses on these discontinued operations in a separate caption of the statement of profit or loss, net of the related tax, for the two years. More information about this is available in the notes to the consolidated financial statements attached to this report.

In 2019, total revenue came to approximately €1.5 billion (+50% year-on-year, compared to €984.4 million in 2018), being the sum of revenue of €1.4 billion (+40%, €975 million in 2018) and other operating revenue of €106.2 million (+4%, €102.1 million in 2018).

The production trend confirms the industrial recovery envisaged in the composition plan. The upturn in revenue was driven by the contracts included in the core assets scope, i.e., Line 4 of the Milan Metro, the Brenner Base Tunnel, the NATO base in Sigonella and the recently acquired high speed railway section contracts (the Naples-Cancello and Apice-Hirpinia sections of the Naples-Bari railway line and the Bicocca-Catenanuova section of the Catania-Palermo railway section) in Italy and two lots of the Gothenburg Rail Link in Sweden and three lots of the Frontieră–Curtici–Simeria railway line in Romania abroad. The O&M segment (mainly GE.SAT for the Tuscan hospitals in Italy) also confirmed its positive contribution. The productive performance of the mining projects in Chile (El Teniente and Chuquicamata) offsets the reduction in Canada's contribution (due to the closure of the Muskrat Falls hydroelectric project) and that of the US.

Overall, a breakdown of revenue *(i)* shows Italy's positive contribution (roughly 32%) and the foreign contracts' significant input (68%, mainly from Europe, Chile and North America), and *(ii)* confirms the weight of the construction segment (97%) and the satisfactory contribution of the O&M segment (3%).

Table 1 – Revenue by geographical segment

(€m)

	2019	%	2018	%	Annual variation
ITALY	**431**	**31.5%**	**265**	**27.1%**	**166**
ABROAD	**938**	**68.5%**	**711**	**72.9%**	**227**
Rest of Europe	470	34.3%	282	28.9%	188
Americas	452	33.0%	426	43.7%	26
Asia (Middle East)	6	0.4%	2	0.2%	3
Africa (Algeria)	10	0.7%	1	0.1%	9
TOTAL REVENUE*	**1,369**	**100.0%**	**975**	**100.0%**	**394**

(*) As identified in note 1 (Revenue from contracts with customers) of the consolidated financial statements attached to this report.

Table 2 – Revenue by business segment

(€m)

	2019	%	2018	%	Annual variation
CONSTRUCTION	**1,324**	**96.7%**	**909**	**93.2%**	**415**
Transport infrastructure	992	72.5%	513	52.6%	480
Roads and motorways	347	25.3%	35	3.6%	312
Railways and metros	519	37.9%	373	38.3%	146
Ports and airports	126	9.2%	105	10.7%	22
Hydraulic plants and energy production	19	1.4%	40	4.1%	-21
Civil and industrial construction	126	9.2%	207	21.2%	-81
Industrial plants	187	13.6%	150	15.3%	37
Operation & Maintenance	**45**	**3.3%**	**66**	**6.8%**	**-21**
TOTAL REVENUE*	**1,369**	**100.0%**	**975**	**100.0%**	**394**

(*) As identified in note 1 (Revenue from contracts with customers) of the consolidated financial statements attached to this report.

The costs include the results of the efficiency drive implemented as part of the composition with creditors proposal and the effects of a different production mix focused on countries with lower labour costs (Romania and Poland) compared to the past (e.g., in Canada). Operating costs decreased by 23% to €1.1 billion from approximately €1.5 billion in 2018 after the redefinition of the business scope (specifically, as a result of the termination of the Deblin-Lublin railway section no. 7 in Poland, the Muskrat Falls hydroelectric plant in Canada and the West Metropolitan Hospital in Santiago in Chile) and the substantial completion of significant contracts in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway). Personnel expenses decreased by 36% to €300.9 million from €468.4 million in 2018, mostly due to the organisational restructuring described earlier.

The operating loss amounts to €9.7 million compared to €1.3 billion in 2018). The costs of €30 million for the year relate to the composition with creditors procedure in line with the related proposal. Excluding these non-recurring costs, the adjusted operating profit amounts to €40 million with an adjusted operating profit margin of 2.7%, confirming the recovery of the group’s operations.

Net financial expense decreased by 75% to €45.9 million from €181.5 million in 2018 due to *(i)* smaller commissions on sureties as a result of the reduced business volumes as well as *(ii)* smaller bank fees and charges due to the lack of borrowing costs given commencement of the composition with creditors procedure. Indeed, the Bankruptcy law provides that loans and borrowings do not accrue interest from the date of presentation of the related application as per article 161 of the Bankruptcy Law. As a result, the financial expense recognised in 2019 was mostly incurred on the interim financing, the use of which was specifically authorised by the Rome Court in accordance with article 182-quinquies of the Bankruptcy Law.

The loss from discontinued operations amounts to €6.6 million compared to €472.3 million in 2018. This improvement was due to the continuation of the measures to make the activities included in the core assets scope more efficient as provided for by the composition plan.

The loss for the year attributable to the owners of the parent amounts to €72 million while it came to €1.9 billion in 2018.

Analysis of the group's financial position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (€'000)

	Note no.	31/12/2019	31/12/2018*
Intangible assets	*19*	48,295	53,740
Property, plant and equipment	*16-18*	100,065	162,676
Equity investments	*20*	502,088	487,770
Other non-current assets, net	*13-21-22*	395,560	413,330
Non-current assets held for sale	*28*	155,413	69,377
Liabilities directly associated with non-current assets held for sale	*28*	(194,596)	--
Right-of-use assets	*17*	38,724	--
TOTAL non-current assets (A)		**1,045,548**	**1,186,892**
Inventories	*23*	38,231	42,976
Contract assets	*24*	794,098	755,159
Costs capitalised to fulfil a contract	*24*	2,868	4,188
Trade receivables	*25*	27,113	66,728
Amounts due from customers	*25*	577,863	542,020
Other assets	*21-22*	256,183	241,471
Tax assets	*26*	68,620	72,032
Progress payments from customers	*24*	(384,063)	(289,925)
Sub total		**1,380,914**	**1,434,649**
Trade payables	*33*	(69,461)	(59,278)
Amounts payable to suppliers	*33*	(1,024,881)	(1,031,871)
Other liabilities	*30-31-34*	(442,576)	(506,132)
Sub total		**(1,536,918)**	**(1,597,281)**
Operating working capital (B)		**(156,004)**	**(162,632)**
Employee benefits	*32*	(6,998)	(6,843)
Provisions for risks and charges	*35-36*	(153,344)	(379,645)
Total provisions (C)		**(160,342)**	**(386,488)**
Net invested capital (D) = (A) + (B) + (C)		**729,202**	**637,772**
Cash and cash equivalents	*27*	314,061	210,974
Current loan assets	*21*	99,789	60,082
Current financial liabilities	*30*	(2,834,445)	(2,611,279)
Non-current financial liabilities	*30*	(185,543)	(21,793)
Non-recourse financial debt	*28*	--	(4,074)
Net financial debt of disposal groups	*28*	200,616	194,132
Net loans and borrowings (E)		**(2,405,521)**	**(2,171,958)**
Non-current loan assets	*21*	136,232	95,313
Total net loans and borrowings (F)		**(2,269,290)**	**(2,076,645)**
Deficit attributable to the owners of the parent	*29*	**1,541,825**	**1,439,005**
Equity attributable to non-controlling interests	*29*	(1,737)	(132)
Deficit (G) = (D) - (F)		**(1,540,088)**	**(1,438,873)**

** The parent has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.*

The group's year-end financial position and cash flows reflects the financial difficulties that affected it during the year.

At 31 December 2019, total non-current assets are stable at just over €1 billion (31 December 2018: €1.2 billion), being the sum of *(i)* intangible assets of €48.3 million (31 December 2018: €53.7 million), which mainly consist of the contractual rights acquired from third parties to carry out construction work on the Quadrilatero Marche-Umbria road system and the Infraflegrea Project in Italy, *(ii)* property, plant and equipment of €100.1 million (31 December 2018: approximately €162.7 million) showing a decrease mostly due to the exclusion of some contracts from the core business scope, *(iii)* equity investments of €502.1 million (31 December 2018: €487.8 million), *(iv)* other non-current assets, net of €395.6 million (31 December 2018: €413.3 million), and *(v)* non-current assets held for sale of €155.4 million, offset by liabilities directly associated with non-current assets held for sale of €194.6 million.

At 31 December 2019, the operating working capital amounts to a negative €156 million (31 December 2018: negative €162.6 million), due to, inter alia, *(i)* contract assets of €794.1 million (31 December 2018: €755.2 million), showing an increase mostly due to the production volumes achieved in Romania (Frontieră–Curtici–Simeria railway line), Italy (the Quadrilatero Marche-Umbria road system, the Infraflegrea Project, the Taranto Port, the NATO base in Sigonella), Sweden (two lots of the Gothenburg Rail Link) despite the smaller volumes in Poland (railway contracts) and Turkey (the Gebze–Orhanagzi–Izmir Motorway), *(ii)* trade receivables of €605 million (31 December 2018: €608.7 million), and *(iii)* progress payments from customers of €384.1 million (31 December 2018: €289.9 million), mostly due to new contracts.

At 31 December 2019, net invested capital amounts to €729.2 million (31 December 2018: €637.7 million) reflecting the trends described above and net of provisions of €160.3 million (31 December 2018: €386.5 million).

Net loans and borrowings amount to €2.4 billion compared to €2.2 billion at 31 December 2018.

Cash and cash equivalents increased to €314.1 million from €211 million at 31 December 2018.

Current financial liabilities amount to €2.8 billion (31 December 2018: €2.6 billion). The increase is due to the fact that the parent's financial liabilities existing at 28 September 2018 (when the composition of creditors procedure commenced) were reclassified to current as required by the relevant regulations.

Total loans and borrowings come to €2.3 billion compared to €2.1 billion at 31 December 2018.

The deficit amounts to €1.5 billion compared to a deficit of €1.4 billion at 31 December 2018.

More information about the group's net financial debt is available in the consolidated financial statements attached hereto.

Analysis of the group's net financial debt

NET FINANCIAL DEBT
(AS PER CONSOB COMMUNICATION NO. DEM/6064293/2006)
(€'000)

		31/12/2019	31/12/2018
Cash		314,061	210,974
Cash and cash equivalents	**A**	**314,061**	**210,974**
Current loan assets		100,012	60,082
Current loan assets	**B**	**100,012**	**60,082**
Current bank loans and borrowings		(1,568,807)	(1,468,951)
Current portion of bonds		(907,446)	(907,068)
Current portion of non-current debt		(29,745)	(39,459)
Other current loans and borrowings		(338,905)	(195,802)
Total current loans and borrowings	**C**	**(2,844,903)**	**(2,611,279)**
Net current financial debt		**(2,430,830)**	**(2,340,223)**
Non-current bank loans and borrowings		(9,398)	(1,370)
Bonds		(130,572)	--
Other non-current financial liabilities		(45,741)	(20,423)
Total non-current loans and borrowings	**D**	**(185,541)**	**(21,793)**
Total gross debt	**E=C+D**	**(3,030,444)**	**(2,633,073)**
Gross non-recourse debt	**F**	**--**	**(4,074)**
Total net financial debt	**G=A+B+E+F**	**(2,616,371)**	**(2,366,090)**
Net financial position of disposal groups	**H**	**179,412**	**194,132**
Total financial debt	**I=G+H**	**(2,436,959)**	**(2,171,958)**
Non-current loan assets		14,015	15,723
Subordinated loans		121,316	79,590
Non-current loan assets	**L**	**135,331**	**95,313**
Total net financial debt	**M=I+L**	**(2,301,628)**	**(2,076,645)**
Treasury shares in portfolio	**N**	**--**	**3,023**
Net financial exposure of the group	**O=M+N**	**(2,301,628)**	**(2,073,622)**

At 31 December 2019, the group's total gross debt amounts to €3 billion.

This balance includes the two tranches of the pre-preferential financing in the form of bonds subscribed by Beyond S.r.l. and illimity Bank as per the agreements of 3 October 2019 and 27 November 2019 (described earlier).[28]

The group's net financial exposure is a negative €2.3 billion compared to a negative €2.1 billion at 31 December 2018. The increase is mostly due to the enforcements of €239 million in relation to the already-mentioned reorganisation of the group's business scope (terminations, etc.). Net of these effects, mostly due to the composition with creditors procedure, the group would not have used significant amounts of cash showing that its ordinary business activities have recommenced. As a result of the composition procedure commenced on 28 September 2018, Astaldi's liabilities have been reclassified in full as current.

More information about the group's net financial debt is available in the consolidated financial statements attached hereto.

STATEMENT OF CASH FLOWS
(€'000)

	2019*	2018*
A) Net cash flows used in operating activities	**(217,463)**	**(651,353)**
B) Cash flows used in investing activities	**(62,034)**	**(57,190)**
C) Cash flows generated by financing activities	**383,345**	**343,116**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**103,848**	**(365,427)**
OPENING CASH AND CASH EQUIVALENTS	**210,974**	**576,401**
CLOSING CASH AND CASH EQUIVALENTS	**314,823***	**210,974**

** The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.*
*** Includes the bank deposits of the non-current assets held for sale of €762 thousand.*

INVESTMENTS

More information about the group's net financial debt is available in the consolidated financial statements attached hereto.

[28] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Financial agreements and contracts signed during the interim period" section.

The parent's (Astaldi S.p.A.) financial position and performance

The parent's performance

RECLASSIFIED STATEMENT OF PROFIT OR LOSS
(€'000)

	Note no.	2019	% of revenue	2018*	% of revenue
Revenue	*1*	1,037,943	92.3%	676,524	100.6%
Fines for contract terminations		--	0%	(85,927)	-12.8%
Total revenue from contracts with customers		**1,037,943**	**92.3%**	**590,597**	87.8%
Other operating revenue	*2*	86,960	7.7%	81,748	12.2%
Total revenue		**1,124,902**	**100.0%**	**672,345**	**100.0%**
Operating costs	*3-4*	(861,257)	-76.6%	(1,150,920)	-171.2%
Added value		**263,646**	**23.4%**	**(478,575)**	**-71.2%**
Personnel expenses	*5*	(226,935)	-20.2%	(280,433)	-41.7%
Other operating costs	*6*	(16,638)	-1.5%	(59,282)	-8.8%
Change in costs capitalised to fulfil a contract		(125)	0.0%	83	0.0%
Share of profits (losses) from joint ventures and associates	*7*	30,805	2.7%	(58,647)	-8.7%
Gross operating profit (loss)		**50,753**	**4.5%**	**(876,853)**	**-130.4%**
Amortisation and depreciation	*8*	(44,129)	-3.9%	(26,685)	-4.0%
Provisions	*9*	(21)	-0.0%	(309,678)	-46.1%
Impairment losses	*8*	4,831	0.4%	(155,326)	-23.1%
Operating profit (loss)		**11,435**	**1%**	**(1,368,543)**	**-203.5%**
Net financial expense	*10-11*	(31,824)	-2.8%	(140,113)	-20.8%
Pre-tax loss from continuing operations		**(20,389)**	**-1.8%**	**(1,508,655)**	**-224.4%**
Income taxes	*12*	(26,837)	-2.4%	89,307	13.3%
Loss from discontinued operations	*13*	(6,531)	-0.6%	(458,954)	-68.3%
Loss for the year		**(53,757)**	**-4.8%**	**(1,878,302)**	**-279.4%**

** The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.*

The parent's performance in 2019 reflected that of the group. An analysis of the individual statement of profit or loss captions is provided in the separate financial statements attached to this report.

Analysis of the parent's financial position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (€'000)

	Note no.	31/12/2019	31/12/2018*
Intangible assets	*18*	37,231	41,243
Property, plant and equipment	*15-17*	72,111	137,578
Equity investments	*19*	537,653	517,591
Other non-current assets, net	*12-20-21*	402,216	389,835
Non-current assets held for sale	*27*	147,056	63,024
Liabilities directly associated with non-current assets held for sale	*27*	(195,948)	--
Right-of-use assets	*16*	29,589	--
TOTAL non-current assets (A)		**1,029,908**	**1,149,271**
Inventories	*22*	32,492	37,830
Contract assets	*23*	691,199	705,080
Costs capitalised to fulfil a contract	*23*	1,355	1,592
Trade receivables	*24*	183,385	194,441
Amounts due from customers	*24*	422,326	409,236
Other assets	*20-21*	567,726	544,670
Tax assets	*25*	39,005	52,305
Progress payments from customers	*23*	(330,097)	(258,674)
Sub total		**1,607,390**	**1,686,480**
Trade payables	*32*	(367,669)	(339,675)
Amounts payable to suppliers	*32*	(735,506)	(739,828)
Other liabilities	*29-30-33*	(434,811)	(486,509)
Sub total		**(1,537,985)**	**(1,566,012)**
Operating working capital (B)		**69,405**	**120,468**
Employee benefits	*31*	(4,765)	(4,428)
Provisions for risks and charges	*34-35*	(178,340)	(504,327)
Total provisions (C)		**(183,104)**	**(508,755)**
Net invested capital (D) = (A) + (B) + (C)		**916,209**	**760,983**
Cash and cash equivalents	*26*	241,134	145,561
Current loan assets	*20*	128,463	73,092
Current financial liabilities	*29*	(2,838,283)	(2,588,566)
Non-current financial liabilities	*29*	(177,222)	(19,107)
Net financial debt of disposal groups	*27*	194,689	185,224
Net loans and borrowings (E)		**(2,451,220)**	**(2,203,797)**
Non-current loan assets	*20*	44,252	32,457
Total net loans and borrowings (F)		**(2,406,967)**	**(2,171,340)**
Deficit (G) = (D) - (F)		**(1,490,758)**	**(1,410,357)**

** The parent has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.*

The parent's financial position at 31 December 2019 reflects that of the group. An analysis of the individual statement of financial position captions is provided in the separate financial statements attached to this report.

Analysis of the parent's net financial debt

NET FINANCIAL DEBT
(AS PER CONSOB COMMUNICATION NO. DEM/6064293/2006)
(€'000)

		31/12/2019	31/12/2018
Cash		241,134	145,561
Cash and cash equivalents	**A**	**241,134**	**145,561**
Current loan assets		128,683	73,092
Current loan assets	**B**	**128,683**	**73,092**
Current bank loans and borrowings		(1,478,799)	(1,404,909)
Current portion of bonds		(907,446)	(907,068)
Current portion of non-current debt		(2,784)	(12,752)
Other current loans and borrowings		(458,203)	(263,837)
Total current loans and borrowings	**C**	**(2,847,232)**	**(2,588,566)**
Net current financial debt		**(2,477,415)**	**(2,369,913)**
Non-current bank loans and borrowings		(8,065)	--
Bonds		(130,572)	--
Other non-current financial liabilities		(38,585)	(19,107)
Total non-current loans and borrowings	**D**	**(177,222)**	**(19,107)**
Total gross debt	**E=C+D**	**(3,024,454)**	**(2,607,673)**
Gross non-recourse debt	**F**	**--**	**--**
Total net financial debt	**G=A+B+E+F**	**(2,654,637)**	**(2,389,020)**
Net financial position of disposal groups	**H**	**173,485**	**185,224**
Total financial debt	**I=G+H**	**(2,481,152)**	**(2,203,797)**
Non-current loan assets		27,146	12,646
Subordinated loans		34,912	19,811
Non-current loan assets	**L**	**62,059**	**32,457**
Total net financial debt	**M=I+L**	**(2,419,094)**	**(2,171,340)**
Treasury shares in portfolio	**N**	**--**	**3,023**
Net financial exposure	**O=M+N**	**(2,419,094)**	**(2,168,317)**

Changes in the parent's net financial debt during the year reflect those of the group. The separate financial statements attached to this report provide more information.

STATEMENT OF CASH FLOWS
(€'000)

	2019	2018*
A) Net cash flows used in operating activities	(229,507,357)	(557,409,106)
B) Cash flows used in investing activities	(105,374,251)	(57,404,005)
C) Cash flows generated by financing activities	431,216,140	366,790,036
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	96,334,533	(248,023,075)
OPENING CASH AND CASH EQUIVALENTS	145,561,238	393,584,533
CLOSING CASH AND CASH EQUIVALENTS	** 241,895,590	145,561,238

** The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.*
*** Includes the bank deposits of the non-current assets held for sale of €762 thousand.*

INVESTMENTS

More information is available in the separate financial statements attached hereto.

Order backlog

Definition and structure

The order backlog (the “backlog”) is the sum of the projects to be performed for contracts awarded to the group net of revenue recognised in profit or loss at the reporting date. Specifically, it is calculated as *(i)* the revenue to complete projects measured in accordance with the IFRS for the construction contracts, and *(ii)* as revenue due for existing management contracts for the O&M segment.

The group includes “orders in progress” and any “new orders” (net of any “backlog decreases”) and “options”, as defined below in its order backlog.

Orders in progress are *(i)* for the construction segment, the sum of the projects for which contracts have been signed or awarded as per the relevant calls for tenders and for which the customer has guaranteed the funds necessary to start and complete the works, and *(ii)* for the O&M segment, the projects for which contracts have been signed or for which the group has a contractual obligation.

New orders include additions to the orders in progress (including contract increases for existing projects).

Backlog decreases, if any, are amounts not included in the order backlog (mostly due to modifications to existing orders or also the termination of contracts).

Any options refer to projects awarded or for which the group is the preferred bidder in the related call for tenders as well as those for which the related contract and/or financing has still be signed or those with conditions precedent that have not yet been met (this may arise even if the group has made the related investments).

Projects carried out as unconsolidated joint ventures are included in the order backlog for just the portion proportionate to the group’s investment in such joint venture.

At 31 December 2019, the group’s order backlog amounts to €7.9 billion (31 December 2018: €9.3 billion), including €3.8 billion (48% of the total) related to Italian contracts and the remaining €4.1 billion (52%) to foreign contracts, mainly in Europe (Poland, Romania, Sweden and Turkey), the Americas (mostly Chile, but also the US, Canada and Paraguay) as well as Africa (Algeria) and Asia (India). It reflects the significant adverse effects of the parent’s commencement of the composition with creditors procedure (in September 2018) and the exclusion of the concessions segment (mostly transferred to the separate unit as described earlier).

Table 3 – Changes in the order backlog by business and geographical segment

(€m)	***1/01/2019***	***Increases/Decreases***	***Decreases for production***	***31/12/2019***
Construction	**7,310**	**587**	**-1,324**	**6,573**
Transport infrastructure of which:	**5,828**	**519**	**-992**	**5,355**
Railways and metros	*3,188*	*492*	*-519*	*3,161*
Roads and motorways	*2,316*	*33*	*-347*	*2,002*
Airports and ports	*324*	*-6*	*-126*	*192*
Hydraulic works and energy generation plants	**108**	***79***	**-19**	***168***
Civil construction	**923**	***-6***	**-126**	***791***
Industrial plants	**451**	***-5***	**-187**	***259***
O&M	**1,973**	**-615**	**-45**	**1,313**
INDUSTRIAL PORTFOLIO	***9,283***	***-28***	***-1,369***	***7,886***

(€m)	***01/01/2019***	***Increases/Decreases***	***Decreases for production***	***31/12/2019***
Italy	**4,595**	**-367**	**-431**	**3,797**
Abroad	**4,688**	**339**	**-938**	**4,089**
Europe	*2,746*	*26*	*(470)*	*2,302*
Americas	*1,555*	*322*	*(452)*	*1,425*
Africa	*117*	*-9*	*(10)*	*98*
Asia	*270*	*1*	*(6)*	*264*
ORDERS IN PROGRESS BY GEOGRAPHICAL SEGMENT	***9,283***	***-28***	***-1,369***	***7,886***

New orders

This table summarises the main new orders with a brief description.

Table 4 – Key new orders of the year[29]

COUNTRY	PROJECT	ASTALDI'S SHARE (€m)
ITALY	High speed/high capacity Naples-Bari railway line, Apice-Hirpinia section	243
CANADA	Hurontario Light Rail Transit Project	254
PARAGUAY	Yaciretà Hydroelectric Power Plant	73

ITALY // High speed/high capacity Naples–Bari railway line, Apice–Hirpinia section – approximately €608 million (Astaldi's share: 40%) to develop another 18.7 km of the high speed/high capacity Naples-Bari railway line as part of a joint venture with Webuild. The new lot includes the construction of the Apice-Hirpinia section, the Hirpinia Station, three bored tunnels and four viaducts.

CANADA // Hurontario Light Rail Transit ("HuLRT") Project – CAD1.3 billion (the equivalent of roughly €917 million; Astaldi's share: 28%) to design, build, finance and operate the HuLRT for a 30-year term. The HuLRT is an 18-kilometre, 19-stop light rail transit system that will run along Hurontario Street from Port Credit in Mississuaga to the Brampton Gateway Terminal in Ontario. Astaldi is part of the Moblinx consortium with Webuild, Hitachi and some Canadian partners.

PARAGUAY // Yaciretà Hydroelectric Power Plant (Brazo Aña Cuá Project) – USD150 million (Astaldi's share: 55%) to upgrade the Yaciretà Hydroelectric Power Plant on Río Paraná which runs along the border between Argentina and Paraguay. The contract covers all the civil works and some electromechanical works to install three additional Kaplan turbines at the existing hydroelectric power plant which will have an increased installed capacity of 270 MW upon completion of the works.

[29] Non-exhaustive list which, however, is representative of the new orders which contribute more than €40 million to the order backlog. The "Construction" and "Concessions" sections provide more details on the contracts.

Construction

This section provides a brief description of the main construction contracts in place at year end (including the new orders referred to above), split by geographical segment.

Italy

Italy is Astaldi's home ground and its reference market. Despite the country's particular economic situation of recent years, it continues to be central to the group's commercial development policies and expansion strategies. The main sectors of interest are transport infrastructure (roads, motorways, ports, railways) and healthcare buildings (hospitals). Astaldi operates both as a general contractor and investor in concessions to build and operate the infrastructure[30].

At 31 December 2019, the order backlog of the Italian construction segment is worth approximately €3.2 billion and includes new orders of €243 million (the high speed/high capacity Naples-Bari railway line, Apice-Hirpinia section).

A brief description of the main contracts included in the Italian order backlog in progress at the reporting date is provided below. It includes the new orders presented earlier.

BRENNER BASE TUNNEL (LOT "MULES 2–3") – The contract covers all the underground work of the Italian section of the Brenner Base Tunnel from Mezzaselva to the state border. This tunnel is part of the project to upgrade the Munich-Verona railway line which will become the longest underground railway line in the world once completed. Lot "Mules 2.3" includes the excavation of roughly 75 km of tunnels (an exploratory tunnel, two main line tunnels, side tunnels and other access tunnels) using traditional tunnelling methods and three TBMs[31]. In addition to the access tunnels, the main line tunnels are also being excavated using the traditional method for the southbound tunnel and mechanised tunnelling with the TBMs in the northbound tunnel. The exploratory tunnel is also being excavated.

HIGH SPEED/HIGH CAPACITY VERONA–PADUA RAILWAY LINE (FIRST FUNCTIONAL LOT VERONA–VICENZA JUNCTION) – The contract includes the design (definitive and executive) and construction of the Verona-Vicenza section of the high speed Verona-Padua railway line, of which Astaldi has a 37.49% share through the IRICAV DUE consortium (general contractor for the works). This section was included in the order backlog after approval of the 2014 Stability Act (Law no. 147 of 27 December 2013) which included the Verona-Padua section of the high speed/high capacity Milan-Venice railway line among those to be developed in construction lots with article 1.76. The entire section is split into three functional lots: the first from Verona to the Vicenza junction, the second which crosses Vicenza and the third from Vicenza to Padua. During its meeting of 22 December 2017, the CIPE approved the definitive design (prepared by IRICAV DUE) for the first functional lot and its resolution was published in the Italian Official Journal no. 165 of 18 July 2018. This meant that the activities for the signing of the rider by the consortium and RFI[32] could go ahead. The project

[30] See the "Concessions" section for more information.
[31] Tunnel boring machine.
[32] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

subsequently underwent delays due to the costs-benefits analyses commenced by the government. After such analyses and the consequent confirmation by the government of its intention to proceed with the project, the consortium and RFI recommenced their negotiations and RFI sent the proposed rider for the first functional lot of the Vicenza-Padua section in December 2019.

HIGH SPEED/HIGH CAPACITY NAPLES–BARI RAILWAY LINE, NAPLES–CANCELLO SECTION – The contract covers the design and construction of the first section of the high speed/capacity Naples-Bari railway section and works to connect it to the new high speed Naples-Afragola Station (also built by Astaldi) in Naples. The contract, assigned by Italferr[33] for completion by 2022, includes the first 15.5 km section of the Naples-Bari line and is a strategic part of the overall reorganisation of the entire railway line. In December 2017, agreement no. 5/2017 was signed with the customer RFI for €397 million and the executive design activities commenced on 2 January 2018 to be completed on 6 November 2018 when the design was approved. On 12 November 2018, the first conformity deed was signed and the works were delivered on 20 November 2018. The second conformity deed, including some variations and a revised consideration, was signed on 26 November 2019.

HIGH SPEED/HIGH CAPACITY PALERMO–CATANIA RAILWAY LINE, BICOCCA–CATENANUOVA SECTION – The construction contract includes the executive design and the doubling of the track of the Bicocca-Catenanuova section of the high speed Catania-Palermo railway line over a roughly 38 km stretch, including around 10 km as a variation, as part of a joint venture. Following completion of the executive design in 2018, the works commenced and are slated for completion in 2023. The customer is RFI and the joint venture is composed of Astaldi (34.226%) and Webuild [34] (51.308%), SIFEL (7.327%) and CFL (7.139%). In order to ensure work could take place, Astaldi and Webuild set up Soc. S. AGATA FS cons. a r.l.. The new infrastructure will improve the railway connections in Sicily and the island’s connection to the TEN-T network.

HIGH SPEED NAPLES–BARI RAILWAY SECTION, APICE–HIRPINIA SECTION – Included in the new orders for the year, the contract covers the development of another 18.7 km of the high capacity Naples-Bari railway line in a joint venture with Webuild (40%:60%). The new lot includes construction of the Apice-Hirpinia section, the Hirpinia Station, three bored tunnels and four viaducts. The customer is RFI[35]. (AV AC)

LINE C OF THE ROME METRO – The contract includes the construction, supply of rolling stock and roll-out of the new metro line (25.4 km, 29 stations) along the Monte Compatri/Pantano-Clodio/Mazzini to Rome section. Work is continuing on the functional sections that have not yet been delivered. The entire first strategic phase from the Monte Compatri/Pantano Station to the San Giovanni Station (19 km, 22 stations) has been completed. Specifically, the delivery of the third functional phase up to the San Giovanni Station took place on 8 March 2018 and it was opened to the public on 12 May 2018. At the date of preparation of this report, Section T3 from the San Giovanni Station to the Fori Imperiali Station is underway (roughly 3 km). The project includes construction of the Amba Aradam and Fori Imperiali Stations and two ventilation shafts in Via Sannio and Piazza Celimontana. At the start of 2020, the customer, Roma Metropolitane, ordered the definitive design activities be recommenced for the Fori Imperiali-Venezia sub-section, bringing forward the mechanised

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[33] Italferr S.p.A. (Ferrovie dello Stato Italiane Group).
[34] Formerly Salini Impregilo.
[35] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

tunnelling of the line tunnel from the end of Section T3 to Piazza Venezia. Its commencement is slated for the start of June 2020 and it has obtained the related financing with CIPE resolution no. 76/2019 of 20 December 2019. More information about this contract is available in the “Events after the reporting date - Significant contractual events after the reporting date”.

LINE 4 OF THE MILAN METRO – The EPC contract is tied to the concession for the development and long-term operation of the new Line 4 of the Milan Metro. The construction contract includes the (definitive and executive) design and construction of all the civil works, including the superstructure, systems and supply of the rolling stock. The new infrastructure will be a light, fully automated metro along the San Cristoforo-Linate Airport line (15.2 km, 21 stations, maximum passenger capacity of 24,000 passengers/hour in both directions). The contract also includes the construction of a depot/workshop in San Cristoforo for the recovery and maintenance of rolling stock. On 5 February 2019, the customer (the Milan Municipality) and the operator (M4, an investee of Astaldi) signed rider no. 1 which, inter alia, revised the general construction schedule providing for the activation of the line’s functional sections, acceptance of the extra consideration for the time delays, waiver of the claims, additional variations and the review of the security and coordination plan. Subsequently in September 2019, M4 and the contractor (CMM4, a consortium including Astaldi) signed the new EPC contract. At the date of preparation of this report, the tunnels of the west and east sections have been completed. The first functional section from Linate Station to Forlanini FS Station will become operational in the first half of 2021. More information is available in the “Concessions” section.

CUMANA RAILWAY LINE, DAZIO–CANTIERI SECTION – The construction contract provides for the design and development of the works to complete the doubling of the Cumana railway line (which connects Naples to Pozzuoli) along a roughly 5 km stretch between the Dazio and Cantieri Stations. Commenced in 1991, the works were put on hold for a considerable period of time due to the lack of funding and recommenced in March 2017 after the customer (EAV) signed an out-of-court agreement. In addition to the work to equip the new track, the contract includes the construction of two new stations (Pozzuoli and Cantieri), a tunnel roughly 500 metres long (the Monte Olibano Tunnel), consolidation of various sections of the slope overlooking the railway line and the adaptation of the safety systems along the line in the tunnels. During 2018, the executive designs of the various projects continued and, after their approval, the riders were signed for the Cantieri Station and the Monte Olibano Tunnel. In July 2018, excavation began of the Monte Olibano Tunnel. In 2019, the executive designs of all the works covered by the contract were completed although the customer’s approval has not yet been obtained for many of them. As a result, the only riders valid at the date of preparation of this report are those for the Cantieri Station and the Monte Olibano Tunnel. While work has not yet started for the station due to the customer’s request for a variation, the excavation works on the tunnel have continued although extension of the completion date to 30 June 2020 has been requested due to Astaldi’s financial difficulties and the customer’s delays in making payments.

INFRAFLEGREA PROJECT - MONTE SANT’ANGELO RAILWAY CONNECTOR AND WORK ON THE POZZUOLI PORT - The contract covers a number of activities in the urban areas of the Naples and Pozzuoli municipalities (the Flegrea area). They include construction of a section of Line 7 of the Naples Regional Metro System (the Monte Sant’Angelo railway connector - Soccavo-Mostra d’Oltremare section, with the related stations and interchange junctions), extension and upgrading of the Pozzuoli Port and works for the Bagnoli ring road. The works are carried out by the general contractor Infraflegrea Progetto S.p.A. (Astaldi’s share: 51%). At the date of this report, financing has only been received in part for the Monte Sant’Angelo railway connector. During 2019, work continued on the Monte Sant'Angelo railway connector for the first lot (functional section 2) and the second lot (functional section 1 - Monte Sant'Angelo Station), covering in particular the electrical and mechanical systems and the finishing works. Due to delays in the work schedule as a result of Astaldi's well-known financial difficulties and the delays in payments by the customer, Astaldi requested that the contract timeline be extended. The customer has not yet expressed its opinion. With respect to the Parco S. Paolo Station, after approval of the executive designs, work commenced to move the underground services, removal of war devices and archaeological investigations. Approval of a design variation to eliminate an underground car park is pending. The customer requested executive designs be prepared (in three functional sections) for completion of the new ferry dock at the Pozzuoli Port in order to receive the related financing. In December, the first services conference took place to approve the designs and its findings were not yet known at the date of preparation of this report. More information is provided in the "Main risks and uncertainties - Significant contractual events" section on Infraflegrea Progetto S.p.A..

SS-106 STATE ROAD JONICA, MEGA LOT 3 – The contract includes the construction of mega lot 3 of the SS-106 state road Jonica (also called Lot DG-41/08) using the EPC method for the new section from the intersection with SS-534 (at Sibari) to Roseto Capo Spulico. The section is 38 km with three twin-tube bored tunnels, 15 viaducts, 11 artificial tunnels and four junctions. In August 2017, CIPE resolution no. 41 of 10 August 2016 authorising the definitive design of the first functional section (Sibari - Trebisacce section) was published in the Italian Official Journal (general series no. 178), while on 2 August 2018, CIPE resolution no. 3 of 28 February 2018, which approved the definitive design of the second functional section (Trebisacce - Roseto Capo Spulico section) and noted that the project is fully funded, was published. This approval allows commencement of the executive design for the entire mega lot 3 (first and second functional sections) as well as the preliminary activities for the construction work. The executive design sent by the general contractor (Sirjo, in which Astaldi has an investment) to the customer (ANAS[36]) on 15 April 2019 was analysed and approved on 9 March 2020. The works are expected to take 2,274 days from the date of signature of the works delivery document (19 May 2020).

QUADRILATERO MARCHE–UMBRIA ROAD SYSTEM (MAXI LOT 2) – The contract covers the upgrading and extension of the Perugia-Ancona section (roughly 31 km in both directions, including 22 km of tunnels) and the construction of the Pedemontana delle Marche Road (around 36 km, single lane, including 5 km of tunnels) on a general contracting basis. During 2018, the works (commenced by another contractor) continued on the Perugia-Ancona section along with the works for the first 8 km of the Pedemontana delle Marche Road (commenced ex novo by Astaldi). In 2018, *(i)* the variation appraisal (PV-5 and PV-6 to upgrade the viaducts and existing tunnels, including the systems) was approved, increasing the order backlog by €29 million, *(ii)* the works were gradually slowed down to be formally suspended in July due to Astaldi's financial difficulties, and *(iii)* another 8 km of the Pedemontana delle Marche Road were delivered in September after approval of the related executive designs. During the first few months of 2019 (and the last few months of 2018), negotiations took place with the customer (Quadrilatero Marche-Umbria) to amend the contract to reflect the composition with creditors procedure commenced by Astaldi. Specifically, in February, the customer approved a conformity deed which covered the recommencement of the works (which took place in April) with the definition, inter alia, of new deadlines to complete the works (in order to avoid the risk of fines). At the end of 2019, in addition to

[36] ANAS S.p.A. (Ferrovie dello Stato Italiane Group).

the publication in the Italian Official Journal of the CIPE resolution on the approval of the definitive design for the remaining 20 km of the Pedemontana delle Marche Road (after the project was fully funded), another 8 km of the Perugia-Ancona stretch was opened to the public for a total of 17 km (out of a total of 30 km) and formally delivered to ANAS as a completed work.

NEW CAGLIARITANA STATE ROAD (SS–554) – The contract relates to the integrated total award of the executive design and subsequent works to upgrade the urban road to Astaldi as per article 53.2.c) of Legislative decree no. 163/2006. It includes elimination of the intersections along roughly seven km of the state road SS-554 from Km 1+500 to Km 7+100 (the first stage). The works are funded by RDF[37] and the Sardinian Region. Agreement of the contract is subject to the customer's (ANAS) approval of the definitive project. In 2018, the design phase continued and after the customer's request for amendments and integrations, the design was sent to the Italian Superior Council for Public Works (CSLP) for its approval. In September 2019, the CSLP expressed its favourable opinion, subject to the re-presentation of the revised definitive project updated to include certain requests. In December 2019, Astaldi sent the customer the revised definitive project as per the CSLP's requests and, in May 2020, ANAS sent the project to the Ministry of the Environment and Land and Sea Protection for commencement of the environmental impact assessment, the results of which are not known at the date of preparation of this report.

NATO BASE IN SIGONELLA – The contract includes the extension of the NATO base in Sigonella, Sicily. It provides for the executive design and performance of works to expand Ground Operations Area (Ops Area) and Flight Operations Area (Flight Area) of the Sigonella Military Airport. The project involves the construction of 14 buildings occupying a total net surface area of approximately 26,700 square metres, to be used as military offices and aircraft storage and fitting out, with specific radio/data plant engineering for specialist military air operations. The duration of the works is approximately three years. The customer is NSPA (NATO Support and Procurement Agency). Financing of the works is guaranteed by NATO funding. During 2020, the first two buildings (Building 164 and Building 165 - in January) and the first hanger (Building 204 - in February) were delivered to the customer. At the date of preparation of this report, a new work schedule is being negotiated as well as the deadline for completion of the works.

NUOVO OSPEDALE DEL SUD-EST BARESE IN MONOPOLI–FASANO – The contract covers all the civil works and systems for the new healthcare facility of excellence in Puglia, which will have 299 beds and nine operating rooms in a surface area of 178,000 square metres. The works are slated to take approximately three years. The customer is the local health authority[38] of the Bari Province. The contract was awarded to Astaldi (70%) as part of a joint venture with Guastamacchia (Italy, 30%).

TARANTO PORT – CONTAINER TERMINAL – The contract provides for the dredging of the port as part of the works to upgrade the container terminal commenced by the competent port authorities in the section of the port in front of the terminal. The sea bed is to be dredged to a depth of more than 2.5 metres and the contaminated sediments remediated.

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[37] European Regional Development Fund.
[38] ASL, local health authority.

Europe

The group's foothold in Europe includes its historical stamping grounds such as Poland, Romania and Turkey as well as areas it has recently moved into like Sweden. It mainly carries out contracts in the transport infrastructure sector (roads, motorways, airports and railways) as well as small energy projects (Waste-to-Energy plants). At the date of preparation of this report, Astaldi also has assets under concession in Turkey which it plans to dispose of over the composition plan period (as defined earlier[39])[40].

At 31 December 2019, the European construction order backlog is worth €1.5 billion and consists of contracts in *(i)* Romania (roughly €667 million), *(ii)* Poland (€273 million), *(iii)* Sweden (€278 million), and *(iv)* Turkey (€323 million).

This section provides a brief description of the main contracts included in the European construction order backlog at year end, including the new orders referred to above.

ROMANIA

BRAILA BRIDGE – The contract covers the design and construction of a 1,975-metre suspension bridge as well as roughly 23 km of access roads. The design stage will take one year and construction works three years. The customer is CNAIR, the state company owned by the Romanian Ministry of Transport and Infrastructure. The works are included in the country's transport master plan and are financed using EU funds as part of the LIOP[41]. Design and construction will be performed as a joint venture between Astaldi (main contractor, 60%) and IHI (Japan, 40%). The design work was completed in 2018 and the construction phase began at the start of 2019.

FRONTIERĂ–CURTICI–SIMERIA RAILWAY LINE (LOTS 2A and 2B) - The contract covers the rehabilitation of roughly 80 km of the Frontieră-Curtici-Simeria railway line, which is part of the Pan European Corridor IV. The contract also includes the construction of 11 stations, 30 bridges and a tunnel as well as the installation of an ERTMS signalling and telecommunications system[42]. Construction work will take 36 months. The customer is CFR (the Romanian National Railways Company). The works are 75% funded by the EU as part of the LIOP and 25% by the state. Some sections were delivered to the customer in 2019.

FRONTIERĂ–CURTICI–SIMERIA RAILWAY LINE (LOT 3) - The contract includes the rehabilitation of roughly 40 km of the Frontieră–Curtici–Simeria Railway Line and specifically, the line between Gurasada and Simeria of the 614 km Radna-Simeria section. The scope of the contract also includes the construction of 17 bridges, electrification, the installation of the ERTMS signalling and telecommunications system, the renovation of eight railway stations and some minor works. Construction work will take three years. The customer is CFR

[39] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section for more information about the plan.
[40] See the "Concessions" section for information about the concessions in Turkey.
[41] Large Infrastructure Operational Programme
[42] European Rail Traffic Management System.

(the Romanian National Railways Company). The works are 75% funded by the EU as part of the LIOP and 25% by the state.

POLAND

S-2 WARSAW SOUTHERN BYPASS (LOT A) – The contract covers the development of lot A of the Warsaw Southern Bypass, a strategic project to develop the city's infrastructure, ensuring significant benefits connected with the reduction of traffic congestion in the city centre. The works involve the design and construction of approximately 5 kilometres of expressway with two separate three-lane carriageways in each direction, linking Puławska junction to Przyczółkowa junction (Lot A). The performance of complex works along the route is also planned comprising nine bridges, a twin-tube tunnel measuring 2.3 kilometres in length, two road junctions and all related works. The customer is Poland's General Road and Motorways Authority (GDDKiA) and the works are being financed using EU funding.

S–7 EXPRESSWAY, NAPRAWA–SKOMIELNA BIAŁA SECTION AND ZAKOPIANKA TUNNEL – The contract provides for the construction of the Naprawa–Skomielna Biała section of the S-7 Krakow–Rabka Zdrój expressway, including the Zakopianka Tunnel, the longest bored road tunnel in Poland. It will involve the construction of 3 km of new sections, including 2 km of twin-tube tunnels, external works, systems and environmental protection works.

GDANSK WASTE-TO-ENERGY PLANT – The contract covers the construction of a WtE plant to treat urban waste in the Gdańsk-Gdynia-Sopot metropolitan area and O&M activities for 25 years. The planned duration of construction activities is 48 months, 12 months of which for design, and 36 months for the construction work. The construction activities are being carried out by a joint venture comprising Astaldi (leader, with a 51% share), and the Italian company Termomeccanica Ecologia S.p.A. (49%). An SPE will be set up for the O&M activities, held by Astaldi (with a 10% stake), Termomeccanica Ecologia S.p.A. (10%), and the French company Tirù S.A. (80%). The customer is Zakład Utylizacyjny Sp. z o.o. (municipalised company for waste management) in Gdańsk. The contract is totally financed with EU funds and the state budget.

SWEDEN

GOTHENBURG RAIL LINK – HAGA STATION (WEST LINK – LOT E04 HAGA STATION) – The EPC contract includes the design and construction of a new underground station of the railway link in the city centre and a 1.5 km service tunnel. The works are being carried out by the AGN Haga ab joint venture, which includes Astaldi (40%), Gülemark (Turkey, 40%) and NRC Group (Sweden, 20%). The customer is Trafikverket, the Swedish transport authority. The works are financed using European funds and the state budget. They are expected to take roughly eight years, with completion slated for 2026.

GOTHENBURG RAIL LINK – KVARNBERGET (WEST LINK – LOT E03 KVARNBERGET) – The EPC contract covers the construction of roughly 600 metres of railway tunnel as part of the Gothenburg Rail Link project, which Astaldi is already involved in via construction of Haga Station (see above). The tunnel is being built using the cut & cover method and will link the Centralen and Haga lots (currently under construction). The works, financed using European funds and local funding, are being carried out by the AGN Haga ab joint venture, which includes Astaldi (40%), Gülemark (Turkey, 40%) and NRC Group (Sweden, 20%). The customer is Trafikverket, the Swedish transport authority. The planned duration of the works is approximately three years, with completion slated for June 2021.

TURKEY

ETLIK INTEGRATED HEALTH CAMPUS, ANKARA (ETLIK HASTANE EPC) – The EPC contract includes the design, construction and supply of electro-medical equipment and furnishings, as well as the long-term operation under concession of the healthcare facility with 3,577 beds in eight facilities and a hotel for a total surface area of roughly 1,100,000 square metres. This project is one of the largest of its kind in Europe. More information is available in the “Concessions” section.

GEBZE–ORHANGAZI–IZMIR MOTORWAY – The EPC contract is for a BOT (Build-Operate-Transfer) project to design and build under concession 426 km of motorway along the Gebze–Orhangazi–Bursa–Izmir section. It includes the Izmit Bay Bridge, the fourth longest suspension bridge in the world. The project is split into separate functional lots: Phase 1 (53 km from Gebze to Orhangazi, including the Izmit Bay Bridge) was completed and opened to the public in June 2016, Phase 2-A (25 km from Orhangazi to Bursa) was completed and has been in operation since March 2017 and Phase 2-B was subsequently completed. The entire work was opened to the public in August 2019. The new motorway is essential for freight transport between Istanbul and Izmir, an important industrial city on the Turkish coast. The new route halves the travel times (from 8 hours to 3.5 hours) from Gebze (near Istanbul) to Izmir (on the Aegean coast). More information is available in the “Concessions” section.

ISTANBUL METRO (KIRAZLI-HALKALI SECTION) – The contract includes carrying out the civil works and installation of the electromechanical systems for the new section of the Istanbul Metro to connect Kirazli to Halkali. The contract includes construction of 10 km of twin-tube tunnels, including 7 km using TBMs, nine stations and related works. The customer is the Municipality of Istanbul.

Americas

This geographical segment includes both the group’s traditional markets (US and Chile), areas where it has recently started operating (Canada and Paraguay) as well as areas where it is discontinuing its activities (Mexico, Peru and Central America). Its main sectors of interest are transport infrastructure (roads and motorways), energy generation plants and civil construction. Specifically, Chile is the group’s main market in Latin America, where it is active in the transport infrastructure (airports), healthcare buildings and mining sectors.

At 31 December 2019, the American construction order backlog’s value is approximately €1.4 million, including contracts in *(i)* Chile (€658 million), *(ii)* the US (€348 million), *(iii)* Canada (€346 million), and *(iv)* Paraguay (approximately €73 million). These values include, inter alia, the new orders in Canada (Hurontario Light Rail Transit Project) and Paraguay (the Yaciretà Hydroelectric Power Plant).

This section provides a brief description of the main contracts included in the American construction order backlog at year end, including the new orders referred to above.

CHILE

ARTURO MERINO BENÍTEZ INTERNATIONAL AIRPORT OF SANTIAGO – The EPC contract relates to the concession for the extension and operation of the Arturo Merino Benítez International Airport in Santiago, Chile. The concession includes: *(i)* modernisation and extension of the existing terminal; *(ii)* financing, designing and building a new passenger terminal with a surface area of 198,000 square metres, giving an increased passenger handling capacity of up to 30 million passengers/year; *(ii)* operation of all the infrastructure for 20 years (new and existing terminals, car parks and future commercial activities). Work continued on Phase 2 during the year (the new passenger terminal). More information is available in the "Concessions" section.

BARROS LUCO TRUDEAU HOSPITAL IN SANTIAGO – The contract covers the design and construction of a new healthcare facility which will have 967 beds and 28 operating rooms in a surface area of approximately 200 thousand square metres, split into two 10-floor buildings (with one underground floor to house the nuclear medicine department). The works will take seven years. The customer is the Chilean Ministry of Health and the works are financed using state funds.

NEW LINARES HOSPITAL – The EPC contract includes the design and construction of a new healthcare facility in central Linares in the Maule region. The new facility will have 329 beds and 11 operating rooms in a surface area of roughly 87,000 square metres in an eight-floor building, including one underground. The works will be built by NBI (an Astaldi Group company specialised in plant engineering[43]) and will take just over six years, with design activities starting in 2017. The customer is the Chilean Ministry of Health and the works are financed using state funds.

EL TENIENTE MINE – RECURSOS NORTE PROJECT – The contract covers the first phase works of the Recursos Norte project (5 km of tunnels) for the underground development of the El Teniente copper mine. During 2018, excavation of the first part of the tunnel and two access tunnels was commenced. On 22 October 2018, considering Astaldi's composition with creditors procedure to be an event of default pursuant to the contract terms, the customer (CODELCO) notified the early termination of the contract and enforcement of the guarantees of €9.7 million (including the advance payment bond). Astaldi promptly challenged this enforcement. However, the work site activities continued and given Astaldi's excellent performance, the customer communicated its willingness to continue the works under a new contract. Given the ongoing composition with creditors procedure, Astaldi filed a specific authorisation application in accordance with article 161.7 of the Bankruptcy Law with the bankruptcy section of the Rome Court on 14 December 2018 in order to be able to sign the new contract. After the bankruptcy section of the Rome Court issued the authorisation, the parent signed the new contract on 28 February 2019 for the remaining works to be completed.

USA

I–405 HIGHWAY – The contract includes the design and construction of the improvement works for 26 km of the I-405 highway between Los Angeles and San Diego. To date, it is one of the most important projects assigned in California for the infrastructure sector. During 2018, the designs were prepared for the bridges and

[43] The "Main group companies – NBI" section provides more information about this group company.

the main structures as well as the activities to demolish the existing structures to be replaced and for traffic management. In 2019, the design phase was completed and construction of 11 bridges and three miles of drainage infrastructure were commenced.

CANADA

ASHBRIDGES BAY TREATMENT PLANT OUTFALL – The contract for the Ashbridges Bay Treatment Plant (ABTP) in Toronto covers the construction of a new outfall tunnel for the release of treated water into Lake Ontario. ABTP is one of Canada's largest and oldest wastewater treatment plants. The contract provides for the construction of *(i)* an onshore 16-metre diameter outfall shaft that is 85 metres deep adjacent to the coast line, *(ii)* a 3.5 km tunnel with a 7-metre diameter outfall tunnelled at the bottom of the shaft and through rock beneath the lake bed, and *(iii)* 50 risers constructed in line with the tunnel for the release of the water from the tunnel into the lake. The project also includes the construction of a new channel to transport the treated water from the ABTP to the shaft for its subsequent release into the lake through the risers. At 31 December 2018, the contract was assigned to the joint venture of Southland (70%) and Astaldi Canada Design and Construction (Astaldi Group, 30%).

HURONTARIO LIGHT RAIL TRANSIT ("HULRT") PROJECT – Acquired in 2019, Astaldi (28%) was awarded the contract to design, build, finance and operate the HuLFT for a 30-year term as part of the Mobilinx consortium with Hitachi and some Canadian partners. The HuLRT is an 18-kilometre, 19-stop light rail transport system that will run along Horontario Street from Port Credit in Mississuaga to the Brampton Gateway Terminal in Ontario. See the "Concessions" section for more information about the related concession contract.

PARAGUAY

YACIRETÀ HYDROELECTRIC POWER PLANT (BRAZO AÑA CUÁ PROJECT) – In November, Astaldi signed the contract for the performance of works to upgrade the Yaciretà Hydroelectric Power Plant on Río Paraná which runs along the border between Argentina and Paraguay (the "Brazo Aña Cuá Project") as part of a joint venture. The contract covers all the civil works and some electromechanical works to install three additional Kaplan turbines in the existing hydroelectric power plant to increase its installed capacity by 270 MW for an average annual energy output of 1,700 GWh. The works will mainly be performed in Paraguay by Astaldi (as project leader) in a joint venture with Rovella Carranza S.A. (25%) and Tecnoedil S.A. Constructora (20%). The customer is Entidad Binacional Yaciretà, the independent binational body that operates the plant.

Africa

At 31 December 2019, this segment mostly refers to Algerian contracts and has a construction order backlog of €98 million, mainly in the transport infrastructure sector (railways).

A brief description of the main contracts in the African construction order backlog at 31 December 2019 is set out below.

ALGERIA

SAIDA–TIARET RAILWAY LINE – The contract awarded to a joint venture covers the design and construction of 154 km of a single-track railway line along the Saida-Tiaret section with 45 railway bridges and viaducts, 35 road overpasses, four main stations and nine switching stations. It includes the executive design and development of the railway works and the signalling and telecommunication systems for the entire lot, the earthwork activities, road structures and road deviations from km 108.5 km to km 154 for a total of 45.5 km of a single track non-electrified railway line.

Asia

At 31 December 2019, this geographical segment mainly comprises India, which the group has recently entered, with an order backlog of €264 million for transport infrastructure (roads, motorways and complex works) contracts.

A brief description of the main projects included in the Asian construction order backlog at 31 December 2019 is as follows:

INDIA

VERSOVA–BANDRA SEA LINK ("VBSL") IN MUMBAI – The EPC contract covers the work to improve the viability in Mumbai as part of a joint venture with an Indian company. The new infrastructure will require the construction of complex works at sea and stretch for a length of approximately 17.7 kilometres, linking the neighbourhoods of Versova and Branda. The Versova-Branda Sea Link is an ambitious project that will allow Astaldi to mediate the experience acquired with the building of the Western High-Speed Diameter motorway ring road in Saint Petersburg, Russia. The new infrastructure will be situated about 900-1,800 metres from the coast of the city of Mumbai. In addition, the Main Bridge will also include the construction of a cable-stayed bridge of 150 metres and three bridges of variable section, with a main span of 100 metres, to guarantee navigation in the area. Maintenance activities for two years are also planned. The customer is Maharashtra State Road Development Corporation (MSRDC), and the works will be financed with state funds.

Operation & Maintenance

The group has decided to lever this segment to strengthen its foothold in the sector of integrated management of services for high tech infrastructure. As well as being complementary to the group's core business, the O&M segment generates stable revenue over time and low deployment of working capital. The Astaldi Group is particularly interested in the hospital segment, where it has already honed its skills significantly thanks to its prior experience gained in the concessions segment. It has already identified interesting opportunities for long-term contracts for a variety of services (hard maintenance and heat/energy management, healthcare technology - electro-medical services, related services, commercial and hotel services, etc.).

At 31 December 2019, O&M group companies are:

- GE.SAT (Astaldi Group's investment: 53.85%), set up for the four Tuscan hospitals in Italy, currently all under operation;
- Etlik Hospital O&M (Astaldi Concessioni's investment: 51%), set up to operate the Etilik Integrated Health Campus in Ankara, Turkey, currently under construction;
- SAMO (Astaldi Group's investment: 100%), set up to operate the West Metropolitan Hospital in Santiago, Chile;
- Valle Aconcagua (Astaldi Concessioni's investment: 84.31%), set up to operate the Relaves Project in Chile, to be wound up due to the mutual agreement to terminate the concession contract. In December 2018, Valle Aconcagua reached an agreement with the customer (CODELCO) to settle the related dispute, under which the operator will receive USD25 million against its commitment to return the plant to CODELCO.

A brief description of the ongoing contracts is provided below. More information is available in the "Concessions" section[44].

GE.SAT | Four Tuscan hospitals – Italy

In accordance with the guidelines set out in the 2017-2021 strategic plan, the group gradually finalised the sale of most of its investment in SAT (the operator) while concurrently acquiring majority control of GE.SAT (O&M company) which gives Astaldi Concessioni control of the company and the possibility to directly manage the O&M activities. Astaldi Concessioni (18.85% investment), together with the parent's investment of 35%, controls GE.SAT. Based on the O&M contract entered into with SAT (the operator of the four Tuscan hospitals), which is valid for the entire concession term (until 2033), GE.SAT has provided the non-healthcare and commercial services at the Prato, Pistoia, Lucca and Massa-Carrara hospitals since 2013. These services are remunerated using calculation and payment methods for the rates identical to those paid by the customer (AUSL) to the operator.

ANKARA ETLIK HASTANE IŞLETME VE BAKIM ("ETLIK HOSPITAL O&M") | Etlik Integrated Health Campus in Ankara – Turkey

Ankara Etlik Hastane Işletme Ve Bakim A.Ş, the O&M company for the Etlik Integrated Health Campus in Ankara (51% owned by Astaldi Concessioni and 49% by the Turkish company Turkeler) is the sole provider of

[44] See the "Concessions" section for more information about the concession projects.

all the 19 services provided for in the concession contract and throughout its term. These services include maintenance (civil works, systems, medical equipment, etc.), health support (healthcare IT system, laboratory, imaging, sterilisation and rehabilitation) and hotel services (catering, cleaning, laundry, waste disposal, security and pest control). The healthcare facility is currently under construction and given the critical issues it is facing, reference is also made to the “Concessions” section.

SOCIEDAD AUSTRAL DE MANTENCIONES Y OPERACIONES (“SAMO”) | West Metropolitan Hospital in Santiago – Chile

The SPE Sociedad Austral de Mantenciones y Operaciones (“SAMO”), wholly owned by the group (75% via Astaldi Concessioni Chile and 25% via NBI Chile) performs the O&M activities for this hospital. Its opening was affected by the dispute that arose between Astaldi’s Chilean branch (EPC) and the operator (SCMS) after the latter’s decision to terminate the EPC contract in January 2019. In order to safeguard its position, jeopardised by SCMS’s serious non-fulfilment and the fact that the hospital did not open in time, SAMO was obliged to notify the termination of the O&M contract in September 2019 and commence arbitration proceedings (see the “Main risks and uncertainties and assumptions about going concern - Significant contractual events” section for more information).

Concessions

Unlike up until 31 December 2017, the order backlog solely refers to the construction and O&M segments as, starting from 2018, the concessions order backlog is no longer considered as an indicator of future revenue for this segment, as its assets will be sold and are part of the non-core assets identified for the purposes of the composition with creditors proposal (see earlier[45]). However, given the importance of the sale programme, this section describes the group's projects existing at the reporting date.

The group's projects (mainly carried out through Astaldi Concessioni) include construction and operation projects carried out under concession in Italy, Turkey and Chile in the healthcare buildings, transport, energy and plants sectors.

Specifically, at 31 December 2019, the group's concessions include:

- projects under operation in Italy, Turkey and Chile, i.e.:
  - a metro line in Italy:
    - Line 5 of the Milan Metro (sold in 2017; the group still has a 2% share therein);
  - five healthcare facilities in Italy:
    - the Tuscan hospitals (sold in 2017; the group still has a 5% interest therein as described later)
    - Ospedale dell'Angelo di Venezia–Mestre (sold in 2018);
  - two motorways in Turkey:
    - the Third Bosphorus Bridge and North Marmara Highway ("3BB" or "Third Bridge", to be sold in 2020[46])
    - the Gebze-Orhangazi-Izmir Motorway ("GOI");
  - an international airport in Chile:
    - Arturo Merino Benìtez International Airport of Santiago ("Santiago Airport");
  - an industrial system for the mining sector in Chile:
    - Project Relaves ("Relaves");
- Projects under construction in Italy, Turkey and Chile:
  - a metro line in Italy:
    - Line 4 of the Milan Metro[47];
  - two healthcare facilities abroad;
    - Etlik Health Integrated Campus in Ankara, Turkey[48];
    - the West Metropolitan Hospital in Santiago ("Nuovo Felix Bulnes hospital"), Chile (sold to a French infrastructure fund; Astaldi Concessioni has a 51% interest therein held through its Chilean branch).

[45] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section.
[46] See the "Events after the reporting date - Additional significant events" for more information.
[47] The "Construction" section provides information about its stage of construction.
[48] The "Construction" section provides information about its stage of construction.

The composition plan provides for the division of the assets into “core” and “non-core” with the transfer of the non-core assets to a separate unit managed by a proxy and to be used to satisfy the unsecured creditors (the “separate unit”). This division also affects Astaldi Concessioni, as described earlier[49].

The group introduced an asset disposal plan for its assets under concession some years ago, which also covers the O&M business. This plan provides for, inter alia, the steady disinvestment from certain concessions, usually after the construction stage. Significant progress was made in 2016 and 2017 and the plan was included in the composition plan[50], with more progress made in 2018 and 2019. The key steps undertaken in 2019 are described below.

Progress on the asset disposal plan

Closing of the sale of the remaining investment in the car parks segment – In November, Astaldi Concessioni finalised the sale of its remaining 5% investments in AST B Parking and AST VT Parking, holders of concessions to build and operate five public car parks in Bologna (Riva Reno and Piazza VIII Agosto), Turin (Corso Stati Uniti and Porta Palazzo) and Verona (Piazza Cittadella), built by Astaldi.

Closing of the sale of the investment in the operator of the four Tuscan hospitals in Italy – As described earlier, in December 2019, the group and its partners Techint and Pizzarotti sold their investments in SAT, the operator of the four Tuscan hospitals in Italy. This was a complex transaction involving the first P3 in Italy with multiple assets and the most important in the healthcare sector. Commenced in 2016 with the signing of the preliminary agreement, the transition involved an initial closing (in December 2017) for the transfer of a part of the shares, and a second definitive closing (in December 2019) to complete the sale after which the Equitix fund now holds 98% of SAT. The four Tuscan hospitals were built by Astaldi on a project financing basis and the last hospital (Apuane) was opened in January 2016.

It should be noted that at the date of preparation of this report, the sale of the Turkish Third Bosphorus Bridge operator had taken place (March 2020).[51]

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A brief description of the group’s concession projects in place at the date of preparation of this report is given below, divided by the projects’ status - under operation, under construction, to be financed.

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[49] See the “Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal” section.
[50] See the “Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal” section.
[51] See the “Events after the reporting date - Additional significant events” for more information.

Projects under operation

VENETA SANITARIA FINANZA DI PROGETTO | Italy

Infrastructure: Ospedale dell'Angelo di Venezia-Mestre

Project KPI: 680 beds, 1,240 parking spaces

Operator: Veneta Sanitaria Finanza di Project ("VSFP") – Astaldi Group's investment: 1%, after the sale of part of its investment in 2018

Astaldi built the infrastructure which has been operational since 2008. It has 680 beds and 1,240 parking spaces in a surface area of 127,000 square metres (plus another 5,000 square metres for the attached Eye Bank). The concession, which includes the construction work and the long-term operation of the entire facility, comprises hospital and commercial services as well as the operation of certain healthcare services (analysis laboratory, radiology and neuroradiology). During 2019, the operation activities continued regularly and in full compliance with the related concession contract. With respect to the proceedings before the Rome Court of Appeal commenced by the parties against the 2015 award, which provided for the application of the provisions of Legislative decree no. 95/2012 (the spending review) to the concession, at the date of preparation of this report, a full and final settlement had been reached with both parties' waiver of their claims and the discontinuation of all the pending proceedings (Court of Appeal and Court of Auditors), which ended the appeal proceeding. As already noted, the sale of 59.4% (53.9% by Astaldi and 5.5% by Astaldi Concessioni) of VSFP to Core Infrastructure II (owned by the French Infrastructure fund Mirova) was completed in September 2018.

SAT | Italy

Infrastructure: Four Tuscan hospitals (Ospedale San Luca di Lucca, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Prato, Ospedale delle Apuane di Massa-Carrara)

Project KPI: 1,710 beds, 4,450 parking spaces over 200,000 square metres of surface area

Operator: SAT (Astaldi Group's investment: 1% at the date of preparation of this report)

The concession covers the project financing initiative for the construction and subsequent operation of four new hospitals in Tuscany, now all under operation. The buildings were constructed by Astaldi as a joint venture in a surface area of more than 200,000 square metres for a total of 1,710 beds, 51 operating rooms and 4,450 parking spaces. The concession term is 25 years and eight months (ending on 31 July 2033) and includes a period for the operation of the non-healthcare services (roughly 20 years) starting from when each hospital becomes operational. During 2018, operation activities continued at full spate in accordance with the existing agreements with the Tuscany Centre and Tuscany North West health offices. In 2019, the Astaldi Group finalised the sale of most of its investment in SAT while concurrently acquiring a majority stake in GE.SAT (O&M company).[52]

METRO 5 | Italy

Infrastructure: Line 5 of the Milan Metro, Garibaldi Station - Bignami and Garibaldi - San Siro sections

Project KPI: 13 km of metro line, 19 stations, maximum transportation capacity of 26,000 passengers/hour in either direction

Operator: Metro 5 (Astaldi Group's investment: 2%)

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[52] See the "Events after the reporting period - Additional significant events" and the "Operation & Maintenance" sections for more information.

The works were performed by Astaldi and the metro line is currently under operation. In June 2017, upon completion of the construction phase, and in line with the agreements signed in December 2016, Astaldi sold most of its investment in the SPE (36.7%) to Ferrovie dello Stato Group, while retaining a 2% interest to guarantee its technical and operating skills for the project should the current section be extended.

CONSORCIO NUEVO PUDAHUEL | Chile

Infrastructure: Arturo Merino Benìtez International Airport in Santiago, Chile

Project KPI: maximum transportation capacity of 30,000,000 passengers/year

Operator: Consorzio Nuevo Pudahuel (Astaldi Group's share: 15%)

The investment relates to the concession to extend and operate the Arturo Merino Benìtez International Airport in Santiago de Chile. The concession includes: *(i)* modernisation and extension of the existing terminal; *(ii)* financing, designing and building a new passenger terminal with a surface area of 198,000 square metres, giving an increased passenger handling capacity of up to 30,000,000 passengers/year; *(iii)* operation of all the infrastructure for 20 years (new and existing terminals, car parks and future commercial activities) from the award date (October 2015). The activities were awarded to the operator Consorcio Nuevo Pudahuel, in which Astaldi Concessioni has a 15% stake and the French companies Aéroport de Paris and Vinci Airports have interests of 45% and 40%, respectively. Construction work for Phase 2 (the new terminal) is ongoing while Phase 1 (the existing terminal) is under operation.[53]

OTOYOL | Turkey

Infrastructure: Gebze–Orhangazi–Izmir Motorway

Project KPI: more than 426 km of motorway, including a bridge over Izmit Bay

Operator: OTOYOL (Astaldi Group's share: 18.14%).

The investment refers to the design and construction under concession of a new motorway section in Turkey along the Gebze-Orhangazi-Izmir section for more than 426 km, including the Izmit Bay Bridge, the fourth longest suspension bridge in the world. The concession term is 22 years and four months, including a maximum of seven years for construction and roughly 19 years for operation. Development of the project and the subsequent operation phase have been split into separate functional lots, starting from June 2016. The motorway section was opened in August 2019 and the concession will be sold once the infrastructure has been completed. [54]At the date of preparation of this report, the group has signed a contractual addendum with the customer for the payment of the minimum guaranteed amount on a six-monthly rather than annual basis (as per the previous amendment) to mitigate possible exchange differences.

ICA IC ICTAS ASTALDI | Turkey

Infrastructure: Third Bosphorus Bridge and the Northern Marmara Highway

Project KPI: more than 160 km of motorway, including a bridge across the Bosphorus River

Operator: ICA IC ICTAS ASTALDI (Astaldi Group's share: 20% at 31 December 2019).

The investment refers to the concession contract for the construction and subsequent operation of a section of more than 160 km of motorway from the city of Odayeri to Paşaköy, as well as a hybrid bridge with a main span of 1,408 metres between the quarters of Poyrazköy and Garipçe in Istanbul to link Europe to Asia. This bridge has many engineering world records as it is the longest and widest hybrid bridge in the world, with A

[53] The "Construction - Americas" section provides more information about the stage of construction.
[54] See the "Construction - Europe" section for more details on the stage of construction.

shaped towers that are higher than the Eiffel Tower. The concession term is 10 years, two months and 20 days, of which 30 months for the design and construction activities and the remainder for operation and maintenance. The concession period was extended by roughly two years and five months after variations requested by the customer. The motorway was opened to the public in September 2018. It should be noted that the concession was sold in 2020.[55]

Projects under construction

SPV LINEA M4 | Italy

Infrastructure: Line 4 of the Milan metro

Project KPI: 15.2 km of metro line, 21 stations, transportation capacity of 24,000 passengers/hour in either direction

Operator: SPV Linea M4 (Astaldi Group's share: 9.63%)

The investment refers to the construction and subsequent operation of the new Line 4 of the Milan metro to be built as a P3. The infrastructure will be light, fully automated, driverless metro trains with station doors and a CBTC signalling system[56]. The concession includes the design, construction and long-term operation of the public transport service for the entire line from San Cristoforo to Linate Airport for a total of 15.2 km and 21 stations for a maximum transportation capacity of 24,000 passengers/hour in both directions. The concession also comprises the construction of a depot/workshop in San Cristoforo for the recovery and maintenance of rolling stock (47 vehicles). The project is currently at the construction stage as described earlier in this report.[57]

ANKARA ETLIK HASTANESI | Turkey

Infrastructure: Etlik Integrated Health Campus, Ankara

Project KPI: over 3,577 beds

Operator: ANKARA ETLIK HASTANESI A.S. (Astaldi Group's share: 51%)

The project includes the construction of a healthcare facility that will be one of the largest in Europe with more than 3,577 beds on a surface area of 1,100,000 square metres. The concession term is 27 years and six months, including three and a half years for the design and construction activities and the other 24 years for operation of the non-health hospital services, clinical services and commercial services. The negotiations commenced in the second half of 2018 continued during 2019 with the lenders about the further availability of borrowings that could be affected by the non-compliance with construction progress and ongoing variations. The critical issues mostly relate to the non-compliance with the contractually-established completion date for the construction work, as well as the financial and currency crisis that has affected the Turkish lira in August 2018 and commencement of the composition with creditors procedure by Astaldi in September 2018 (Astaldi is a major player in the joint venture set up for this project). The banks' initial decision to block the use of funds led to subsequent defaults for the non-payment of interest during the construction phase. After an initial deadlock, the negotiations with the banks resumed in the mutual interests of all the parties involved (the

[55] See the "Events after the reporting date - Additional significant events" for more information.
[56] Communication Based Train Control.
[57] See the "Construction - Italy" section.

Ministry for Health, the lenders and the companies). [58]At the date of preparation of this report, the negotiations are at an advanced state to remedy the existing defaults and allow the project to be continued.

SOCIEDAD CONCESIONARIA METROPOLITANA DE SALUD | Chile
Infrastructure: West Metropolitan Hospital in Santiago de Chile
Project KPI: 523 beds, 600 parking spaces
Operator: Sociedad Concesionaria Metropolitana de Salud ("SCMS") (Astaldi Concessioni's share: 51%)
This concession contract involving the design, financing, construction and management of commercial and non-health services at the West Metropolitan Hospital in Santiago de Chile (also called the Hospital Clinico Felix Bulnes). The contract also includes the supply and maintenance of the electro-medical equipment and furnishings. The new facility will have ten floors (plus a heliport), 523 beds, 600 parking spaces and a surface area of 130,000 square metres. The concession term is 20 years with 52 months for construction and 15 years for operation. After the agreement entered into in 2017 with Meridiam Latam Holding ("Meridiam", an infrastructure fund specialised in the management of transport infrastructure and hospitals), Astaldi Concessioni sold 49% of its investment in the operator to Meridiam. The agreement also provided for the gradual and complete sale of its investment in two subsequent phases.[59] It set up an O&M company (SAMO, in which Astaldi Concessioni Chile has a 75% stake and NBI Chile (Astaldi Group) a 25% interest) for the O&M activities. In November 2018, the related EPC contract awarded to Astaldi was terminated by SCMS[60].Specifically, in the fourth quarter of 2018, issues arose with the EPC contractor, Astaldi Succursale Chile and its performance and retention bonds were enforced. A procedure to terminate the contract was also commenced, after finding the contractor's performance to complete the works within the agreed deadline (31 January 2019) to be insufficient, given the stage of completion of 90%. After the temporary suspension of the works (in 2019), the lending banks authorised LyD to take over from Astaldi and complete the project (this decision was promoted by the partner Meridiam but wholly rejected by Astaldi Concessioni). As a result, the public administration's final certification for the opening of the hospital ("PSP"), necessary for its operation, was only obtained at the start of 2020 (authorised by the Ministry of Public Works' decree of 23 March 2020). More information about these events is provided in the section on significant contractual events.

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[58] See the "Construction - Europe" section for more details on the stage of construction.
[59] See the "Construction" and "Operation & Maintenance" sections for more information.
[60] The "Construction - Americas" section provides more information about the stage of construction.

Risk management

The Astaldi Group has put a risk management system in place to support its main decision-making processes. Focused on pro-actively managing risks, the system's main priority is to guarantee that risks affecting Astaldi and other group companies are promptly identified, assessed and monitored over time, ensuring timely, efficient and effective responses to any uncertain event that could have a positive or negative impact on attaining the group's objectives.

The group's ERM (Enterprise Risk Management) model adopts the guidelines introduced by Borsa Italiana's Code of Conduct for listed companies in order to meet the board of directors' need to define the nature and level of risk compatible with the group's strategic objectives and relevant guidelines for the internal controls and risk management system, after consulting the control and risks committee.

In line with the models and national and international best practices, Astaldi's risk management system is based on a cyclical, iterative risk assessment process. It defines the top risk categories in its risk universe, i.e., the document describing all of the group's recurring risks, both at project and company level. The top risk categories are determined by assessing events identified by the group as the main critical sources that could impact achievement of the strategic plan objectives (key risks).

Through its risk assessment activities focused on pro-actively managing risks by suitably monitoring them, the group pinpointed the following five main areas of risk, both internal and external, that could most significantly impact achievement of its strategic objectives: sustainability, financial structure, human resources, partnerships and reference scenario.

Sustainability. As there are markets that exclude companies with negative track records due to incidents and/or violations of Quality, Health and Safety and the Environment (QHSE/Compliance) standards and as Astaldi is aware that a well-defined integrated corporate social responsibility (CSR) strategy has a positive impact on institutional investors' investment choices and also increases the value generated by the group, it is imperative that the group be equipped with a management system strongly focused on the inclusion of social and environmental objectives in its business. The QHSE system is certified by an independent expert in line with international standards. The end purpose is to limit reputation risks caused by non-achievement of CSR objectives.

Financial structure. The key risks in this category mainly refer to the parameters defined in loan agreements with the group's banks (financial covenants) and the related possibility that the group may not be able to meet its financial commitments deriving from contractual commitments made, along with interest rate, currency and commodity risks. These risks are constantly monitored and managed via specific group procedures and policies performed directly by dedicated internal committees along with the competent departments. With respect to interest rate risk affecting the parent, whenever the floating rate applicable to loans and borrowings exceeds a set threshold, the group immediately takes steps to bring it back below the agreed limits. Internal procedures for currency risk provide for three levels of hedging: 1) protection of the "economic value" (pre-negotiation) - during the call to tender/bidding stage; 2) protection of the "monetary value" (transaction) of the exposure to risk, the drivers of which are market volatility and analysis of the forward curves, trends and forecasts of exchange rates; 3) translation risk - tied to the effects of the transfer of the risk to the group's equity and possible negative effects on the existing financial covenants. The hedging strategy for commodity risk often includes proxy hedges, with the hedging of a different underlying to that which generated the risk exposure. Interest rate risk is regulated by a policy designed to ensure ongoing monitoring and the use of non-speculative derivatives (cash flow hedges).

Human resources. The group's projects require professionals with technical and specialist skills. As projects last various years and take place in countries where it is often difficult to find local resources with adequate training and professional experience and in many cases are located in disadvantaged areas, it is key that the professionals who meet the required profiles are actually available to move to the project location and stay there from the start-up phase throughout the entire duration of the works. The key risk indicators used and regularly analysed to monitor such aspects include suitability for the key positions, the turnover rate and, particularly, the internal service level agreement that measures the group's ability to find the required resources on time and with the right profile. Given the tough competition on the internal and international labour markets and the group's need to employ highly qualified professionals, Astaldi pays great attention to personnel retention.

Partnerships. Depending on the complexity of the works, countries and/or sectors and potential critical issues posed by cultural and organisational integration into such countries/sectors, the group has a contract management model that privileges interaction with project partners that have the appropriate technical references, especially for projects where a partnership is opportune and/or there is a possibility to share risks. In order to monitor this risk category, the group regularly checks its partners' financial strength and solvency as well as their necessary technical, ethical and reputation requirements. It also agrees on the sharing of roles and responsibilities with the partner as defined and managed through shareholder agreements.

Reference scenario. The Astaldi Group carefully assesses the geo-political scenario of the various countries where it operates as it is exposed to risks linked to the local regulations and legislation, sudden changes in procurement costs, the introduction of customs duties, the inability of local commercial and financial counterparties to meet obligations, and the imposition of taxes and duties. With regard to its foreign operations, especially future business developments, the group keeps a close eye on countries that are less exposed to risks arising from economic, political and social events (not controlled by Astaldi). This approach entails detailed and meticulous monitoring and updating of the risk profiles of all the countries where the group operates or that it is considering for future developments. All the group offices are involved in feeding and regularly updating an information system that provides an internal rating for country risk, based on the country's credit standing (ratings from the main rating agencies like Moody's, S&P and Fitch) and the group's ability to generate performances in line with the strategic plan objectives for those countries.

See note 35 (Information on risk management, financial instruments and guarantees) of the notes to the consolidated financial statements accompanying this directors' report for more information about risks.

Main risks and uncertainties

In addition to that set out in the above "Risk management" section on the general risk management model adopted by the group, the specific risk situations examined by management in 2018 are set out below.

Going concern

Due to the complicated situation of the parent and the group detailed earlier, management carried out a meticulous examination of their ability to continue as going concerns.

Specifically, when approving the draft financial statements at 31 December 2019 (which were only approved on 16 June 2020 due to the composition with creditors procedure commenced on 28 September 2018), the board of directors made all the assessments required to ascertain the group's ability to continue as a going concern, taking into consideration all the information available on predictable future events.

Astaldi S.p.A. filed an application as per article 161.6 of the Bankruptcy Law on 28 September 2018, thus commencing a process to turn around the parent and group based on an integrated going concern manoeuvre over a period of five years (2019-2023), including four years after the date of authorisation of the composition with creditors proposal, as follows:

(i) Astaldi's continuation of activities in order to ensure its ability to continue as a going concern by directly managing the company;

(ii) a capital strengthening and refinancing manoeuvre, mainly via: (a) capital increases initially of €323.65 million with possible additional capital increases following the exercise of warrants and other share issues as a result of the conversion of unsecured claims presented subsequently, and (b) new financing granted and paid out for up to a maximum of €200 million by banks supporting the composition with creditors procedure;

(iii) the sale of activities and assets excluded from the core assets scope and transferred to a separate unit set up in accordance with article 2447-bis of the Italian Civil Code to satisfy unsecured creditors.

The above actions are part of an integrated manoeuvre under the composition with creditors proposal and are inextricably linked to one another. Therefore, the success of the entire manoeuvre depends on each individual transaction or event taking place.

In 2017 (see the 2017 Annual Report and Interim Financial Report at 31 March 2018 for further details), the parent began to look for potential industrial investors in order to acquire new resources to meet the financial requirements for the continuity of its contracts and exploit possible synergies with operators in the same sector.

Though the transaction has not yet been finalised, it should be noted that Astaldi, IHI Corporation and IHI Infrastructure Systems Co, a subsidiary of IHI Corporation, entered into an industrial strategic partnership agreement on 15 May 2018 aimed at enhancing respective skills and strengths through synergies, including of a commercial nature. At the same time, Astaldi, its reference shareholders and IHI Corporation ("IHI") also signed an investment agreement, under which IHI will acquire an interest in the parent equal to approximately 18% of Astaldi’s share capital and approximately 13% of its overall voting rights.

On 15 November 2018, Webuild (formerly Salini Impregilo) issued a communication that, in short, set out its interest in acquiring an infrastructure construction business unit. On 13 February 2019, Webuild issued a binding offer, subsequently integrated on 28 March, 20 May, 18 June and 15 July 2019, proposing to acquire an investment in Astaldi as part of its restructuring process. On 14 February 2019, the parent filed its composition with creditors proposal, prepared on the basis of Webuild’s binding offer, together with the relevant documentation. Finally, on 19 June 2019, the parent filed a brief replying to the request for clarifications received from the Rome Court, simultaneously filing an updated version of the composition with creditors proposal, the composition plan and the related report, followed by further integrations on 16 July, 20 July and 2 August 2019.

Specifically, the composition with creditors proposal provides for:

1. the parent’s continuation of its activities in order to ensure its ability to continue as a going concern by directly managing the business unit solely comprising Engineering, Procurement & Construction (EPC) activities, facility management and complex system management and certain minor concessions implicit in EPC activities;
2. a capital strengthening and refinancing manoeuvre, entailing:

a) a capital increase of €225 million reserved to Webuild, excluding a rights offering for the current shareholders, at an issue price of €0.23 each (twenty-three cent) per share;

b) a divisible capital increase of €98.65 million, excluding a rights offering for the current shareholders, to service the conversion into Astaldi shares of the total filed unsecured claims or potential unsecured claims, accrued in the provision for risks, that may be filed in the meantime, at a rate of 12.493 shares for each €100 of filed or potential unsecured claim against Astaldi (the equivalent of an issue price of €0.23 per share);

3. the issue - as per the financing agreements (cash and bonding facilities) underpinning the composition with creditors proposal - of warrants for Astaldi’s lending banks to be exercised against payment at the terms and conditions set out in the regulation attached to Webuild’s binding offer. The number of lending bank warrants approved for issue shall be sufficient to allow Astaldi’s lending banks to subscribe a number of ordinary Astaldi shares against consideration and during the established exercise window at a price of €0.23 per share for up to 5% of the share capital as it stands immediately after the two capital increases mentioned above;
4. Webuild’s binding offer provides for a third possible divisible capital increase, excluding a rights offering for the current shareholders, of a maximum amount (to be decided subsequently) to satisfy additional unsecured creditors, not included in the composition plan, that present claims subsequently, if the amounts claimed are higher than the accruals to the provision for the unsecured claims as per the plan with the right to receive 12.493 ordinary shares for each €100 of the filed or potential unsecured claim.

The impact of this possible capital increase is not included in the plan, but the possibility is provided for in order to clarify that any unsecured creditors not currently included in the plan will receive the same treatment as the other unsecured creditors. This complies with article 184 of the Bankruptcy Law as it enables all creditors existing before the application for the composition with creditors procedure is filed with the company register to be treated on like terms;

5. Webuild's binding offer also provides for the issue of anti-dilutive warrants to Webuild with the related possible issue of ordinary shares of the parent to ensure that its investment in Astaldi will not be diluted should other unsecured creditors that are not provided for in the composition plan present a claim ("anti-dilutive warrants"). The anti-dilutive warrants may not reverse any dilution of investments of all future Astaldi shareholders due to the exercise of the lending bank warrants (and resulting share issue) by the banks involved in granting the new credit facilities;

6. a first issue of pre-preferential bonds on 12 February 2019 for €75 million (the "Fortress bonds" or "bonds") subscribed by Fortress and authorised by the court following the application presented by Astaldi as per article 182-quinquies.3 of the Bankruptcy Law;

7. actions taken by Webuild (via its wholly-owned newco Beyond S.r.l.) and illimity Bank S.p.A. to (i) repurchase the Fortress bonds (first issue) and (ii) subscribe an additional issue of the pre-preferential bonds for up to €125 million (second issue). €50 million was issued as part of the second issue on 2 December 2019 and €63.9 million on 10 February 2020, for a total bond issue of €188.9 million (first and second issues);

8. the granting of a revolving credit facility by banks for €200 million, to be used after the composition with creditors procedure is authorised and the Webuild capital increase is made, in order to fund Astaldi's ordinary activities, including the full redemption (with funds from the credit facility) of any residual portion of the pre-preferential bonds set out in points 6 and 7. The RCF 200 is a pre-preferential facility provided as per the composition with creditors procedure as per articles 111 and 182-quater of the Bankruptcy Law;

9. the granting of bonding facilities for a total of €384 million as per article 182-quinquies.1 of the Bankruptcy Law, aimed at providing Astaldi with the resources needed to issue guarantees for projects in progress and/or in stand-by or pending award (the contract was signed with banks on 10 August 2019);

10. the sale of specific assets excluded from the core assets scope and which will be transferred to a separate unit as per article 2447-bis of the Italian Civil Code along with other assets/liabilities set out in the composition plan of 19 June 2019. The proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of participating financial instruments.

The main assets to be transferred to the separate unit set up as resolved by Astaldi's board of directors on 24 May 2020 are:

a. Astaldi's gross amount due from IC Içtas Inşaat Sanayi ve Ticaret A.Ş. (ICTAS) for the sale of its 20% investment in Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusun Ve Kuzey Marmana Otoyolu Yatirim Ve Isletme Anonim Sirketi (an SPE that holds the concession to build and operate the Third Bosphorus Bridge - the "Third Bosphorus Bridge operator") (the "Third Bosphorus Bridge receivable" and with regard to the original investment, the “Third Bosphorus Bridge investment”) and the related shareholder loan. The deed of sale for the Third Bosphorus Bridge investment and the Third Bosphorus Bridge receivable was signed by Astaldi and ICTAS on 17 March 2020;

b. the shareholder loans and investments held directly by Astaldi in the operators of: *(i)* the Gebze-Orhangazi-Izmir Motorway in Turkey, and *(ii)* the Etlik Integrated Health Campus in Ankara, Turkey;

c. the shareholder loans and investments held indirectly by Astaldi, via Astaldi Concessioni S.p.A., in the operators of: *(i)* the Arturo Merino Benitez International Airport of Santiago, Chile, *(ii)* the West Metropolitan Hospital in Santiago, Chile and *(iii)* the Etlik Integrated Health Campus mentioned above;

d. amounts due from Instituto de Ferrocarriles del Estado (IFE) of Venezuela for the projects to build the Puerto Cabello-La Encrucijada and San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway line sections;

e. the building and appurtenance land in Via Giulio Vincenzo Bona 65, Rome, which houses the parent’s current offices.

In accordance with the composition plan, as per board of directors’ resolution of 24 May 2020, the parent set up the separate unit as per article 2447-bis of the Italian Civil Code, which will include the investee Astaldi Concessioni S.p.A. which was, in turn, partially proportionately demerged, under notary public Salvatore Mariconda’s deed of 28 May 2020, in order to separate the non-core assets which remain with the demerged Astaldi Concessioni S.p.A. from the core assets to be transferred to a newco also fully controlled by Astaldi.

The composition with creditors proposal covers the settlement of the following claims at the reference date (28 September 2018) amounting to €3,598 million:

(i) pre-preferential claims totalling €67.8 million, mainly comprised of the fees of judicial commissioners and consultants involved in the procedure and provisions for pre-preferential claims;

(ii) preferential claims totalling €96.7 million, mainly *(i)* tax liabilities of €28.3 million, *(ii)* provisions for preferential claims (i.e., the provision for tax disputes) of €22.1 million, *(iii)* preferential trade payables (i.e., artisans and professionals) of €20.5 million and *(iv)* payables to employees of €12.7 million;

(iii) unsecured claims totalling €3,433.5 million, mainly *(i)* bank loans and borrowings and payables to bondholders of €2,557.1 million, *(ii)* trade payables of €329.5 million, *(iii)* intragroup payables of €155.8 million, and *(iv)* provisions for unsecured claims totalling €378.6 million.

With regard to such total claims, the composition with creditors proposal provides that:

1. pre-preferential claims and management costs will be paid in full when due;
2. pre-preferential claims related to the loans agreed as per article 182-quinquies of the Bankruptcy Law will be settled in full;
3. preferential claims will be satisfied in full within one year of the authorisation of the composition with creditors procedure as per the moratorium under article 186-bis of the Bankruptcy Law;

4. unsecured claims (not broken down by class), including preferential claims downgraded to unsecured as per article 160.2 of the Bankruptcy Law, will be satisfied within 120 days of the authorisation date via:
    a. new shares assigned to unsecured creditors at 12.493 new shares for each €100 of claim;
    b. participating financial instruments that give creditors the right to receive the net proceeds on the sale of the assets transferred to the separate unit, in the ratio of one participating financial instrument for each euro of their unsecured claim;
5. the tax and social security liabilities will be settled within one year from the authorisation of the composition with creditors application at the terms and conditions set out in the proposal to settle such tax and social security liabilities as per article 182-ter of the Bankruptcy Law. This provides for, in short: *(i)* the full payment of the secured tax/social security liabilities within 12 months from the authorisation date; *(ii)* the partial payment of any unsecured liabilities through the assignment of shares and participating financial instruments in the same ratio as that offered to the other unsecured creditors; *(iii)* the complete elimination of the potential tax liability arising on the tax assessment (currently pending before the Campania Regional Tax Commission), without prejudice to that set out in point 3 above;
6. the subordinated claims will not be satisfied during the period of the composition plan.

The Rome Court accepted the parent's application for the composition with creditors procedure on 5 August 2019 and set the date for the creditors' meeting before the delegated judge as 6 February 2020. On 27 November 2019, the court postponed the meeting to 26 March 2020 and then postponed it further to 9 April 2020 on 23 March 2020.

After reading the minutes of the creditors' meeting of 9 April and the information provided by the judicial commissioners on the definitive outcome of the vote held on 30 April 2020, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote, with its ruling of 4 May 2020, the court set the hearing date for the authorisation of the composition with creditors to be attended by the parties involved and the judicial commissioners as 23 June 2020.

Based on the above, the directors made extremely thorough evaluations on the going concern assumption, duly considering the specific stages of its overall application for composition with creditors. Specifically, the directors took into account all information available on predictable future events, considering all aspects characterised by significant uncertainty that could raise considerable doubts as to the ability of the parent and the group to continue as going concerns, as follows:

a. **Authorisation of the composition with creditors:** As mentioned earlier, the hearing date for the authorisation of the composition with creditors was set for 23 June 2020. Astaldi, the judicial commissioners, any dissenting creditors and any interested parties must present themselves at least ten days prior to the hearing date, as per article 180.2 of the Bankruptcy Law. The judicial commissioners shall file their reasoned opinion within the same date. Following the hearing and after assessing any objections and the reasoned opinion of the judicial commissioners, the court shall decide whether to issue its decree authorising the composition with creditors as per article 180 of the Bankruptcy Law.

b. **Conditions precedent of Webuild's binding offer**:

i) Definitive authorisation of the composition with creditors procedure by 31 March 2021, i.e., the Rome Court issuing a decree as per article 180 of the Bankruptcy Law authorising Astaldi's composition with creditors application that is definitive and no longer subject to claims. Specifically, the decree is considered definitive and no longer subject to claims:

- when it has been filed, if no objections are made; or
- if objections are made, within 30 days after the last of the following requirements has been fulfilled: (1) filing of the decree authorising the composition with creditors procedure with the Rome company register; (2) notification of the decree to the creditors as per articles 17 and 180 of the Bankruptcy Law without any appeals being made in the meantime as per article 183 of the Bankruptcy Law; or
- if objections are made, if the decree authorising the composition with creditors procedure is appealed as per article 183 of the Bankruptcy Law, and *(i)* the appeal as per article 183 of the Bankruptcy Law is discontinued by the claimant(s) (even after settlement) resulting in the decree becoming definitive when the claimant formally discontinues the claim, or *(ii)* when the Rome Court of Appeal rejects the claim.

ii) No events or circumstances arising before the definitive authorisation date that (individually or together) could compromise the judicial, economic and/or financial feasibility conditions underlying the composition with creditors proposal and the composition plan prepared on the basis of Webuild's binding offer, as possibly amended or integrated as per article 162 of the Bankruptcy Law or subsequent amendments to the proposal and plan as per article 172.2 of the Bankruptcy Law, the content of which shall be agreed with Webuild.

In addition to the above conditions precedent, Webuild's binding offer also requires that:

- there are no significant changes to the amount and/or nature and composition of the claims for which proof was filed without Webuild's prior written notification of its continued interest in the transaction;
- the statement of financial position in Astaldi's first separate and consolidated financial statements approved after the definitive authorisation of the composition with creditors, which therefore reflects the debt-discharging effect of the composition with creditors procedure, is substantially in line with that set out in the composition plan, and
- Astaldi's subsidiaries owning contracts listed in Webuild's binding offer terminate such contracts in a manner that ensures that their termination does not lead to payables, charges, liabilities or obligations for Astaldi to be borne outside the unsecured claims provided for as part of the composition (i.e., provided for in the related provision for risks in the plan attached to Webuild's binding offer);
- Astaldi continues as a going concern, i.e., it can continue performing its contracts and operations and, specifically, continue its existing contracts and projects which at the offer date are mostly suspended or, in any case, restricted due to Astaldi's financial difficulties.

c. **Capital strengthening and refinancing manoeuvre:** the implementation of the capital strengthening and refinancing manoeuvre under the composition with creditors proposal described earlier provides for, in short: capital increases reserved to Webuild and unsecured creditors; obtaining revolving credit facilities of €200 million from banks; and the sale of specific assets excluded from the core assets scope and which will be transferred to a separate unit as per article 2447-bis of the Italian Civil Code along with other assets/liabilities set out in the composition plan. The proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of participating financial instruments.

d. **Meeting the targets set out in the composition plan**: effectively reaching the financial and performance targets that will confirm the group's turnaround under the provisions of the plan. They also depend on future, uncertain variables that cannot be controlled, e.g., variables that could affect (i) the amount and timing of new contracts, (ii) the timing of collecting additional fees for variations, price revisions, incentives and claims compared to the contractually agreed amounts and (iii) the amount and timing of collecting advances from customers, estimated based on the parent's application for the benefits provided by urgent measures introduced to aid the liquidity of contractors under Law decree no. 34 of 19 May 2020 (the so-called "Relaunch Decree") issued following the Covid-19 emergency.

In light of the above, the parent's directors duly requested and obtained the information needed to assess the reasonableness that all of the above circumstances could occur, i.e., the significant uncertainties that could lead to material doubts as to the ability of the parent and the group to continue as going concerns. As a result, they deemed it appropriate to prepare the separate and consolidated financial statements at 31 December 2019 under the going concern assumption.

Specifically, the directors based their conclusions on the following considerations, with reference to each of the elements of uncertainty listed above:

1. with regard to points a) and b):

   i. as mentioned earlier, the authorisation process of the composition with creditors procedure is at a very advanced stage. Indeed, with its decree issued on 5 August 2019, the Rome Court authorised the commencement of the procedure proposed by the parent. The creditors' meeting was held on 9 April 2020. Then, after reading the minutes of the creditors' meeting and the information provided by the judicial commissioners on the definitive outcome of the vote held on 30 April 2020, whereby the proposal was approved by a majority of 69.40% of the creditors eligible to vote, with its ruling of 4 May 2020, the court set the hearing date for the authorisation of the composition with creditors to be attended by the parties involved and the judicial commissioners as 23 June 2020. Also based on the opinions of their external legal advisers, the parent's directors believe that the objections presented to the Rome Court to date which will be discussed at the authorisation hearing set for 23 June 2020 will not jeopardise the success of the composition with creditors application as they are mostly focused on matters already analysed and assessed during the procedure even should such objections lead to claims to the Court of Appeal subsequent to the authorisation decree. Therefore, there is no reason to believe that the court will not authorise the composition with creditors application and that such authorisation would not be confirmed by the Court of Appeal in the event of any subsequent claims;

ii. based on the analysis performed by the parent's directors, at the date of approval of the draft financial statements, there have been no events or circumstances that (individually or together) could compromise the judicial, economic and/or financial feasibility conditions underlying the composition with creditors proposal and the composition plan prepared on the basis of Webuild's binding offer, or provisions such not to ensure that all the underlying assumptions of the offer are met;

2. with regard to point c), the parent's directors deem it reasonable to assume that the capital strengthening and refinancing manoeuvre under the composition with creditors proposal will be successfully implemented once definitive authorisation of the composition with creditors procedure has been granted. The project includes capital increases reserved to Webuild and unsecured creditors and revolving credit facilities of €200 million from banks to enable the parent's continuity. The directors' assumption is based on Webuild's binding offer as well as the commitments undertaken by the banks involved in the manoeuvre and formalised in specific commitment letters attached to the offer. In addition, Webuild completed a capital increase of €600 million on 12 November 2019. This is key to Progetto Italia as one of the essential elements of the project is acquiring control of Astaldi S.p.A. once it has completed its capital strengthening and refinancing manoeuvre. Astaldi's planned capital increase is naturally also subject to other conditions outside of its control, such as the shareholders approving the transaction and CONSOB (the Italian commission for listed companies and the stock exchange) authorising the publication of the relevant prospectus to be issued for the capital increase. It seems reasonable to assume that the voting of Astaldi's shareholders will be in line with Webuild's binding offer as the majority shareholder has already made binding commitments on 14 February, 14 June and 16 July 2019 to vote in favour of the resolutions needed to implement the manoeuvre. With regard to the CONSOB authorisation, on the other hand, it seems reasonable to assume that it will be granted, also considering that: (i) the capital increase is imperative for the capital strengthening and refinancing manoeuvre; (ii) the latter has already been communicated to the market, CONSOB and Borsa Italiana; (iii) the entire cash amount to be injected has already been guaranteed; (iv) the company documentation required by ruling legislation to obtain the authorisation is already being drafted and finalising and sharing it with CONSOB should not be an issue for the parent;

3. finally, with regard to point d) relating to uncertainties linked to the composition plan, the plan was certified by a professional appointed under the composition with creditors procedure. Based on this fact and the respective checks carried out, the feasibility of the plan was also approved by the judicial commissioners appointed by the Rome Court who issued their report as per article 172 of the Bankruptcy Law on 10 February 2020. At their meeting held on 9 April 2020, the creditors also approved the plan with a large majority (69.40%). Finally, the directors carefully monitored and assessed all subsequent events regarding the achievement of the plan targets, which is also impacted by the collection of slow-moving items and advances from customers as per the urgent measures introduced to aid liquidity under the Relaunch Decree issued following the Covid-19 emergency. The directors did not detect any critical issues further to the uncertainties mentioned previously.

In conclusion, though the actions described above entail significant uncertainties that could lead to material doubts as to the ability of the parent and the group to continue as going concerns, the directors prepared the separate and consolidated financial statements at 31 December 2019 under the going concern assumption. Based on the considerations listed above, they deem it reasonable to assume that the tough situation that the parent and group are facing can be overcome by defining and implementing the composition with creditors procedure, the capital strengthening and refinancing manoeuvre and the related plan.

The existence and overcoming of such uncertainties depend only partly on variables and internal factors under management's control and depend on external factors that have been assessed using the criteria of reasonableness set out above.

Risks related to Covid-19 (the Coronavirus)

At the date of preparation of this report, the Italian and other EU and non-EU governments have applied extraordinary measures to curb the spread of the Covid-19 virus (the Coronavirus), declared a pandemic by the World Health Organisation. See the "Events after the reporting date - The spread of Covid-19 (the Coronavirus)" section for more details.

Significant contractual events

The following is a brief overview of the significant events occurring in contracts during the year. Events after the reporting date are also included for a more accurate representation. See the "Events after the reporting date - Significant contractual events after the reporting date" section for more details.

ITALY // MONTE NIEDDU DAM – Astaldi filed for termination of the Monte Nieddu dam contract (customer: Consorzio di Bonifica della Sardegna Meridionale) under article 169-bis of the Italian Bankruptcy Act. Following requests by the judicial commissioners to present its position in relation to the termination of the contract, the consortium stated its intention to find an out-of-court solution that would make the contract financially stable. In discussing the content of a possible agreement, the consortium proposed the settlement of the parent's claims via an amicable settlement as per article 240 of Legislative decree no. 163/2006. The person responsible for such procedure presented the parties with the proposal of the amicable settlement commission with a notification dated 9 July 2019. The proposal includes the payment of €8.2 million for work carried out up to the 16th progress report (30 June 2018) against the claim for €30.6 million, in addition to €3.97 million "starting from recommencement of work until completion of work" and €1.2 million "due if the contract is terminated after the 16th progress report", specifying that, pursuant to the law, the proposal is subject to both parties accepting it. With resolution of 29 July 2019, the consortium stated that it was not obliged to accept the proposal of the competent commission. Subsequently, with notification dated 24 September 2019, the consortium formalised a proposal for the payment of claims of €6 million. On 12 November 2019, the Rome Court issued a decree authorising the termination of the contract. As a result, Astaldi notified the consortium on 13 November 2019 stating the termination of the contract as per article 169-bis of the Bankruptcy Law. The consortium recently requested Astaldi formalise the status of the work site and the works, inviting Astaldi to dismantle the site (within 14 days after the final visit by the inspection commissions). The parent recognised the penalties estimated to result from the termination of the contract in the separate and consolidated financial statements at 31 December 2018.

ITALY // GENOA–VOLTRI RAILWAY JUNCTION – Astaldi's financial difficulties and the composition with creditors procedure have led to tense relations between the parent, the customer (RFI) - due to the accumulated delays caused by the mentioned financial difficulties - and the subcontractors and suppliers, making termination due to breach of contract a possibility. Therefore, on 7 December 2018, Astaldi filed an application for authorisation from the Rome Court to suspend the contract for sixty days as per article 169-bis of the Italian Finance Act. The Court authorised the requested suspension with its ruling of 8 January 2019. Then on 13 March 2019, Astaldi filed an application for authorisation from the court to terminate the contract as per article 169-bis of the Italian Finance Act. After receiving the application, the court issued an order on 29 March 2019 inviting RFI to submit its observations by 15 April 2019. On such date, RFI requested an extension to the deadline due to the complicated nature of the matter. On the same day, it also issued two additional letters communicating the termination for breach of contract and enforcement of the related Atradius performance bond (for roughly €3.4 million). On 23 April 2019, Astaldi appealed against the termination of contract unduly put in motion by RFI despite being aware for some time that the procedure as per article 169-bis of the Bankruptcy Law was underway. Astaldi reserved its right to take any further actions to protect its rights due to the possible serious consequences of such unlawful termination, especially with regard to taking part in future calls for tenders. On 18 October 2019, Astaldi signed an out-of-court agreement with RFI with the condition precedent that the Rome Court issue its authorisation, which it did on 27 December 2019. The parent recognised the effects of such out-of-court agreement in the separate and consolidated financial statements at 31 December 2018.

ITALY // COURT OF AUDITORS PROCEEDINGS ON LINE C OF THE ROME METRO – With order no. 486/2019 published on 10 January 2019, the joint session of the Court of Cassation ruled the lack of jurisdiction of the Court of Auditors over the management of the general contractor Metro C S.c.p.A. ("Metro C") (including members of Astaldi senior management) for the first hearing pending before the Court of Auditors in relation to the variations introduced for Line C of the Rome Metro in the period from 2006 to 2010. Given that Metro C was not even summonsed for the second hearing on the events occurred after 2010 - and particularly the out-of-court agreement and the implementing act -, it is presumed that the general contractor and its management are definitively not subject to liability for the alleged damage to the state related to the construction of Line C of the Rome Metro.

ITALY // CRIMINAL PROCEEDINGS RELATED TO LINE C OF THE ROME METRO – With regard to the preliminary investigations for the out-of-court agreement between Roma Metropolitane and Metro C S.c.p.A., on 23 January 2019, an extension was requested for the preliminary investigations into the SPE, the general contractor Metro C (34.5% held by Astaldi), in relation to the crime as per Legislative decree no. 231/2001. Metro C adopted the model as per Legislative decree no. 231/2001 with board of directors' resolution of 20 December 2007. There are no proceedings as per Legislative decree no. 231/2001 against Astaldi.

ITALY // LINE C OF THE ROME METRO (METRO C SCPA VS ASTALDI) – In January 2013, Aosta Factoring ("AF") and Astaldi signed a recourse factoring framework agreement for future receivables that will derive from works on Line C of the Rome Metro. Astaldi is a shareholder of the SPE (as general contractor) Metro C S.c.p.a. set up to construct Line C of the Rome Metro for Roma Metropolitane S.r.l. (owned by the Rome municipal authorities). The SPE shareholders are Astaldi, Vianini Lavori S.p.A., Consorzio Cooperative Costruzioni and Ansaldo STS S.p.A.. Under the factoring agreement, Astaldi assigned some invoices issued to Metro C for its share of the contractual fees due in line with its investment in the SPE. Metro C did not pay the factored invoices, despite AF's reminders, because, as per the applicable statutory provisions, its receivables cannot be factored. AF issued an enforcement notice to Metro C, which led to the latter's accounts being frozen, in order to collect the unpaid amounts. This was then suspended as agreements were reached between Metro C and AF. The above led to a legal dispute between the parties, which is currently pending. In order to claim for potential damage - yet to be checked and assessed - that could be incurred by Metro C and the partners due to the legal dispute with AF, Metro C decided to apply for arbitration against Astaldi. The arbitration board was appointed on 18 March 2020 but it is not known whether the relevant application has been filed. The board postponed the first hearing from 25 June 2020 to 14 September 2020. Therefore, though it prudently appeared before the arbitration board, the parent cannot yet appraise Metro C's claims and does not know what to offer as its defence or what evidence will be presented by Metro C.

ITALY // LINE C OF THE ROME METRO (VIANINI VS ASTALDI) – Following the above dispute, with claim form of 24 October 2019, Astaldi's partner in the SPE partner, Vianini, summonsed Astaldi for alleged damages of a various nature, including defamation and/or damaged reputation with banks, having been allegedly associated with Metro C's financial crisis in the eyes of the banks. The claim made by Vianini (€40 million) seems unfounded and, in any case, the amount seems inconsistent with the claim. Vianini also filed a criminal request to investigate any criminal implications arising from the matters at hand (AF has done the same). Astaldi replied by challenging all of Vianini's allegations, also stating that no illegal act and/or crime at the basis of Vianini's claim for damages had been committed and/or, in any case, confirmed by the competed judicial authority. The first instance hearing is scheduled for 14 December 2020 and, based on information available to date, the possibility that Astaldi will be liable to pay compensation is remote.

POLAND // E–59 RAILWAY LINE – On 27 September 2018, Astaldi notified the customer of the termination of the contract due to the extraordinary and unforeseeable change in the works performance as evidenced by the abnormal increase in materials and labour costs, as well as the serious unavailability of materials, services and labour on the market, including rail transport of construction materials. It also informed the customer of a number of events that legitimised the parent to terminate the contract due to the customer's default. On 5 October 2018, the customer replied by terminating the contract and requesting payment of the penalty (amounting to PLN130.9 million) and enforcing the guarantees totalling €20.3 million (including the advance payment bond). Astaldi also notified that it was preparing a claim for €12.3 million in addition to the claim for the cancellation of the penalty. Subsequently, in response to Astaldi's decision to terminate the contract, the customer issued a claims form to Astaldi in July 2019. Astaldi filed its defence brief on 2 December 2019 and the ruling is still pending. Following the termination of the contract, Astaldi issued its final statement to the customer requesting payment for work performed but not paid. However, as such final statement was not paid and attempts to resolve the matter out of court were unsuccessful, Astaldi filed a claim before the Warsaw Court on 17 March 2020 for the non-payment of work performed and certified by the works manager worth approximately €4 million. Subsequently, it filed an additional claim on 26 May 2020 requesting payment of a further €3.9 million, of which around €1.3 million for unpaid invoices and roughly €2.6 million for work performed but not certified by the works manager. Also based on the opinions of its external legal advisers, the parent recognised the estimated penalties of terminating the contract in the separate and consolidated financial statements at 31 December 2018.

POLAND // DĘBLIN-LUBLIN No. 7 RAILWAY LINE – On 27 September 2018, just after work began, Astaldi as the leader of the consortium for development of the Dęblin–Lublin railway line notified the customer of the termination of the contract due to the extraordinary and unforeseeable change in the works performance as evidenced by the abnormal increase in materials and labour costs, as well as the serious unavailability of materials, services and labour on the market, including rail transport of construction materials. It also informed the customer of a number of events that legitimised the company to terminate the contract due to the customer's default. On 5 October 2018, the customer replied by terminating the contract and requesting payment of the penalty (amounting to PLN248.7million, the equivalent of €57.8 million) and enforcing the guarantees totalling €43.3 million (including the advance payment bond). Astaldi also notified that it was preparing a claim for €49 million mainly due to the irregular progress of works, in addition to the claim for the cancellation of the mentioned penalty. In response to Astaldi's decision to terminate the contract, the customer issued a claims form to Astaldi in July 2019, claiming reimbursement of PLN222.2 million (the equivalent of approximately €51.3 million), of which PLN155.6 million in penalties for terminating the contract and PLN66.6 million as reimbursement of payments the customer made to Astaldi's subcontractors. Astaldi filed its defence brief on 2 December 2019 and the ruling is still pending. Following the termination of the contract, Astaldi issued its final statement to the customer requesting payment for work performed but not paid. However, as such final statement was not paid and attempts to resolve the matter out of court were unsuccessful, Astaldi filed a claim before the Warsaw Court on 17 March 2020 for the non-payment of work performed and certified by the works manager worth approximately €8.8 million. Subsequently, it filed an additional claim on 26 May 2020 requesting payment of a further €31.2 million for work performed but not certified by the site manager. Also based on the opinions of its external legal advisers, the parent recognised the estimated penalties of terminating the contract in the separate and consolidated financial statements at 31 December 2018.

TURKEY // STANDSTILL AGREEMENT – Due to the fact that Turkey does not recognise the composition with creditors on a going concern basis procedure, thus excluding Turkish creditors from the protection guaranteed by such procedure, Astaldi commenced negotiations in 2019 with some Turkish banks that have claims with the Turkish branch (also related to commitments deriving from the guarantees issued in favour of the subsidiary Astur) in order to reach a standstill agreement on credit collection actions pending the sale of the investments in the SPEs awarded the contracts to construct and operate important public works in Turkey, under the understanding that the banks would receive full settlement of their claims when the sale is made. Under the standstill agreement, upon the sale of the first Turkish asset and collection of the related amount, the Turkish banks will receive full repayment of the principal and full payment of the interest expense calculated at the contractual (non-default) rate up to the date of repayment of the principal. The standstill agreement will expire at the earliest of: *(i)* the date when the sale price of the first Turkish asset (i.e., the Third Bosphorus

Bridge operator) is collected and *(ii)* 18 months after the signing of the agreement. The banks that signed the agreement with Astaldi in September 2019 are T. Vakiflar Bankasi T.A.O., T.C. Ziraat Bankası A.Ş., Ziraat Katılım Bankası A.Ş and T. İş Bankası A.Ş.

CHILE // PUNILLA MULTI-PURPOSE DAM – Right from the outset, this contract for the construction and operation of the multi-purpose dam under concession on behalf of the Chilean Ministry of Public Works was blighted by issues threatening to jeopardise the feasibility of the project leading to a supplementary agreement ("framework agreement") being defined and signed by the Ministry of Public Works in January 2018. However, while Astaldi immediately made good on its commitments (also incurring additional costs), the Ministry has still not completed the process to have the agreement legally validated. Moreover, the environmental impact assessment for some areas (to be performed by the Ministry) is still pending to date and without it works cannot be performed. In addition, the group has been summonsed as a third party for environmental damage following the forced expropriation by the Ministry in November 2018 for certain lots. Such summons - actually against the Ministry since Astaldi was not involved in the expropriation procedures - brought the relevant works to a standstill. Another critical issue involves the storage capacity set out in the contract (625 million cubic metres) which actually turned out to be lower (563 million cubic metres), negatively impacting both the minimum irrigation service guaranteed under contract and the forecast revenue from the project (which is therefore no longer financially sustainable). Astaldi brought the issue before the Concessions Technical Panel, the local advisory body in charge of resolving any disputes between operators and customers before arbitration).The Technical Panel acknowledged the error in the call for tenders documents and stated that the contract cannot be performed in its current format and presented possible solutions (re-establishing the storage capacity, acknowledging the extra costs incurred by Astaldi, or amending the concession contract, compensating Astaldi for lower revenue). Despite these complications, Astaldi has always reached the set contract milestones. However, in order to limit further exposure, also in light of the findings of the Technical Panel, on 10 August 2019, Astaldi did not pay the remainder of the contractual minimum mandatory amount. As a result, on 14 August, the Ministry enforced the performance bond (roughly €15 million) issued by a local insurance company. On 2 September 2019, the Ministry presented a request to terminate the concession for gross negligence, thus commencing an arbitration as per local regulations on concessions. Astaldi believes that the best way to protect its rights is to appeal to the terms of the bilateral investment treaty signed between Italy and Chile in 1995. Under the treaty, the parties held six-month amicable (mandatory) negotiations, which ended in April 2020. After this period, Webuild can choose between continuing the dispute before a local court, an UNCITRAL arbitration or an ICSID international arbitration. Astaldi officially notified the customer that it was appealing to the terms of the bilateral investment treaty on 11 October 2019. At the same time, in its memorandum of appearance before the local arbitration board, the parent requested suspension of the proceedings in light of such intention. Also based on the opinions of its external legal advisers, the operator (indirectly controlled by Astaldi S.p.A.) adjusted the carrying amount of the investment made up to 31 December 2018 to its recoverable amount and recognised the reduction in fees in line with the enforcement of the guarantee in 2019.

CHILE // WEST METROPOLITAN HOSPITAL IN SANTIAGO (FORMERLY THE FELIX BULNES HOSPITAL) – The Chilean Ministry of Public Works awarded the contract for the construction, repair, maintenance and operation of the Felix Bulnes Hospital to Astaldi Concessioni which, in accordance with the terms of the tender, set up Sociedad Concesionaria Metropolitana De Salud S.A. (“SCMS” or the “operator”). The operator then entrusted the turnkey construction of the hospital to Astaldi’s Chilean branch. However, right from the design stage, events and circumstances arose not attributable to the branch that impacted the work schedule, leading to higher costs and more time required to perform the project. On 4 December 2018, the operator issued Astaldi with a default notice (notificacion de incumplimiento) asking it to present a recovery plan. While challenging the validity of the notice, Astaldi presented a recovery plan for the completion of the project. On 2 January 2019, SCMS unduly terminated the construction contract. On the same date, the contractor challenged the termination and requested arbitration before the Santiago Chamber of Commerce, claiming that termination was unlawful and requesting return of the enforced guarantees (performance bond and advance payment bond), payment for the work performed and compensation for damage and lost profit. The proceedings are currently at a preliminary stage. Also based on the opinions of their external legal advisers, the directors deem the reasons for return of the enforced guarantees to be founded.

CHILE // ESO E-ELT (EUROPEAN EXTREMELY LARGE TELESCOPE) OBSERVATORY – On 3 December 2018, Astaldi’s joint venture partner Cimolai claimed Astaldi had defaulted on the commitments made under the deed of partnership and regulations and thus requested its investment in the joint venture be diluted to 0.01%. On 5 December 2018, Astaldi strongly disputed Cimolai’s claim as being ungrounded and unlawful. This was followed by reciprocal disputes between the parties. In the meantime, Cimolai temporarily became the general contractor to allow the works to continue. On 17 June 2019, Cimolai commenced a formal dispute and appointed its arbitrator (Mr. Matteo Rescigno), claiming damages of roughly €94 million, including €38.2 million for collections exceeding work performed, €43.5 million for greater damage (higher costs that Cimolai will have to incur compared to Astaldi’s budget forecasts) and €12 million for delays. Astaldi deems all claims to be unfounded. On 8 July 2019, Astaldi appointed the second arbitrator, Mr. Dattrino of the Milan Court. The two arbitrators appointed Mr. Angelo Castagnola as the third member and chairman of the arbitration board. Since November 2019, briefs are being exchanged and documents are being appraised. There is good cause to believe that the arbitration board may reject Cimolai’s claims or at most accept them but at far lower amounts than petitioned. Therefore, the parent recognised a prudent accrual in the financial statements at 31 December 2018 for the lesser amount petitioned that is subject to risk, also based on the opinions of its external legal advisers.

EL SALVADOR // EL CHAPARRAL HYDROELECTRIC PROJECT – On 21 January 2019, the parent became aware that the public prosecutor’s office of the Republic of El Salvador (Fiscalia) had commenced proceedings alleging crimes against the public administration by certain individuals. One of the people under investigation is an Astaldi S.p.A. employee who acts as a representative of Astaldi’s El Salvador branch. The alleged corruption, and the request for precautionary measures, refers to the settlement of the El Chaparral project in 2012 with payment of USD108.5 million to the parent that was paid between November 2012 and February 2013. The public prosecutor’s office also began proceedings against another employee of the El Salvador branch (as the agent of Astaldi’s El Salvador branch) for income tax evasion by not presenting income related to the above-mentioned transaction. The proceedings are currently at a preliminary stage. Both proceedings were suspended on 22 March 2020 due to the Covid-19 pandemic, however the experts appointed by the prosecutor continued their activities. With regard to the corruption proceedings, on 11 June 2020, the court

(Juzgado Noveno de Instruccion) set 7 August 2020 as the deadline for the conclusion of the preliminary stage. Though the proceedings are still in the preliminary stage, there does not seem to be a real and immediate risk of conviction which might lead to civil liability for the parent, if proven, for the damage related to the crime. Based on such considerations and the opinions of the local legal advisers, even though the proceedings are still pending, to date the directors deem the risk of liability for the parent to be remote.

CANADA // MUSKRAT FALLS HYDROELECTRIC PROJECT – During the performance of the works (95% completed), on 27 September 2018 - before the presentation of the application for composition with creditors procedure - Astaldi Canada Inc. notified the customer (Muskrat Falls Corporation, Nalcor) that it was requesting arbitration for payment quantum meruit of the actual value of the works performed due to the fact that Nalcor had arbitrarily imposed a pain/gain share mechanism to its sole advantage and to Astaldi’s cost, thus causing the contractor to incur financial difficulties in performing the works. In addition, Astaldi claimed Nalcor had not fulfilled its obligation of good faith or its contractual obligations as seen in a series of defaults and omissions during the works. The estimated amount of damages set out in the application was CAD429 million. In reply, the customer sent a notice of default on 28 September 2018 and subsequently a notice of termination on 8 November 2018, and enforced the letters of credit acting as performance bond (CAD100 million) and advance payment bond (CAD84 million) for a total of CAD184 million, generically alleging lack of funds and non-payment of subcontractors and third parties. During 2019, briefs were exchanged and documents are currently being appraised. The effects of the enforcement of the bonds are reflected in the separate and consolidated financial statements at 31 December 2018.

USA // ASTALDI CONSTRUCTION CORPORATION (“ACC”) – As Astaldi was unable to inject further resources into the contracts of the subsidiary ACC due to its own financial difficulties culminating in its application for the composition with creditors procedure on 28 September 2018, the subsidiary acknowledged its default on projects in progress due to its substantial inability to continue the works. Therefore, in 2019, the customer exercised its right to remove ACC from the contracts and entrust them to a party to be chosen with the relevant sureties for such projects (American Home Assurance Company, Fidelity and Deposit Company of Maryland, Liberty Mutual Insurance Company and Zurich American Insurance Company) as guarantors for the performance of the works. The contracts and guarantees have not been formally terminated but are “available” to the sureties in order to complete the works. Following the request for compensation for costs incurred by the sureties in entrusting the completion of the projects under default to other companies, on 25 November 2019, Zurich Insurance Plc., Rappresentanza Generale per l’Italia requested that the parent, as the indemnitor of ACC, include the receivable related to its share of the co-insurance among the composition with creditors liabilities. The accruals to the provision for risks for the guarantees the parent had issued for ACC’s projects are included in the separate and consolidated financial statements at 31 December 2018. Furthermore, the relevant equity investment was fully impaired in the separate financial statements due to the above. Therefore, reference should be made to the notes to the separate and consolidated financial statements at 31 December 2018 to see the statement of financial position and statement of profit or loss effects of the above.

MEXICO // LAND TRANSPORT LOGISTICS HUB (“LTLH”) AT MEXICO CITY AIRPORT – On 25 January 2019, the customer (Grupo Aeroportuario Ciudad México) terminated the contract early for reasons of public interest (inter alia, due to lack of funding). In the draft final bill the customer did not include any charge for the contractor, that, in turn, is quantifying the costs resulting from the termination of the contract to be subsequently discussed with the customer. Meetings are being held with the customer to reach an agreement on the percentage of completion of the works and the relevant consideration, in addition to the costs and charges resulting from the termination of the contract. To avoid the time limit for taking action expiring, a formal appeal for the payment of costs was presented to the local courts.

HONDURAS // ARENAL HYDROELECTRIC PROJECT – On 6 December 2018, the customer Energias Limpias del Yaguala S.A. de C.V. sent the Ghella–Astaldi joint venture a notice of substantial default of the contract as per article 31 - *Early termination of the contract*, setting a term of 15 days to remedy it and warning that it would terminate the contract should it not be remedied. On 2 January 2019, the customer notified the early termination of the contract and enforced the advance payment bond and the performance bond. The joint venture challenged this termination in its letter of 28 December 2018. On 30 January 2019, the customer filed for an arbitration with the International Chamber of Commerce (ICC) for compensation for damage incurred due to the joint venture's alleged default, for an estimated amount of USD27 million. The joint venture filed its reply within the set deadline of 2 May 2019. On 6 June 2019, the arbitration board was set up with the appointment of the chairperson by the arbitrators appointed by the parties. On 31 July 2019, the terms of reference and proceedings schedule were issued. The customer filed its brief on 29 October 2019. The arbitration is currently in progress. The effects of the enforcement of bonds were reflected in the separate and consolidated financial statements at 31 December 2018.

PERU // ALTO PIURA HYDRO PROJECT – This project was hindered by significant delays due to a series of unexpected events that led to a considerable rise in costs for the contractor (Obrainsa Astaldi joint venture) which the customer refused to pay. On 18 September 2018, the customer formally communicated its decision to proceed with an Intervención Económica (economic intervention by the customer to assist the contractor) and requested a contribution of PEN20 million (roughly USD6 million) from the joint venture. As it is difficult to challenge a measure of this type, the joint venture accepted the intervention by the customer while reserving its right to object/challenge the decision, setting out in a letter dated 4 October 2018 the items to be considered in establishing the payable/receivable amounts in discussion. With its resolution dated 24 October 2018, the customer terminated the contract due to default. The contractor commenced an arbitration proceeding to challenge both the economic intervention and the termination. The chairperson of the arbitration board was appointed on 22 December 2018. The proceeding is still in progress. Concurrently with this proceeding, there are four other arbitrations underway for the payment of higher fees, commenced during the performance of the contract, pursuant to the terms of the contract. The parent recognised the penalties estimated to result from the termination of the contract in the separate and consolidated financial statements at 31 December 2019, also based on the opinions of its external legal advisers.

PERU // CERRO DEL AGUILA HYDROELECTRIC PROJECT – In November 2011, the Consorcio Rio Mantaro ("CRM"), formed by Astaldi (joint venture leader at 50%) and the Peruvian group GyM – Grana y Montero S.A., was awarded the EPC contract worth USD680 million to build the Cerro del Águila hydroelectric power plant in Peru. The work comprised building a concrete dam of 380,000 cubic metres, an underground power plant with 510MW of installed power, nine kilometres of tunnels, and 60 kilometres of access roads.

The contract was commissioned by the Peruvian company KALLPA Generación S.A. which generates and distributes energy. On 15 February 2012, CRM signed a subcontract with Andritz Hydro, a leader in supplying electro-mechanical systems, to complete the electro-mechanical works (excluding civil construction works) of the hydroelectric power plant. However, serious defects were found in the electro-mechanical supplies during the performance of the subcontracted works as well as continued delays in completing the works due to the subcontractor's conduct. This meant that CRM had to negotiate a deferral of the contractual milestones with the customer. However, the subcontractor's defaults continued. Inevitably, these circumstances led to the customer raising specific disputes against the joint venture, leading to penalties being imposed in September 2016.As a result of the above and in order to obtain reimbursement of the greater costs and damage incurred, on 1 June 2017, the joint venture filed for an arbitration with the ICC in Paris (ICC no. 22863/JPA) for an initial estimated amount of USD80 million. The arbitration award was issued on 7 May 2020, unfortunately against the joint venture. CRM will appeal against the award to the Peruvian courts which commenced a procedure which the local companies expected to last eight to ten months. The appeal does not suspend the enforceability of the award unless a guarantee of the same amount is issued. The negative effects of the award were reflected in the separate and consolidated financial statements at 31 December 2018.

NICARAGUA // EL COMEJEN–WASLALA ROAD (SECTIONS I AND II) – There were significant delays in the project in 2018 as a result of force majeure events affecting the supply of materials for the site, thus slowing down the progress of work. Deeming the contractor responsible for the delay, the customer decided to terminate both contracts as per article 15.2 of the contract and enforced the advance payment bonds, paid on 1 March 2019 by the counter-guarantor bank (Monte Paschi di Siena). The customer recently expressed its intention to commence a settlement procedure in order to reach an amicable solution to the disputes for this project along with the Pantasma–Wiwilí and Empalme Malpaisillo–Villa 15 de Julio projects. The negotiations are currently underway with positive expectations about their outcome. The parent recognised the penalties estimated to result from the termination of the contracts in the separate and consolidated financial statements at 31 December 2018, also based on the opinions of its external legal advisers.

VENEZUELA // ICC ARBITRATION 2438/JPA – On 13 June 2019, Astaldi, Ghella and Webuild, members of the Consorzio di Imprese Italiane (the "joint venture"), filed for an arbitration (24538/JPA), in accordance with ICC rules, against Venezuela and the Instituto Autónomo de Ferrocarriles (IFE, a Ministry of Transport body). The arbitration was requested to collect huge amounts of trade receivables (non-payment for works performed and already certified by the customer) as well as compensation for damage deriving from the irregular performance of the contract and other typical issues in construction contracts (delays in delivering areas, price revisions, lost profit, unforeseen costs, additional works, etc.), all to be quantified at a later stage. Venezuela issued two replies (one under President Maduro and one under President Guaidò), refuting the jurisdiction of the ICC, reiterating the authority of the local courts, denying the government's liability and reserving its right to appeal any claims on such issues. The joint venture appointed Josè Rosell as arbitrator and Venezuela (President Maduro) appointed Deva Villanùa. On 9 April 2020, the ICC court confirmed the appointment of the two co-arbitrators, Josè Rosell and Deva Villanùa. In the same month, the lawyers of Venezuela (under President Maduro) and the IFE accepted the joint venture's lawyers' proposal for the co-arbitrators to select the chairperson of the arbitration board in agreement with the parties. Accordingly, the proposal was formally presented to the ICC secretary who accepted it, allowing 30 days for the appointment of the chairperson. On 22 May 2020, the two co-arbitrators reached an agreement on Joao Bsco Lee, who accepted the appointment. Reference should be made to the details set out in the notes to the separate and consolidated financial statements at 31 December 2019 regarding the recoverable amount of the parent and group’s exposure to the Venezuelan government.

Outlook

The hearing for the authorisation of the composition with creditors proposal set for 23 June 2020 is a crucial step for the parent's turnaround.

Over the coming months the parent will continue to work towards achieving the targets required for the composition with creditors procedure, the capital strengthening and refinancing manoeuvre underlying the composition proposal and, more generally, turning the parent around.

As mentioned earlier, in line with the composition plan, operations will focus on continuing the contracts of the core assets scope, discontinuing its activities in the areas to be closed (classified as discontinued operations as mentioned earlier) and ensuring the targets of the separate unit are met.

Such targets could benefit from *(i)* the Infrastructure Plan being approved by the Italian government that, at the date of preparation of this report, provides for investments of €196 billion (€129.6 billion already available and €66.9 billion to be raised) including €40 billion for works flagged as priority and to be stepped up, and *(ii)* Progetto Italia that Webuild plans to roll out in the near future with the involvement of the Astaldi Group.

Last but not least, the parent needs to assess the possible effects of the urgent measures that will be adopted by the Italian government to support the economy in the aftermath of the Covid-19 pandemic. One of such measures affecting the construction industry will be the acceleration of payment of any pending contract advances for public tenders in progress.

Reconciliation between the deficit and loss of the parent with the group's deficit and loss

Pursuant to CONSOB communication no. DEM/6064293 of 28 July 2006, the following table provides a reconciliation of the parent's deficit at 31 December 2018 and its loss for the year with those of the group.

RECONCILIATION BETWEEN THE PARENT'S DEFICIT AT 31 DECEMBER 2018 AND LOSS FOR THE YEAR THEN ENDED WITH THOSE OF THE GROUP
(m)

	Equity (deficit) at 31/12/2019	2019 profit (loss)	Equity (deficit) at 31/12/2018	2018 loss
Astaldi S.p.A.	**(1,490,758)**	**(53,757)**	**(1,410,356)**	**(1,878,302)**
- Elimination of carrying amount of investments in subsidiaries and share of profit or loss of equity-accounted associates	(100,480)	6,541	(94,491)	112,573
- Equity and loss of subsidiaries net of non-controlling interests and other minor adjustments	(201,519)	(34,107)	(175,768)	(347,549)
- Elimination of the loss allowances of subsidiaries	48,320	9,322	38,998	25,315
- Elimination of the provisions for risks on equity investments	202,612		202,612	179,539
Consolidated financial statements (portion attributable to the owners of the parent)	**(1,541,825)**	**(72,000)**	**(1,439,005)**	**(1,908,424)**
Consolidated financial statements (portion attributable to the non-controlling interests)	**1,737**	**1,417**	**132**	**(3,746)**
Consolidated financial statements	**(1,540,088)**	**(70,584)**	**(1,438,873)**	**(1,912,169)**

Main group companies

Astaldi Concessioni

Astaldi Concessioni (wholly owned) is the group company that develops and operates projects on a concession and project financing basis. It is also in charge of numerous O&M activities currently in progress in Italy, Chile and Turkey.

It was set up in 2010 as part of a wider-ranging project to reorganise the group's activities in the concession sector, which entailed the systemisation of the expertise acquired over time at central level, in terms of the planning, structuring and commencement of these specific projects, in order for the group to be better placed to present integrated bids. The subsidiary is currently an independent and highly specialised operator on its market, where it works in partnerships with other leaders in the operation of public and private infrastructure, such as, for example, in Chile for the Arturo Merino Benitez International Airport (with the VINCI Group) or, more recently, for the West Metropolitan Hospital in Santiago (with the infrastructure fund MERIDIAM).

See the "Concessions" and "Operation & Maintenance" sections for more details on the activities performed by Astaldi Concessioni.

It should be noted that, at the date of preparation of this report, Astaldi Concessioni has been demerged in accordance with the terms of the composition with creditors proposal. Specifically, the resolution to demerge Astaldi Concessioni was taken by its shareholders on 22 January 2020 and registered with the Rome company registrar on 23 January 2020. The parent waited for the terms reserved to the subsidiary's creditors to oppose the demerger to expire before finalising the demerger deed. This deadline was 26 May 2020, given the suspension of judicial activities during the lockdown period imposed in Italy to deal with the Covid-19 public health emergency[61]. The formal stipulation of the demerger deed took place on 28 May 2020, effective from 8 June 2020, when the deed was registered with the Rome company registrar. See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section for more information.

NBI

NBI is the group company active in the facility management and plant engineering sector, specialised in renewable energies, engineering and complex system management. It is wholly owned by the parent and is the result of the group's acquisition of a business unit from Busi Impianti, Bologna, an Italian company incorporated in 1952.

[61] The deadline was originally 23 March 2020 and was deferred to 26 May 2020 given the extraordinary suspension of activities imposed by the Covid-19 public health emergency. This extraordinary suspension period lasted from 9 March to 11 May 2020 for civil, criminal and tax proceedings as established by article 83 of Decree law no. 18/2020 and article 36.1 of Decree law no. 23/2020.

NBI operates in the engineering and civil and industrial plant engineering sector both in Italy and abroad. It works abroad with Astaldi, offering specialist assistance in the countries where the group operates.

The main sectors of interest to it are: healthcare, commercial, industry, infrastructure, airports, tourism-hotels, pharmaceutical, renewable energies (solar, wind, micro-cogeneration, sustainable development). Its main activities are: design and integrated construction; electrical, mechanical, special and technological systems; heating, air-conditioning and hydraulic systems; electric energy distribution systems; engineering; civil works; integrated special systems; automation of civil and industrial systems; security systems; global maintenance engineering; electrical and thermal energy generation systems.

On 5 November 2018, NBI submitted an application for a separate composition with creditors on a going concern basis procedure to the bankruptcy section of the Rome Court as per article 161.6 of the Bankruptcy Law. See the “Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Other procedures linked to the Astaldi S.p.A. composition with creditors” section for more information.

Astaldi Construction Corporation

Astaldi Construction Corporation (“ACC”) is based in Florida and has managed the group’s activities in the US for more than 30 years, acting as contractor for transport infrastructure construction projects (mainly motorways and viaducts) on behalf of public sector customers.

ACC is in charge of all of the group’s projects in the US (see the “Construction - Americas” section).

After the sureties stepped in for the road projects in Florida (*i*) SR–429/SR–46 – Wekiva Parkway Section 7A, (*ii*) SR–43 (US–301) from SR–674 to South of CR–672 (Balm Road), (*iii*) CR–490A (W Halls River Road), and (*iv*) SR–528 (Beachline Expressway) from W of SR–91 to McCoy Road) in April 2018, starting from 2018, ACC’s order backlog refers solely to the I–405 highway in California. Construction of 11 bridges and three miles of drainage infrastructure commenced in 2019.

Reference scenario

The reference scenario in Italy

This section provides an overview of the information set out in the "Osservatorio Congiunturale sull'Industria delle Costruzioni" published by ANCE (the Italian National Association of Construction Companies) in January 2020.[62] The study was published in January 2020 and, therefore, does not consider the effects of the Covid-19 epidemiological emergency. See the "Events after the reporting date – The spread of Covid–19 (the Coronavirus)" section for details thereon.

The Italian economy has been in recession for the past decade. The growth rate in 2019 was almost zero due to the uncertain global situation as well as domestic issues in Italy.

Against this backdrop, the construction sector's acute crisis persists.

ANCE expects a 2.3% growth in investments in construction in 2019, in line with its projections published at the beginning of the year, as seen in Table 5 below.

Table 5 – ANCE projections on investments in construction

INVESTIMENTI IN COSTRUZIONI(*)

	2019 Milioni di euro	2017	2018	2019(°)	2020(°)
		Variazione % in quantità			
COSTRUZIONI	**129.853**	**1,0%**	**1,7%**	**2,3%**	**1,7%**
.abitazioni	64.940	1,8%	1,5%	1,9%	1,8%
- nuove (°)	*17.545*	*7,7%*	*4,5%*	*5,4%*	*2,5%*
- manutenzione straordinaria(°)	*47.395*	*0,0%*	*0,5%*	*0,7%*	*1,5%*
.non residenziali	64.914	0,1%	1,9%	2,6%	1,7%
- private (°)	*41.831*	*4,2%*	*4,9%*	*2,5%*	*0,4%*
- pubbliche (°)	*23.083*	*-6,0%*	*-3,2%*	*2,9%*	*4,0%*

(*) Investimenti in costruzioni al netto dei costi per trasferimento di proprietà
(°) Stime Ance
Elaborazione Ance su dati Istat

Source: "Osservatorio Congiunturale sull'Industria delle Construction – Gennaio 2020" by ANCE

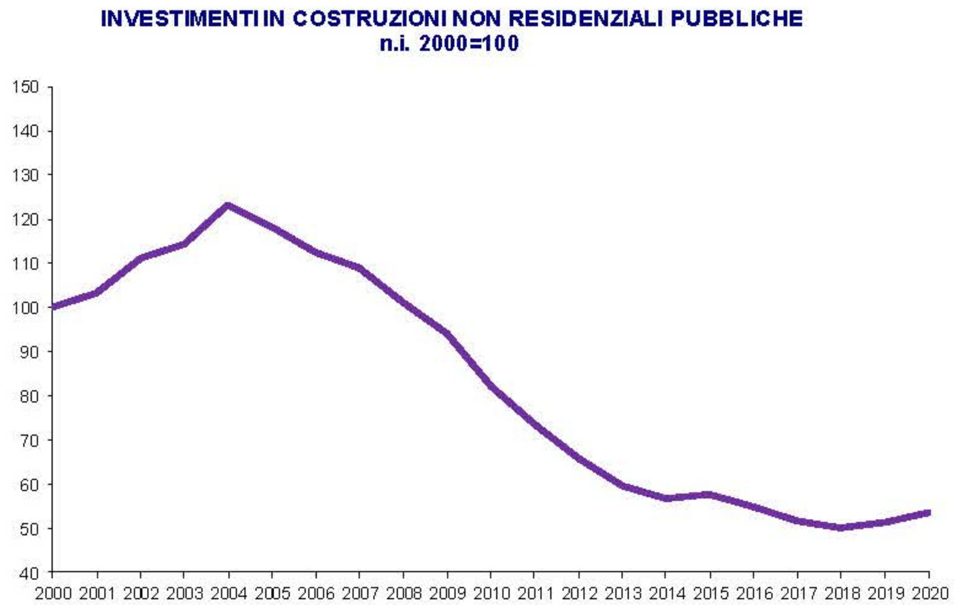
[62] Source: "Osservatorio Congiunturale sull'Industria delle Costruzioni – Gennaio 2020", by Direzione Affari Economici e Centro Studi ANCE.

This growth is thanks to positive trends in the private residential and non-residential sector and a first "plus" sign in public works. However, the increase is completely negligible given that production levels dropped by over one-third, leading to around 130 thousand companies closing down and 640 thousand jobs being lost in the sector.

The measures rolled out by the Italian government in recent years seem to be starting to generate effects on investment levels. However, looking at trends in the entire public works sector, despite the good performance of local bodies, the latest ANCE analyses confirm persisting difficulties and uncertainties in the large-scale infrastructure sector for the big spenders, such as Anas and Ferrovie. This is due to the hugely drawn-out approval times for their planning agreements which have led to a series of delays to their schedule.

Trends in bids for tenders for public works have been positive for the past three years. 2019 also saw an increase in tendered amounts (+25.7% year-on-year) while the number dropped (-4.8%). The increase was above all propelled by large-scale works which have regained a considerable share of the demand for public works (30%, up from the record low of 10% in 2018). The timeframes of these works are extremely long due to their complex nature and huge size.

Graph 4 – Investments in public works



Source: "Osservatorio Congiunturale sull'Industria delle Construction – Gennaio 2020" by ANCE

Forecasts for 2020 are on hold pending the measures to be adopted by the Italian government to combat the Covid-19 epidemiological emergency. The hope is that they can help revive the infrastructure sector, ensuring greater flexibility and springboards for the country's structural growth via hefty works on infrastructure that is widely considered inadequate and often deteriorated.

The reference scenario in the group's other main areas

This section provides an overview of the main countries involved in the Astaldi Group's development policies, excluding any effects that may arise from the measures that will be taken on a global level to combat the Covid-19 epidemiological emergency (see the relevant section below for further details on Covid-19).[63]

Romania. Numerous factors could provide stimulus for the group to further bolster its presence in this country, especially thanks to the opportunities unleashed by European funds and prospects of upgrading infrastructure and the transport network. Specifically, the Romanian government has adopted a General Transport Master Plan approved by the EU in 2015. This key document sets out Romania's strategy for building and upgrading transport infrastructure (land, rail, sea and air) by 2030, also required to unlock funds made available by the EU for this sector. Astaldi has already won important contracts in this regard in recent years and, despite the many problems caused by delays in payments, it continues to watch out for new bids for tender with great interest.[64]

Poland. After Poland joined the European Union in 2004, its economy went through a phase of sustained growth, thanks, inter alia, to the inflow of EU structural funds (over €67 billion in 2007-2013 and €82.5 billion in 2014-2020). Poland reaped considerable rewards from its demographic dimensions (lying sixth among EU countries) and strategic geographical position right at the centre of the main European routes. The country is crucial also thanks to its young, qualified labour force and significant financial resources deriving from EU structural funds. In the 2014-2020 period, Poland was the top beneficiary of EU funding under the Cohesion Policy, receiving roughly €82.5 billion, including €31.2 billion for regional operational programmes and €45.6 billion for national operational programmes (of which €27.4 billion for infrastructure and the environment).[65]

Sweden. Growth rates and other economic indicators testify the stability of Sweden's economy. In 2019, GDP grew 1.2% and labour market trends were positive, confirming Sweden's status as one of the most competitive countries on a global level. Furthermore, the Swedish Central Bank has been pursuing an expansive monetary policy for numerous years, keeping rates below zero in order to stimulate spending and investments. With regard to infrastructure, the National Transport System Plan 2018-2019 adopted by the government in May 2018 is a key step towards a national and sustainable transport system, including works to restructure, upgrade and expand roads and railways, for a total scheduled investment of SEK622.5 billion.[66]

Chile. Being a full member of the OECD as of 2010, having well-defined laws in place and safeguarding foreign investors has given Chile an excellent reputation in Latin America and beyond, creating significant opportunities also in the Astaldi Group's reference sector. Indeed, Astaldi is very active here in the construction and concessions segments, especially in the health sector as well as the mining industry, where it has formed a partnership with CODELCO, one of the world's largest mining companies which currently has important

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[63] See the "Events after the reporting date – The spread of Covid–19 (the Coronavirus)" section.
[64] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/quadro_macroeconomico.php?id_paesi=87) by the Ministry of Foreign Affairs and International Cooperation ("MFAIC").
[65] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/quadro_macroeconomico.php?id_paesi=82 and http://www.infomercatiesteri.it/perchepaese.php?id_paesi=82), by the MFAIC.
[66] Sources: InfoMercatiEsteri (http://www.infomercatiesteri.it/quadro_macroeconomico.php?id_paesi=93), by the MFAIC; "Nationell plan för transportsystemet 2018-2019" (https://www.trafikverket.se/for-dig-i-branschen/Planera-och-utreda/Planer-och-beslutsunderlag/Nationell-planering/nationell-transportplan-2018-2029/), by Trafikverket.

mining development projects in progress in Chile. Despite the complications faced in green-lighting the composition with creditors procedure in Italy, Astaldi could benefit from further development opportunities in Chile due to its strong need to bolster its infrastructure network in order to kick-start its economy.[67]

Canada. A stable political and economic system, having well-defined regulations in place, the labour market conditions and production costs all make Canada an attractive market for the Astaldi Group's development policies. The country's economic system is under expansion and its GDP has been growing for several years. The CETA (Comprehensive Economic and Trade Agreement) between the European Union and Canada came into effect on 21 September 2017, opening Canadian calls for tenders up to European companies. Infrastructure is a key sector for the local economy and there are numerous projects and opportunities available. Investments of CAD85.8 billion were made in infrastructure in 2018 and public funding plans for the next 8-10 years include building roads, bridges, schools, hospitals, ports, airports, urban railways, and more besides. Under the Investing in Canada Plan, the government expects to invest CAD184.5 billion up to 2028 in five key sectors - public transport (CAD28.7 billion), green infrastructure (CAD26.9 billion), social infrastructure (CAD25.3 billion), trade and transport (CAD10.1 billion) and rural communities and the north (CAD2 billion) - to perform projects led by state bodies or as P3.[68]

Turkey. After record GDP growth in 2017 (+7.4%) placed Turkey top among the G20 countries, the Turkish economy slowed down significantly in the second half of 2018. According to the Turkish Statistical Institute, GDP grew 2.6% during the year only to drop 2.4% in the final quarter causing the country to fall into technical recession for the first time since 2009. In addition to the volatility of the national currency, high inflation and unemployment rates are the key issues playing havoc with Turkey's economy. Moreover, the sensitivity of the trade deficit to energy prices (almost entirely imported by Turkey) holds the country hostage to foreign capital, which, while abundant in previous years, has become more expensive due to the three leading rating agencies (Moody's, Standard & Poor's and Fitch) dropping the Turkish sovereign credit rating to below investment grade. As a result, the Turkish government is currently implementing a vast infrastructure programme aimed at boosting the country by building ports, airports, roads, bridges and railways.[69]

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[67] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/dove_investire.php?id_paesi=40), by the MFAIC.
[68] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/dove_investire.php?id_paesi=39#info_mercati_esteri_3), by the MFAIC.
[69] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/quadro_macroeconomico.php?id_paesi=95), by the MFAIC.

Events after the reporting date

Composition with creditors on a going concern basis (updates after the reporting date)

Further important steps were taken after the reporting date in the composition with creditors on a going concern basis procedure commenced by the parent in September 2018[70].

On 23 March 2020, in light of the regulations and urgent measures adopted in Italy to contain and manage the Covid-19 epidemiological emergency, the Rome Court found Astaldi's composition with creditors procedure to be urgent, postponing the creditors' meeting to 9 April 2020 (previously set for 26 March 2020) so that it could take place remotely in the manner prescribed by article 163.2.2-bis of the Bankruptcy Law.

As per the provisions of the composition plan and proposal (as defined earlier), the agreement signed with Astaldi's partner ICTAS in March 2019 and subsequent amendments (already evaluated and authorised by the Rome Court as being the best way to protect the creditors under Astaldi's composition with creditors procedure underway) became effective with the transfer of the entire investment in the SPE[71] that holds the concession to build and operate the Third Bosphorus Bridge in Turkey.

In full compliance with the agreements, the transaction entailed:

- selling Astaldi's entire investment in the Third Bosphorus Bridge operator and related receivables to ICTAS for USD315 million. The transaction price will be paid net of *a)* items offset with ICTAS as per point *(ii)*, *b)* repayments to other Turkish creditors (as the composition with creditors procedure is not recognised in Turkey) of roughly €142 million in accordance with the composition plan, and *c)* the relevant transaction costs;
- ICTAS waiving all claims to Astaldi under their partnership contracts as a result of Astaldi leaving such contracts (in both Turkey and Russia).

The transaction price, net of the items set out in point *(i)*, will be paid in one instalment when ICTAS collects the sale price that it is negotiating with a consortium of Chinese investors for the sale of a majority investment in the operator or, should no agreement be reached with the Chinese consortium, in annual instalments, along with interest, by the fourth quarter of 2023.

Subsequently, with its ruling of 4 May 2020, the Rome Court *(i)* set the hearing date for the authorisation of the composition with creditors as per article 180 of the Bankruptcy Law as 23 June 00, and *(ii)* acknowledged the completion of the voting process for the composition with creditors proposal, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote, which account for claims of roughly €3,017

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[70] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors on a going concern basis" section.
[71] Special Purpose Entity.

million. Such percentage comprises the votes validly cast at the creditors' meeting on 9 April 2020 (58.32%) along with additional votes validly cast over the 20 following days (11.08%) in accordance with the provisions of article 178 of the Bankruptcy Law.

On 24 May 2020, in accordance with the terms of the composition plan and proposal presented to the Rome Court and approved by the creditors, the parent's directors resolved to set up a separate unit for the sole purpose of satisfying the parent's unsecured creditors by selling all the assets, rights and judicial relationships transferred to the separate unit and allocating the net proceeds from the sale of the assets to holders of the participating financial instruments that the parent will issue to unsecured creditors once the composition with creditors procedure has been definitively authorised. See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section for more information about the separate unit and the participating financial instruments. In brief: *(i)* the assets to be sold are the non-core assets of Astaldi and Astaldi Concessioni following the demerger approved on 22 January 2020, which became effective on 8 June 2020 when the demerger deed (stipulated in May 2020) was registered with the company registrar, and *(ii)* as mentioned above, the assets transferred to the separate unit include: *(a)* the main concessions, *(b)* receivables due from IFE (the Venezuelan government) and work in progress in Venezuela, and *(c)* the parent's head offices in Rome. Furthermore, in order to ensure it meets its commitments and to finance Astaldi Concessioni so that it can fulfil its commitments (for the Etlik Integrated Health Campus in Ankara, Turkey and the Arturo Merino Benitez International Airport in Santiago, Chile, to be sold), as per the composition with creditors proposal, Astaldi will provide the separate unit with a maximum of €75 million in order to complete work in progress and an additional €2 million to cover costs incurred to manage the separate unit. The parent's directors also approved the financial plan of the separate unit for the 2020-2023 period, during which time the asset disposal plan is expected to be completed, as per the composition proposal and within the terms defined therein.

Also on 24 May 2020, in accordance with the terms of the composition proposal, the parent's board of directors appointed Claudio Sforza as the proxy in charge of managing and selling the non-core assets. He will be granted power of attorney as per article 1704 and following articles of the Italian Civil Code, irrevocable as per article 1723 of the Italian Civil Code, as it is granted in the interests of the unsecured creditors holding participating financial instruments, except in the cases of removal for just cause in accordance with the law which will be listed in the power of attorney contract. Once it has been signed, the contract will be published in the company register.

On 12 June 2020, the judicial commissioners issued their reasoned opinion as per article 180.2 of the Bankruptcy Law, stating their: "*approval of the authorisation of the composition with creditors procedure no. 63/2018 presented by Astaldi S.p.A. to the Rome Court*".

The spread of Covid–19 (the Coronavirus)

At the date of preparation of this report, the Italian and other EU and non-EU governments have applied extraordinary measures to curb the spread of the Covid-19 virus (the Coronavirus), declared a pandemic by the World Health Organisation.

Statistics show that Italy was the worst hit in Europe - and one of the worst globally - by the spread of the virus. This exposed the parent to risks generated by the extraordinary measures applied by the Italian government to prevent and/or curb the spread of the Coronavirus involving, inter alia, the temporary closure of industrial plants and construction sites, as well as restrictions to the movement of people and means of transport. In addition, the global spread of the pandemic exposed the group to risks arising from the extraordinary measures applied by governments in other countries, both in Europe and beyond, where the group operates or has offices or sites.

Specifically, the Italian government issued Law decree no. 6 of 23 February 2020, containing "urgent measures to contain and manage the Covid-19 epidemiological emergency", subsequently integrated with three Prime Minister's decrees on 1 March, 4 March and 8 March 2020. These measures essentially set a *cordon sanitaire* around Lombardy (where the parent has operating offices) and 14 provinces, imposing strict measures, including restrictions on leaving and entering such areas except for justified reasons of work or necessity, or for health reasons. With the Prime Minister's decree of 9 March 2020, such measures were extended to the entire country. The following decree issued on 11 March also ruled that all commercial businesses close (with the exception of essential businesses) all over the country, excluding industrial plants which were, however, required to comply with health protection regulations. Subsequently, the decree of 22 March ruled that all production activities shut down, with the sole exclusion of the essential activities set out in a specific list attached to the decree. Then a decree issued on 10 April allowed some non-essential commercial activities around the country to reopen without prejudice to that set out in the previous decrees. Moreover, it authorised the production activities of companies needed to keep the production chain running, linked to the activities allowed as per the decree of 10 April. A further decree issued on 26 April authorised the reopening of a series of production and industrial activities (including construction) as long as health protection regulations are complied with. Restrictions were maintained on travelling within regions, unless for justified reasons of various nature. Further measures were subsequently adopted at national and regional level.

In order to tackle this emergency, the parent actuated a series of actions and safeguards to promptly protect the health of all group employees, monitor the situation at production sites, preserve the value generated by production activities as much as possible and support operating continuity, seriously put to the test by the restrictions on the movement of people and goods on a global scale imposed via measures approved in Italy and abroad.

Specifically, the parent set up a specific committee at the end of February. Chaired by senior management, its members include the heads of all head-office and peripheral operating structures along with the heads of the parent's main departments involved, in order to monitor the spread of the virus at Italian and foreign production units, supervise measures to contain the risk of infection, activate channels to liaise with the Italian embassies in the countries where the group operates, as well as coordinate actions to safeguard contracts with customers against the impact of the pandemic on production activities.

The situation in Italy and abroad is summarised below.

In Italy, Astaldi and its subsidiaries implemented due precautionary measures, also related to safety and securing the health of employees, in compliance with the Prime Minister's decrees, ministerial circulars, orders from the national civil protection service, along with recommendations issued by other local authorities following the progressive spread of the virus.

However, despite promptly implementing the health protocols defined in the general guidelines set out in the agreement reached between social partners and the government right from the onset of the pandemic, the parent has encountered growing problems in organising the work of the Italian production units, basically as manpower is not available due to the disease, the ban on movement between regions and lock-down restrictions progressively imposed by regional authorities (which put a stop to commuting, especially common among blue collar workers). As routine activities became impossible to guarantee in many production sites, a large number of customers decided to suspend works. Accordingly, starting in mid-March and once the sites had been brought up to safety standards, the parent implemented a series of actions to protect the employees and company value (using up accrued holidays and leave, implementing shock absorbers provided by the Italian government, introducing working from home). In April and May, the parent closed the Rome and Milan offices and accordingly reduced the working hours of the entire workforce by applying for the Covid-19 government-sponsored lay-off scheme, while simultaneously ruling that the remaining work be performed from home.

Even before closing down the production units, the parent had drafted protocols introducing a series of measures (control, distancing, personal protection, sanitisation of the workplace and work tools, health monitoring, managing emergencies following detection of Covid-19 symptoms) to guarantee the safety of work areas in preparation for the resumption of activities.

These protocols were fully implemented with the gradual recommencement of production activities at the various sites starting in May as soon as restrictions around the country began to be lifted. At the date of preparation of this report, production activities had partially resumed in Italy. Finally, in order to offer further protection to employees, starting from 1 March and for the whole of 2020, the parent has taken out a specific insurance policy covering Covid-19 risks for its employees and their family units.

Beyond Italy, considering the rapid spread of the virus, extraordinary measures were progressively adopted in some of the countries where the group operates to restrict the circulation of goods and people, with the closure of plants and commercial and production activities. Similarly to Italy, such measures, together with those implemented by the group to protect employee health, have made it difficult for the group to continue its ordinary production activities. This led to the slowdown or, in some cases, the suspension of production activities, with additional problems (due to restrictions on air traffic) for personnel trying to return home from abroad or personnel that had been off-site when the pandemic blew up trying to return to production sites that have remained open. At the date of preparation of this report, most operating activities abroad continue to face slowdowns or suspensions.

However, despite this extremely uncertain situation, mitigating actions (discussed with all customers) have successfully been implemented in the short term to neutralise the negative effects, most importantly financial stress, of Phase 2 of lock-down (reopening work sites); specifically:

- accelerating payment of slow-moving items (mostly claims and variation orders);

- recovery of higher costs incurred for the new protocols adopted to guarantee employee health and safety in the workplace;
- payment of all progress reports issued and work in progress at the beginning of the lock-down;
- rescheduling progress reports' issue dates and related payments;
- possibly obtaining advances and/or payments on account on contracts and/or projects and supplies to cover the considerable financial costs of resuming work and simultaneously maintaining the supplier/subcontractor system.

In light of the above, at the date of preparation of this report, the parent cannot exclude that a lasting critical situation and the measures taken in Italy, Europe and all over the world may impact 2020. Indeed, it is currently assessing the possible effects that the current Covid-19 emergency could have on performance forecasts. Moreover, since it is a constantly evolving situation, it is still impossible to make reliable predictions about its impacts on 2020 operations and results. However, based on the information currently available, the parent's performance is more or less in line with the business plan, assuming that any negative effects on 2020 will presumably be reabsorbed in subsequent years of the plan.

Additional significant events

Astaldi on the short-list for the Edmonton LRT project in Canada – In May 2020, in a joint venture with Webuild (formerly Salini Impregilo), Astaldi was included on the short-list for the awarding of an additional rail project in Canada worth CAD1.7 billion (€1.15 billion). The project covers the construction of the Valley Line West Light Rail Transit (LRT) in Edmonton, the second section of the 27 km Valley Line, which will run between the west and south-east areas of the city. The new light rail infrastructure will run over 14 km with 14 stops and two elevated stations, two bridge crossings, connections to transit centres and a transfer point with two current lines of the LRT system. The project will be awarded by mid-October, with work set to begin in 2021 and be completed within six years.

New €356 million contract for Lot 5 of the Sibiu–Pitesti Motorway in Romania – In May 2020, the Astaldi Group signed a contract worth €356 million for the construction of over 30 km of the Sibiu-Pitesti Motorway, the most important section under construction in Romania. The contract was signed in the presence of the Prime Minister and the Minister of Transport of the Romanian Government. It is an EPC[72] contract and covers the design and construction of Lot 5 of the Sibiu-Pitesti Motorway, from Km 92+600 to Km 122+950. The planned duration of the works is 60 months, 12 months of which for design and 48 months for construction. The contract is financed partly with EU funds (85%) and partly with the state budget (15%) and includes the adjustment of contract prices starting from the date of the submission of the bid. Moreover, an advance payment is envisaged in the contract, both at the start of the design phase and at the start of construction. The customer is CNAIR, the state company owned by the Romanian Ministry of Transport and Infrastructure.

[72] Engineering, Procurement and Construction.

Delivery of the works of mega lot 3 of the state road Jonica – In May 2020, the group delivered the works of mega lot 3 of the state road Jonica (SS–106) following the approval of the executive design on 9 March 2020.

Human resources

Changes in the workforce and actions taken to contain labour costs

The Astaldi Group's average workforce plummeted 38% to 6,681 in 2019.

Specifically, the number of managers dropped to 188 (-32%), junior managers to 172 (-25%), white collars to 2,299 (-35%) and blue collars to 4,022 (-41%).

This was a result of the group's downsizing of activities and the streamlining actions rolled out in the second half of 2018 and continued throughout 2019. Further effects are expected in 2020.

Specifically, the following actions to cut personnel expenses were planned and partially implemented in the second half of 2018 and fully applied in 2019:

- hiring freeze;
- freezing all remuneration policies;
- actions to streamline Italian and foreign structures and project staff via tools available depending on the local circumstances and regulations: extraordinary government-sponsored lay-off scheme, individual and/or group dismissals, mutually-agreed termination of employment with or without early retirement, non-renewal of expired fixed-term contracts.

A specific agreement was signed with Italian managers for the voluntary reduction of their salaries throughout 2019, in line with the measures taken for all the other employees using the extraordinary government-sponsored lay-off scheme.

Activated for 439 Italian employees in December 2018, this scheme was gradually phased down in 2019 as production activities resumed at work sites and some head office employees left the parent under termination agreements or due to resignations, thus making cost cutting targets permanent.

With regard to sites excluded from the core assets scope, the parent submitted a request to the Ministry for Labour to transform the extraordinary government-sponsored lay-off scheme applied for financial difficulties to the scheme for discontinued operations. This essentially granted a further year of shock absorbers for employees at such sites. The parent also endeavoured to reallocate the greatest number of employees possible to new projects commenced in joint venture with other companies in 2019.

Alongside the specific measures taken to cut labour costs, there was unfortunately also a significant number of resignations of qualified personnel, thus impoverishing the group's pool of expertise. Peaking in late 2018 and early 2019, these resignations luckily dwindled as the year went on and the parent's prospects of turnaround became more concrete. There were tentative signs of reversal towards the end of the year with some esteemed professionals returning to the fold.

As the group's wealth of know-how is crucial for its continuity and turnaround, in order to temper its objectives of reducing/streamlining labour costs with the need to avoid excessively depleting such wealth, the parent signed an agreement ("accordo di prossimità") as per the provisions of Law no. 148/2011 with the national trade unions which extended the term of fixed-term contracts expiring during the composition with creditors procedure for young talents who had recently joined the group.

Trade union relations

As in the second half of 2018, trade union relations in 2019 were basically focused on managing the group's financial difficulties, namely discussing and implementing the actions summarised above.

The crisis meetings with the Ministry of Economic Development begun at the end of 2018 continued through the start of 2019 and numerous minutes of these meetings were written up on the decisions taken together with the Ministry for Labour on managing, transforming and extending the extraordinary government-sponsored lay-off scheme. The last one issued in December extended the scheme by another six months up to June 2020 for some Italian sites not yet fully up and running.

The Italian trade unions also began representing the parent's managers for the first time in 2019, negotiating the agreement to temporarily reduce their salaries.

Alongside negotiations on the tools activated to manage the group's financial difficulties, routine trade union talks were also held for the roll-out of the NACAV and S.Agata FS contracts in joint venture with Webuild for which the relevant memoranda of understanding were signed.

Training

Though training activities had already been reduced and limited in 2018, they suffered further heavy cutbacks in 2019. Except in specific situations, training was made impossible by the parent's intense financial stress and the block on initiatives requiring advance payment of costs even when financed by intragroup training funds.

Therefore, the group simply performed targeted training where no advance payment of costs was necessary, for a total of roughly 3,200 hours.

Organisation

In early 2018, the group commenced a critical review of the organisational model with the support of a consultancy company. The aim was to reshuffle activities and responsibilities between the head office and the branches, generally streamlining head-office structures and setting up centres of excellence at peripheral hubs to provide support to the network's smaller countries and markets in order to boost integration and efficiency.

The rapid deterioration of the group's situation during the year led to adjustments to the model, increasing emphasis on the need for greater efficiency. The effects of the organisational analyses performed were seen at the start of 2019 with the publication of the new general organisational chart. This implemented the first actions aimed at more efficient organisational structures.

The main adjustments streamlined general management departments, eliminating some foreign general management departments and redistributing some of the head office activities.

Along the same lines of the revision of the general organisational chart to attain more efficient structures, the group also revised the individual organisational structures in order to merge/streamline activities and responsibilities following the reduction of the workforce by one-third. Accordingly, the organisational layout of the industrial services general management department and the finance general management department was revised.

Specific communications set out the regulations for allocating responsibilities for all activities related to the closure of discontinued operations abroad.

Finally, the administration department was merged into the human resources department in order to ensure greater consistency in managing relevant duties, such as process analyses, job descriptions and evaluations, attuning procedures and defining structures and organisational charts.

Sustainability

Reference should be made to the non-financial statement for the year ended 31 December 2019 prepared by the Astaldi Group as per Legislative decree no. 254 of 30 December 2016.

This report is available in the Investor Relations–Financial Reports section of the group's website www.astaldi.com.

Report on corporate governance and ownership structure

Reference should be made to the report on corporate governance and ownership structure at 31 December 2019 prepared by the Astaldi Group as per article 123-bis of the Consolidated Finance Act

This report is made available in the Governance–Report on Corporate Governance section of the group's website www.astaldi.com.

Other information

Research and development

The group did not incur any R&D expenditure during the year.

Management and coordination as per article 2497 and subsequent articles of the Italian Civil Code

At the date of preparation of this report, Astaldi S.p.A. is not managed or coordinated by any of its shareholders as its board of directors is responsible for taking all and the most suitable decisions regarding its management in a fully independent manner.

Treasury shares

No shares were sold or repurchased during the year.

Parent shares held by subsidiaries

At the date of preparation of this report, none of the subsidiaries held the parent's shares.

Related party transactions

Reference should be made to the section on related party transactions of this report and note 36 (Related party transactions and directors', statutory auditors, general managers' and other key management personnel's fees) of the notes to the separate and consolidated financial statements which accompany this directors' report.

Atypical and/or unusual transactions

In 2019, the Astaldi Group did not carry out any atypical or unusual transactions, as defined in CONSOB communication no. DEM/6064293.

Financial instruments

Reference should be made to the notes to the separate and consolidated financial statements which accompany this directors' report for the disclosures on financial instruments required by article 2428.2.6-bis of the Italian Civil Code.

Resolutions about information memoranda for significant transactions

For some years now, the parent's board of directors has decided to avail of the option not to publish the information memoranda required for significant transactions such as mergers, demergers, capital increases through contributions of assets in kind, acquisitions and sales. It took this decision as per article 70.8 and article 71.1-bis of the Issuer Regulation published by CONSOB.

Remuneration report

Reference should be made to the 2019 remuneration report prepared by the parent's board of directors as per article 123-ter of the Consolidated Finance Act.

This report is made available in the Governance–Corporate Documents section of the group's website (www.astaldi.com) in accordance with the legally-required timeframe and methods.

Astaldi S.p.A. shares held by directors, statutory auditors and key management personnel at 31 December 2019

Reference should be made to the 2019 remuneration report prepared by the parent's board of directors as per article 123-ter of the Consolidated Finance Act.

This report is made available in the Governance–Corporate Documents section of the group's website (www.astaldi.com) in accordance with the legally-required timeframe and methods.

Foreign non-EU subsidiaries

Astaldi S.p.A. states that its internal procedures comply with the measures of article 15.a)/b)/c) of the Stock Market Regulation ("Conditions for the listing of shares of parents set up and governed by laws of non-EU member states", CONSOB regulation no. 20249/17) issued to implement article 66-bis.2 of Legislative decree no. 58/1998.

Specifically, Astaldi S.p.A. notes that:

- the parent, Astaldi S.p.A., always has copies of the by-laws and details of the members of the company bodies of all the non-EU subsidiaries, that are significant as per article 15.2 of the Stock Market Regulation, as well as details of the positions held;
- the parent, Astaldi S.p.A., makes available to the market, inter alia, the financial statements of its non-EU subsidiaries, that are significant as per article 15.2 of the Issuer Regulation, prepared for inclusion in the consolidated financial statements (at least the statement of financial position and the statement of profit or loss);

- the group's current administrative-accounting and reporting procedures are suitable to regularly provide the parent's management and independent auditors with the financial figures of the non-EU foreign subsidiaries, that are significant as per article 15.2 of the Issuer Regulation, required to prepare the consolidated financial statements.

With respect to the parent's checks of information provided to the independent auditors necessary to audit the parent's annual and interim financial statements, the current communication procedure with the independent auditors, split by corporate governance control level and in place throughout the year, is efficient.

List of foreign branches

A list of the foreign branches active in 2019 is provided below.

Abu Dhabi TAMALLUK BUSINESS DEVELOPMENT AL MARKAZIYAH (WEST) P.O.BOX – 113660 ABU DHABI – UAE	**Algeria** Bureau Administratif et Financier Lotissement 19/20 Aissat Idir Cheraga W Alger
Argentina Desvío a Pescadores, Km. 8.9, Ciudad de San Luis, Provincia de San Luis	**Bolivia** 4to Anillo Zona Equipetrol Calle Victor Pinto Nro. 4,200 Edificio Torre Duo Piso 19 Dpto. 19A. Santa Cruz
Bulgaria 19, I. Denkoglu Str., floor 2 1000 – Sofia	**Canada** 780 Brewster Street Suite 3-300 Montreal Quebec, H4C 2K1
Chile Avenida Américo Vespucio N° 01199 Business Lo Boza, Quilicura Santiago	**Costa Rica** Carretera Interamericana Sur, frente a Servicentro El Guarco en Tejar de Cartago Costa Rica
El Salvador Boulevard El Hipódromo Pasaje 10, Casa 139 Colonia San Benito San Salvador	**Georgia** Abashidze Str, 34, Tbilisi, Georgia Cadastral code: 01 14 11 029/070 02/02/003

Guatemala 6a. Calle 5-47 Zona 9 5to. Nivel Guatemala, C.A.	**Honduras** Bulevar Fuerzas Armadas Salida al Norte, Colonia El Carrizal Frente a Colonia Espíritu Santo Apartado Postal 3199 – Tegucigalpa
India Unit No 7 level 2 Kalpataru Synergy Opposite Grand Hyatt Sanya Cruz East Mumbai Maharashtra – 400055	**Indonesia** (representative office) 17th floor, Pondok Indah Office Tower 3, Jl. Sultan Iskandar Muda, Kav. V-TA, Pondok Pinang Keboyaran Lama, South Jakarta Dki Jakarta
Iran Tehran, City of Tehran, Vali-e-Asr Avenue, Shahid Soltani (Sayeh) Street, No. 88, Baran Bldg., 4th floor, Apt #45, Postal Code 967713866	**Mexico** Calle Moliere n° 39 oficina 1 piso 11, 11560 Polanco Delegación Miguel Hidalgo – Ciudad de Mexico Mexico
Nicaragua Club Terraza 1 ½ Cuadra Oeste Reparto Villa Fontana Norte Casa 38, Boulevard Jean Paul Genie Managua	**Oman** 4/45 Al Mashriq Building (Al Fair Building) 18th November Street Azaiba Muscat Sultanate of Oman
Panama Calle Aquilino De la Guardia Torre Banco General Oficina 1502 Ciudad de Panamá	**Peru** Calle Chinchón 1018 Piso 2 Lima27 San Isidro Lima
Poland Ul. Sapiezynska 10a 00-215 Warszaw	**Czech Republic** Praha 1 - Josefov, Pařížská 68/9, Post Code 11000
Romania Str. Nicolae Caramfil Nr 53, Et3, Sector 1, CP 014142, Bucharest	**Russia** 190005, 5-7, via Sesta Krasnoarmeyskaya, St. Petersburg, Russian Federation
Singapore 77 Science Park Drive, CINTECH III Building, #03-05/06, Singapore 118256	**USA** 8220 State Road 84, Suite 300, Davie, FL 33324

Sweden Engelbrektsgatan 9-11 114 32 Stockholm	**Tunisia** Rue du Lac del Constance, Imm. Regus Les Berges du Lac 1053 Tunis
Turkey Kizilirmark Mahallesi Dumlupinar Bulvari No: 3C1 - 160 Cankaya/Ankara	**Venezuela** Av. La Estancia C.C.C.T. 1° Etapa, Piso 6 Oficina 620, Urb. Chuao Caracas 1064

Alternative performance indicators

The group assesses its financial performance and that of its business segments using alternative performance indicators (API), which are not defined by the International Financial Reporting Standards (IFRS). Management identifies these indicators as they reflect the group's results and can be used to monitor the performance of the group and the parent. The related calculation methods are set out below to assist an understanding of the analysis.

EBITDA (gross operating profit (loss)). Indicator of the operating performance calculated by deducting operating costs, personnel expenses and other operating costs from revenue. It includes the group's share of the profits or losses of joint ventures and associates active in the group's core business.

EBIT (net operating profit (loss)). Indicator of the operating performance calculated by deducting amortisation, depreciation, impairment losses and provisions as well as capitalised internal costs from EBITDA.

EBT (pre-tax profit (loss)). Indicator of the operating performance calculated by deducting net financial income (expense) from EBIT.

Profit from continuing operations. Calculated as EBT net of income tax.

Book-to-bill ratio. Ratio of total new orders included in the order backlog as the numerator to total revenue as the denominator.

Non-recourse financial debt. Form of financing specific to concession operators, which is not secured by the parent but rather by the cash flows generated by the projects performed by the SPEs over the concession operation period.

Net financial exposure. Obtained by deducting from net financial debt, calculated as per CONSOB communication no. 6064293 of 28 July 2006, which refers to the ESMA (former CESR) recommendation of 10 February 2005, non-current loan assets, subordinated loans and financial assets from concession activities, as well as other specific components like treasury shares.

Total net financial debt. Obtained by deducting from total financial debt, calculated as per CONSOB communication no. DEM/6064293 of 28 July 2006, which refers to the ESMA (former CESR) recommendation of 10 February 2005, non-current loan assets, subordinated loans and financial assets from concession activities.

Total non-current assets (also, Total net non-current assets). The sum of non-current assets; specifically, this includes intangible assets, technical equipment, equity investments and other non-current items (such as non-current assets held for sale and directly associated liabilities).

Operating working capital. The sum of current loans and receivables and liabilities arising from the Group's core business (trade receivables and payables, inventories, contract work in progress, tax assets, progress payments/billings from customers and other current assets).

Net invested capital. The sum of total net non-current assets, operating working capital, provisions for risks and employee benefits.

Conclusions

Dear shareholders,

The consolidated financial statements of the Astaldi Group at 31 December 2019 show a loss attributable to the owners of the parent of €72 million. The separate financial statements of the parent at the same date show a loss of €53.8 million.

The provisions of article 182-sexies of the Bankruptcy Law apply to the parent as it applied for authorisation from the bankruptcy section of the Rome Court on 28 September 2018 for the composition with creditors procedure as per article 161.6 of the Bankruptcy Law, aimed at presenting a composition with creditors on a going concern basis proposal as per article 186-bis of the Bankruptcy Law. Accordingly, articles 2446.2/3 and 2447 of the Italian Civil Code do not apply until the date of authorisation of the composition proposal as long as the procedure allows the parent to resolve the issues covered by article 182-sexies.

Filippo Stinellis
Chief Executive Officer

Paolo Citterio
Manager in charge of financial reporting

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PEC kpmgspa@pec.kpmg.it

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Astaldi S.p.A.

Report on the audit of the consolidated financial statements

Disclaimer of opinion

We have audited the consolidated financial statements of the Astaldi Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

Because of the effects of the uncertainties described in the "*Basis for disclaimer of opinion*" section of this report, we do not express an opinion on the consolidated financial statements of the Astaldi Group.

Basis for disclaimer of opinion

The consolidated financial statements at 31 December 2019 show a loss for the year and a deficit attributable to the owners of the parent of €72 million and €1,542 million, respectively.

In the "Main risks and uncertainties – Going concern" section of the notes to the consolidated financial statements and the directors' report, the directors state that Astaldi S.p.A. (the "parent") filed an application as per article 161.6 of the Bankruptcy Law on 28 September 2018, thus commencing a process to turn around itself and its group based on an integrated going concern manoeuvre, as follows:

(i) Astaldi's continuation of activities in order to ensure its ability to continue as a going concern by directly managing the parent;

(ii) a capital strengthening and refinancing manoeuvre, mainly via: (a) capital increases initially of €323.65 million with possible additional capital increases following the exercise of warrants and other share issues as a result of the conversion of unsecured claims presented subsequently, and (b) new financing granted and paid out for up to a maximum of €200 million by banks supporting the plan included in the composition with creditors proposal;

(iii) the sale of activities and assets excluded from the core assets scope and transferred to a separate unit set up in accordance with article 2447-bis of the Italian Civil Code to satisfy unsecured creditors.

Specifically, €225 million of the capital increases provided for in the composition with creditors proposal totalling €323.65 million will be reserved to Webuild S.p.A. (formerly Salini Impregilo S.p.A.) and paid for in cash. The remainder of €98.65 million will service the conversion into Astaldi shares of the total unsecured claims.

That being said, in the "Main risks and uncertainties – Going concern" section of the notes, the directors disclose the significant uncertainties that could lead to material doubts as to the parent's and the group's ability to continue as going concerns. These relate to:

— the Rome Court's issue of the authorisation for the composition with creditors;

— meeting the conditions precedent and other requirements of Webuild S.p.A.'s (formerly Salini Impregilo S.p.A..) binding offer described by the parent's directors;

— implementing the capital strengthening and refinancing manoeuvre provided for in the composition with creditors proposal mentioned above;

— meeting the targets set out in the composition plan, which also depends on future, uncertain variables that cannot be controlled, e.g., variables that could affect (i) the amount and timing of new contracts, (ii) the timing of collecting additional fees for variations, price revisions, incentives and claims compared to the contractually agreed amounts and (iii) the amount and timing of collecting advances from customers, estimated based on the parent's application for the benefits provided by urgent measures introduced to aid the liquidity of contractors under Decree law no. 34 of 19 May 2020 (the so-called "Relaunch Decree") issued following the Covid-19 emergency.

While acknowledging that overcoming such uncertainties depends only partly on variables and internal factors under management's control, the directors state that they assessed the reasonableness that all of the above circumstances could occur and, pending the positive definition and implementation of the composition with creditors procedure, the capital strengthening and refinancing manoeuvre and the related plan, they deemed it appropriate to prepare the consolidated financial statements under the going concern assumption.

The above shows that the group's ability to continue as a going concern is subject to many significant uncertainties with potential interactions and possible cumulative effects on the consolidated financial statements.

As a result of the above, the directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

— discussing the assessment of the going concern assumption and any events and circumstances that, individually or as whole, may give rise to material doubts as to the group's ability to continue as a going concern with the parent's directors;

— understanding the process adopted to prepare the composition plan and its subsequent updates;

— understanding and analysing, including by involving our own specialists, the cash flows presented in the composition plan and its main underlying assumptions;

— analysing the documentation relating to the composition with creditors proposal, including Webuild S.p.A.'s (formerly Salini Impregilo S.p.A.) offer and correspondence exchanged with this industrial investor, as well as the commitment letters setting out the commitments undertaken by the banks involved in the capital strengthening and refinancing manoeuvre provided for in the composition with creditors proposal;

— analysing the documents issued by and communications exchanged with the bodies dealing with the composition with creditors procedure (Rome Court, judicial commissioners and the expert);

— analysing the events after the reporting date to gather useful information for the assessment of the going concern assumption;

— assessing the appropriateness of the disclosures provided in the notes about the group's ability to continue as a going concern.

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of the parent in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements.

Because of the matter described in this section, we have not been able to form an opinion on the group's consolidated financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these matters.

In addition to that described in the "*Basis for disclaimer of opinion*" section, we have identified the following key audit matters to report herein.

Estimate of the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets

Notes to the consolidated financial statements: section "Accounting policies – paragraphs Impairment of other financial instruments and Use of estimates", note 22.1 "Other non-current assets" and note 38.4 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2019 include trade receivables and contract assets totalling €52 million relating to work carried out in Venezuela and recognised as other non-current assets, net of impairment losses of €381 million.	Our audit procedures included: — analysing the accounting policies used by the parent's directors to estimate the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets;

Key audit matter	Audit procedures addressing the key audit matter
Estimating the recoverable amount of such exposure, carried out by the parent's directors including with the assistance of an external expert, entails a high uncertainty level due to Venezuela's complex situation, as described by the parent's directors in the section "Accounting policies – paragraph Impairment of other financial instruments" of the notes to the consolidated financial statements. Therefore, we believe that the estimate of the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets is a key audit matter.	— analysing, including by involving our own specialists, the method and reasonableness of the assumptions used to estimate the recoverable amount through discussions with the directors and the relevant internal departments and checking the supporting documentation, including the opinion of the external expert engaged by the parent; — analysing the events after the reporting date to gather useful information for the measurement of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets; — assessing the appropriateness of the disclosures provided in the notes about the estimate of the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets.

Measurement of contract assets and liabilities and recognition of contract revenue

Notes to the consolidated financial statements: section "Accounting policies – paragraphs Contract revenue and Use of estimates", note 1 "Revenue from contracts with customers" and note 24 "Contract assets and liabilities, Costs capitalised to fulfil a contract"

Key audit matter	Audit procedures addressing the key audit matter

The consolidated financial statements at 31 December 2019 include contract assets of €794 million, contract liabilities of €384 million and contract revenue of €1,340 million recognised using the percentage of completion method based on incurred cost (cost to cost model).
 	
Measuring contract assets and liabilities and recognising contract revenue are based on the total forecast contract revenue and costs to complete construction contracts in progress and related estimated stage of completion. These estimates are affected by many factors, including:
— claims for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed;
	Our audit procedures included:
	— understanding the process for the measurement of contract assets and liabilities and recognition of contract revenue and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls.
	— For a sample of contracts:
	  – analysing construction contracts in order to check that the significant factors have been appropriately considered by the group;
	  – checking the recognition of costs and their allocation to the contract work in progress by analysing supporting documentation;

Key audit matter	Audit procedures addressing the key audit matter
— disputes with customers for fines and compensation for damages; — the contract activities' long timeframe, size and engineering and operating complexity; — the risk profile of certain countries in which the work is carried out. Therefore, we believe that the measurement of contract assets and liabilities and the recognition of contract revenue are a key audit matter.	– visiting work sites; – analysing the reasonableness of the key assumptions underlying the calculation of contract budgets through discussions with contracts' project managers and controllers, stages of completion, correspondence with customers about claims for additional consideration, fines and compensation for damages and information set out in the technical and legal opinions issued by the experts engaged by the group; – performing substantive analytical procedures for the most significant discrepancies between actual and forecast figures at the reporting date and at the previous year end and discussing the outcome with the relevant internal departments; – analysing the events after the reporting date to gather useful information for the measurement of contract assets and liabilities and recognition of contract revenue; — assessing the appropriateness of the disclosures provided in the notes about contract assets, liabilities and revenue.

Recoverability of investments in associates and joint ventures

Notes to the consolidated financial statements: section "Accounting policies – paragraphs Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets and Use of estimates", note 20.1 "Equity investments – Impairment testing"

Key audit matter	Audit procedures addressing the key audit matter
The consolidated financial statements at 31 December 2019 include investments of €454 million in associates and joint ventures. They are measured using the equity method and, when there are indicators of impairment, they are tested for impairment, by discounting the cash flows that are expected to be generated by the investees using the dividend discount model to calculate their recoverable amount. Impairment testing entails a high level of judgement, in addition to the uncertainty	Our audit procedures included: — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — analysing the reasonableness of the key assumptions used by the parent's directors to determine the investments' recoverable amount and the related forecast cash flows, as well as the assumptions used by the expert engaged by the parent to prepare the impairment test;

Key audit matter	Audit procedures addressing the key audit matter
inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the investees' sector, the actual cash flows generated by the investees in the last few years and the projected growth rates; — the financial parameters to be used to discount the above cash flows. Therefore, we believe that the recoverability of investments in associates and joint ventures is a key audit matter.	— checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the parent's directors; — comparing the income and cash flows used for impairment testing to the flows forecast in the investees' plans and analysing any discrepancies for reasonableness; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — analysing the events after the reporting date to gather useful information for the measurement of investments in associates and joint ventures; — assessing the appropriateness of the disclosures provided in the notes about the measurement of investments in associates and joint ventures.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

— identify and assess the risks of material misstatement of the consolidated 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 conclusion. 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 group's internal control;

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

— evaluate the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern;

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

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express a conclusion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2011, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2011 to 31 December 2019.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that this report is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Disclaimer of opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have been engaged to perform the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

Because of the significance of the matters described in the "*Basis for disclaimer of opinion"* section of our report on the audit of the consolidated financial statements, we are unable to express an opinion on the consistency of the directors' report and certain specific information presented in the report on corporate governance and ownership structure with the group's consolidated financial statements at 31 December 2019 or their compliance with the applicable law and to issue the statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity obtained through our audit.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Astaldi S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

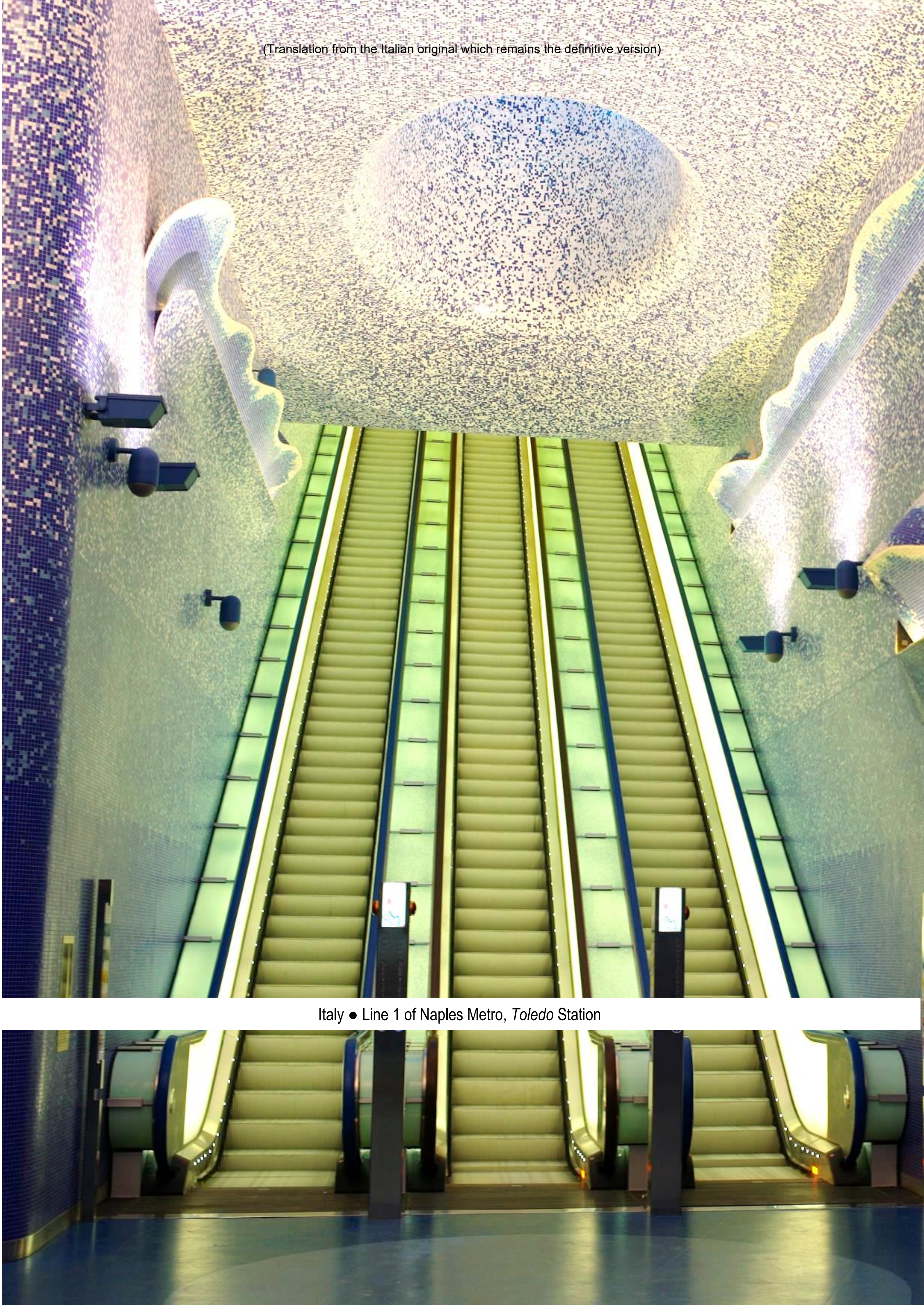
Rome, 10 July 2020

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit

Consolidated Financial Statements



Italy ● Line 1 of Naples Metro, *Toledo* Station

Contents

Statement of profit or loss

(€'000)	note	2019	2018*
Revenue		1,368,827	975,042
of which: related parties		*167,774*	*116,411*
Fines for contract terminations		0	(92,727)
Total revenue from contracts with customers	1	**1,368,827**	**882,315**
Other operating revenue	2	106,197	102,091
of which: related parties		*5,094*	*4,623*
Total operating revenue		**1,475,024**	**984,405**
Purchase costs	3	(203,358)	(295,049)
Service costs	4	(932,492)	(1,176,959)
of which: related parties		*(126,969)*	*(96,267)*
Personnel expenses	5	(300,872)	(468,366)
Other operating costs	6	(24,231)	(69,425)
of which: related parties		*(27)*	*(1,018)*
Total operating costs		**(1,460,954)**	**(2,009,799)**
Change in costs capitalised to fulfil a contract	7	(2,863)	1,995
Share of profits from joint ventures and associates	8	30,671	93,843
Gross operating profit (loss)		**41,878**	**(929,556)**
Amortisation, depreciation and impairment losses	9	(36,438)	(215,194)
Provisions	10	4,307	(190,279)
Operating profit (loss)		**9,747**	**(1,335,029)**
Financial income	11	56,556	113,260
Financial expense	12	(102,462)	(294,749)
Net financial expense		**(45,906)**	**(181,489)**
of which: related parties		*9,856*	*24,650*
Pre-tax loss from continuing operations		**(36,159)**	**(1,516,518)**
Income taxes	13	(27,804)	76,677
Loss from continuing operations		**(63,963)**	**(1,439,841)**
Loss from discontinued operations	14	**(6,620)**	**(472,328)**
of which: related parties		*112,852*	*53,126*
LOSS FOR THE YEAR		**(70,584)**	**(1,912,169)**
Loss attributable to the owners of the parent		72,000	1,908,424
(Profit) loss attributable to non-controlling interests		(1,417)	3,746
Loss per share	15		
Basic		(0.74)	(19.50)
Diluted		(0.74)	(19.50)
Loss per share from continuing operations			
Basic		(0.67)	(14.67)
Diluted		(0.67)	(14.67)

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted

Statement of comprehensive income

(€'000)	note	**2019**	**2018***
Loss for the year (A)		**(70,584)**	**(1,912,169)**
Change in fair value of cash flow hedging derivatives		0	13,052
Exchange differences from translation of financial statements in foreign currencies		1,997	13,299
Change in fair value of financial assets measured at FVTOCI		13,219	10,329
Share of other comprehensive income (expense) of equity-accounted investees		(48,585)	24,009
Share of other comprehensive income (expense) of discontinued operations		(16,416)	6,639
Tax effect		16,258	(10,067)
Other comprehensive income (expense), net of tax, that will be subsequently reclassified to profit or loss (B1)	**29**	**(33,525)**	**57,261**
Change in fair value of equity instruments measured at FVTOCI		2,014	(21,771)
Actuarial gains on defined benefit plans		12	143
Share of other comprehensive income (expense) of equity-accounted investees		0	0
Other comprehensive income (expense), net of tax, that will not be subsequently reclassified to profit or loss (B2)	**29**	**2,026**	**(21,629)**
Total other comprehensive income (expense), net of tax (B1)+(B2)=(B)		**(31,499)**	**35,632**
COMPREHENSIVE EXPENSE (A)+(B)	29	**(102,083)**	**(1,876,537)**
attributable to the owners of the parent		(103,468)	(1,877,080)
attributable to non-controlling interests		1,385	543

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

Statement of financial position

Assets

(€'000)	note	31/12/2019	31/12/2018**
ASSETS			
Non-current assets			
Property, plant and equipment	16	99,938	162,541
Right-of-use assets	17	38,724	0
Investment property	18	127	135
Intangible assets	19	48,295	53,740
Equity investments	20	502,088	487,770
of which: equity-accounted investments		*454,269*	*457,078*
Non-current financial assets	21	138,648	96,150
of which: related parties		*69,410*	*60,648*
Other non-current assets	22	117,677	136,109
Deferred tax assets	13	275,466	276,383
Total non-current assets		**1,220,962**	**1,212,828**
Current assets			
Inventories	23	38,231	42,976
Contract assets	24	794,098	755,159
of which: related parties		*19,787*	*50,938*
Costs capitalised to fulfil a contract	24	2,868	4,188
Trade receivables	25	604,976	608,748
of which: related parties		*42,273*	*65,835*
Current financial assets	21	110,388	72,166
of which: related parties		*17,304*	*11,272*
Tax assets	26	68,620	72,032
Other current assets	22	336,936	375,150
of which: related parties		*26,599*	*48,424*
Cash and cash equivalents	27	314,061	210,974
Total current assets		**2,270,179**	**2,141,393**
Non-current assets held for sale	28	356,028	***263,509***
of which: related parties		*213,151*	*191,067*
Total assets		**3,847,170**	**3,617,730**

** The group has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

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

Statement of financial position

Equity and liabilities

(€'000)	note	31/12/2019	31/12/2018**
EQUITY AND LIABILITIES			
Equity (Deficit)	)29		
Share capital		196,850	196,850
Treasury shares		(3,023)	(3,023)
Legal reserve		34,347	34,347
Extraordinary reserve		198,597	198,632
Retained earnings (losses carried forward)		(1,677,991)	229,751
Other reserves		(86,793)	(86,793)
Other comprehensive expense		(156,669)	(108,944)
Deferred tax on other comprehensive expense		24,857	8,599
Total capital and reserves		**(1,469,825)**	**469,418**
Loss for the year		(72,000)	(1,908,424)
Equity (Deficit) attributable to the owners of the parent		**(1,541,825)**	**(1,439,005)**
(Profit) loss attributable to non-controlling interests		1,417	(3,746)
Other comprehensive income attributable to non-controlling interests		70	103
Deferred tax on other comprehensive income attributable to non-controlling interests		0	0
Capital and other reserves attributable to non-controlling interests		250	3,775
Equity attributable to non-controlling interests		**1,737**	**132**
Total Equity (deficit)		**(1,540,088)**	**(1,438,873)**
Non-current liabilities			
Non-current financial liabilities	30	185,744	24,457
of which: related parties		*0*	*1,290*
Employee benefits	32	6,998	6,843
Deferred tax liabilities	13	62,395	76,233
Other non-current liabilities	31	1,090	2,974
Total non-current liabilities		**256,227**	**110,507**
Current liabilities			
Contract liabilities	24	384,063	289,925
of which: related parties		*91,552*	*93,817*
Trade payables	33	1,185,695	1,236,912
of which: related parties		*59,531*	*51,555*
Current financial liabilities	30	2,852,017	2,624,210
of which: related parties		*26,879*	*27,600*
Tax liabilities	34	61,845	63,439
Provisions for risks and charges	35	104,451	308,093
Other contract liabilities	36	48,893	71,552
Other current liabilities	31	299,472	*351,967*
of which: related parties		*3,686*	*2,598*
Total current liabilities		**4,936,435**	**4,946,098**
Liabilities directly associated with non-current assets held for sale	28	194,596	0
of which: related parties		*2,207*	*0*
Total liabilities		**5,387,258**	**5,056,605**
Total equity (deficit) and liabilities		**3,847,170**	**3,617,730**

** The group has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of changes in equity for the year ended 31 December 2019**

(€'000)	*Share capital*	*Treasury shares - non-current*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation reserve*	*Actuarial reserve*	*Fair value reserve*	*Deferred taxes on OCI*	*Other reserves*	*Retained earnings (losses carried forward)*	*Loss for the year*	**Equity (Deficit) attributable to the owners of the parent**	*Non-controlling interests*	**Total equity (deficit)**
Opening balance	**196,850**	**(3,023)**	**34,347**	**198,632**	**(43,388)**	**(59,669)**	**(333)**	**(5,553)**	**8,599**	**(86,793)**	**229,751**	**(1,908,424)**	**(1,439,005)**	**132**	**(1,438,873)**
Loss from continuing operations												(72,000)	**(72,000)**	1,417	**(70,583)**
Other comprehensive expense					(50,263)	(12,708)	12	15,233	16,258				**(31,467)**	(32)	**(31,499)**
COMPREHENSIVE EXPENSE	**0**	**0**	**0**	**0**	**(50,263)**	**(12,708)**	**12**	**15,233**	**16,258**	**0**	**0**	**(72,000)**	**(103,468)**	**1,385**	**(102,082)**
Owner transactions and other changes in equity:															0
Dividends															0
Reserve as per article 27															**0**
Treasury shares															**0**
Stock grant reserve															**0**
Allocation of 2018 loss from continuing operations				(35)							(1,908,424)	1,908,424		(35)	**(35)**
Transactions with non-controlling investors											648			255	**902**
Change in consolidation scope															**0**
Other changes															**0**
Closing balance	**196,850**	**(3,023)**	**34,347**	**198,597**	**(93,651)**	**(72,377)**	**(321)**	**9,680**	**24,857**	**(86,793)**	**(1,678,025)**	**(72,000)**	**(1,542,473)**	**1,737**	**(1,540,088)**

** The group has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of changes in equity for the year ended 31 December 2018**

(€'000)	*Share capital*	*Treasury shares*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation reserve*	*Actuarial reserve*	*Fair value reserve*	*Deferred taxes on OCI*	*Other reserves*	*Retained earnings*	*Loss for the year*	Deficit attributable to the owners of the parent	*Non-controlling interests*	Total deficit
Opening balance	**196,850**	**(1,080)**	**33,163**	**297,568**	**(58,913)**	**(95,506)**	**(460)**	**0**	**18,287**	**(1,461)**	**231,467**	**(101,175)**	**518,740**	**30,702**	**549,442**
Effects of IFRS 15 FTA										(56,689)			**(56,689)**	0	**(56,689)**
Effects of IFRS 9 FTA								5,889	(985)	(28,551)			**(23,647)**	(42)	**(23,689)**
Balance at 1 January 2018 including FTA effect of new standards	**196,850**	**(1,080)**	**33,163**	**297,568**	**(58,913)**	**(95,506)**	**(460)**	**5,889**	**17,302**	**(86,701)**	**231,467**	**(101,175)**	**438,404**	**30,660**	**469,064**
Loss from continuing operations												(1,908,424)	**(1,908,424)**	(3,746)	**(1,912,170)**
Other comprehensive income					15,525	35,836	127	(11,442)	(8,704)				**31,343**	4,288	**35,634**
COMPREHENSIVE EXPENSE	**0**	**0**	**0**	**0**	**15,525**	**35,836**	**127**	**(11,442)**	**(8,704)**	**0**	**0**	**(1,908,424)**	**(1,877,080**	**542**	**(1,876,539)**
Owner transactions and other changes in equity:															
Dividends														(7,334)	**(7,334)**
Reserve as per article 27															**0**
Treasury shares		(28)		84						(92)			**(36)**		**(36)**
Stock grant reserve															
Allocation of 2017 loss from continuing operations			1,184	(100,936)							(1,423)	101,175	**0**		**0**
Transactions with non-controlling investors											(293)		**(293)**	293	**0**
Change in consolidation scope													**0**	(24,030)	**(24,030)**
Other changes		(1,915)		1,915									**0**		**0**
Closing balance	**196,850**	**(3,023)**	**34,347**	**198,632**	**(43,388)**	**(59,669)**	**(333)**	**(5,553)**	**8,599**	**(86,793)**	**229,751**	**(1,908,424)**	**(1,439,005)**	**132**	**(1,438,873)**

The group has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of cash flows

Operating activities

(€'000)	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	**(70,584)**	**(1,912,169)**
Income taxes	27,804	(69,489)
Pre-tax loss	**(42,780)**	**(1,981,659)**
Adjustments for:		
• Non-monetary items		
Amortisation and depreciation	50,985	39,788
Impairment losses	(15,722)	372,620
Effects of equity accounting	(30,671)	(92,082)
Post-employment benefits and defined benefit plan costs	1,482	1,073
Stock grant plan costs	14	0
Accrual to (utilisation of) provisions for risks and charges	(39,148)	280,694
Fair value gains following adoption of fair value measurement and other	(775)	(15,769)
Sub total	**(33,836)**	**586,325**
• Monetary items		
(Gains) losses on disposals	(702)	1,676
• Other adjustments to reconcile the loss for the year to the cash flows from operating activities		
Net interest income and expense and dividends received	6,039	74,288
Sub total	**5,337**	**75,964**
Cash flows used in operating activities before changes in net working capital	**(71,278)**	**(1,319,370)**
Changes in working capital		
Trade receivables	(42,965)	(206,638)
of which: related parties	*23,464*	*(2,861)*
Inventories	8,479	(7,555)
Contract assets	(45,598)	646,311
of which: related parties	*31,150*	*225,965*
Costs capitalised to fulfil a contract	1,208	(2,183)
Trade payables	44,038	41,460
of which: related parties	*8,053*	786
Provisions for risks and charges	(107,602)	3,595
Contract liabilities	103,636	3,014
of which: related parties	*(502)*	*5,161*
Other operating assets	(1,881)	(13,488)
of which: related parties	*10,069*	21,255
Other operating liabilities	(70,308)	261,365
of which: related parties	*1,455*	*(2,624)*
Payment of post-employment benefits and defined benefit plans	(1,193)	(1,081)
Sub total	**(112,185)**	**724,799**
Exchange differences on the translation of financial statements of foreign operations	(10,895)	20,532
Cash flows used in operating activities	**(194,358)**	**(574,039)**
Interest and dividends received	18,784	24,683
Interest paid	(24,398)	(78,578)
Taxes paid	(17,491)	(23,419)
A) Net cash flows used in operating activities	**(217,463)**	**(651,353)**
of which: net cash flows used by disposal groups	***(2,442)***	***(40,235)***

*The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

Statement of cash flows
Investing and financing activities

(€'000)	**2019**	***2018**
Net investment in intangible assets	(2,359)	(685)
Investment in property, plant and equipment	30,002	(10,650)
Proceeds from the sale or reimbursement of property, plant and equipment	(23,900)	5,668
Change in financing of equity investments	(2,480)	2,970
of which: related parties	*0*	*2,396*
Payments to acquire investments or subscribe shares/quotas of associates and other companies	0	(10)
Sale or purchase of securities	(1,489)	(23,765)
Change in other loan assets, net	(54,938)	(3,729)
Total construction	**(55,164)**	**(30,202)**
Change in financial assets from concession activities	0	3,032
Change in financing of equity investments	(37,907)	(21,415)
of which: related parties	*(9,686)*	*(21,583)*
Payments to acquire investments or subscribe shares/quotas of associates and other companies	(10,632)	(12,842)
Proceeds from the sale or reimbursement of investments in associates and other companies	21,615	0
Change in lease payments receivable	20,053	770
Subtotal concessions	**(6,871)**	**(30,454)**
Total concessions	**(6,871)**	**(30,454)**
(Purchase) Sale of business unit/subsidiaries	0	3,466
B) Cash flows used in investing activities	**(62,034)**	**(57,190)**
of which: net cash flows generated by disposal groups	**9,152**	***201***
Dividends distributed to non-controlling investors	0	(7,334)
Net investment in treasury shares	0	56
Net gain (loss) on the trading in treasury shares	0	(92)
Redemptions and other net changes in bonds	130,221	0
Loans from parents	0	20,000
of which: related parties	*0*	*20,000*
Net use of credit facilities	289,692	362,972
Changes in other financial liabilities	639	(12,405)
of which: related parties	*(2,011)*	*13,543*
Payment of finance leases	(33,461)	(20,929)
Changes in non-controlling interests and other changes	(3,745)	847
C) Cash flows generated by financing activities	**383,345**	**343,116**
of which: net cash flows generated (used) by disposal groups	**(8,444)**	***11,166***
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**103,848**	**(365,427)**
OPENING CASH AND CASH EQUIVALENTS	**210,974**	**576,401**
CLOSING CASH AND CASH EQUIVALENTS	**[1]314,823**	**210,974**

***The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

[1] Including bank deposits of €762 thousand of the non-current assets held for sale.

Notes to the consolidated financial statements

General information

Astaldi Group (the "group"), which has been operating for over ninety years in Italy and abroad in the design and construction of large civil engineering works, is one of the most important groups in the international construction sector and is a leading general contractor and promoter of project finance initiatives in Italy.

The Astaldi Group is an international market player and one of the major general contractors in Italy. It has a large share of the European and global construction market. It mostly operates as an EPC[2] contractor and delivers complex and integrated projects. It designs, develops and operates public infrastructure and large-scale civil engineering works.

The parent, Astaldi S.p.A., is a company limited by shares with registered offices at Via Giulio Vincenzo Bona 65, Rome, listed on the Milan Stock Exchange since June 2002. The duration of the parent is currently set until 31 December 2100.

At the date of preparation of these consolidated financial statements, Astaldi S.p.A. is not managed or coordinated by any of its shareholders as its board of directors is responsible for taking all and the most suitable decisions regarding its management in a fully independent manner.

The parent's board of directors approved the consolidated financial statements as at and for the year ended 31 December 2019 during the meeting held on 16 June 2020.

Foreword

Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law

On 28 September 2018, Astaldi S.p.A. ("Astaldi" or the "parent") filed its application (no. 63/2018) with the Rome Court for its composition with creditors procedure as per article 161.6 of the Bankruptcy Law[3] (the "composition with creditors procedure" or the "composition procedure") in order to present its proposal of composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law.

On 17 October 2018, the Rome Court granted a 60-day period to allow the parent to file its composition with creditors proposal, the related plan and the additional documentation required by article 161.2/3 of the Bankruptcy Law. The court concurrently appointed Stefano Ambrosini, Vincenzo Ioffredi and Francesco Rocchi as the judicial commissioners. The Rome Court also ordered the parent file once a month *(i)* an updated report on its financial position, and *(ii)* a report on the status of the composition proposal and the composition plan, and its current operations, including financial, with a description of the key transactions performed, of a contractual, operating, industrial, financial or settlement nature of more than €500 thousand, specifying the cash-in-hand and the key changes (the parent has regularly complied with this requirement during the procedure).

On 18 December 2018, the deadline for the presentation of the composition proposal in accordance with the application filed by the parent as per article 161.6 of the Bankruptcy Law was extended for another 60 days given the complexity of the activities to be performed as part of the composition plan and the procedure. Therefore, the

[2] Engineering, Procurement, Construction.
[3] Bankruptcy Law – Royal decree no. 267 of 16 March 1942 as subsequently amended.

deadline set for the presentation of the composition plan[4] and proposal in accordance with article 160 and subsequent articles of the Bankruptcy Law was 14 February 2019.

Reference should be made to the directors' report for additional information on (i) the ongoing procedure; (ii) the other composition with creditors procedures involving certain subsidiaries, the most important of which is NBI S.p.A. ("NBI"); (iii) the reasons why the parent applied for the composition with creditors procedure; and (iv) a description of the composition with creditors proposal presented to the Rome Court, which it accepted on 5 August 2019 and which was subsequently approved by the creditors with a majority vote in excess of 69%.

The "Events after the reporting date – Composition with creditors on a going concern basis (updates after the reporting date)" section provides information on the status of the ongoing proceedings.

Main risks and uncertainties

Going concern

Due to the complicated situation of the parent and the group detailed in the directors' report, management carried out a meticulous examination of their ability to continue as going concerns.

Specifically, when approving the draft financial statements at 31 December 2019 (which were only approved on 16 June 2020 due to the composition with creditors procedure commenced on 28 September 2018), the board of directors made all the assessments required to ascertain the parent's and group's ability to continue as going concerns, taking into consideration all the information available on predictable future events.

Astaldi filed an application as per article 161.6 of the Bankruptcy Law on 28 September 2018, thus commencing a process to turn around itself and its group based on an integrated going concern manoeuvre over a period of five years (2019-2023), including four years after the date of authorisation of the composition with creditors proposal, as follows:

(i) Astaldi's continuation of activities in order to ensure its ability to continue as a going concern by directly managing the parent;

(ii) a capital strengthening and refinancing manoeuvre, mainly via: (a) capital increases initially of €323.65 million with possible additional capital increases following the exercise of warrants and other share issues as a result of the conversion of unsecured claims presented subsequently, and (b) new financing granted and paid out for up to a maximum of €200 million by banks supporting the composition with creditors procedure;

(iii) the sale of activities and assets excluded from the core assets scope and transferred to a separate unit set up in accordance with article 2447-bis of the Italian Civil Code to satisfy unsecured creditors.

The above actions are part of an integrated manoeuvre under the composition with creditors proposal and are inextricably linked to one another. Therefore, the success of the entire manoeuvre depends on each individual transaction or event taking place.

In 2017 (see the 2017 Annual Report and Interim Financial Report at 31 March 2018 for further details), the parent began to look for potential industrial investors in order to acquire new resources to meet the financial requirements for the continuity of its contracts and exploit possible synergies with operators in the same sector.

Though the transaction has not yet been finalised, it should be noted that Astaldi, IHI Corporation and IHI Infrastructure Systems Co, a subsidiary of IHI Corporation, entered into an industrial strategic partnership agreement (the "**global partnership agreement**") on 15 May 2018 aimed at enhancing respective skills and strengths through synergies, including of a commercial nature. At the same time, Astaldi, its reference shareholders and IHI Corporation ("**IHI**") also signed an investment agreement (the "**investment agreement**"),

[4] The 2018-2023 business plan attached to the composition proposal.

under which IHI will acquire an interest in the parent equal to approximately 18% of Astaldi's share capital and approximately 13% of its overall voting rights.

On 15 November 2018, Webuild S.p.A. (formerly Salini Impregilo S.p.A.) ("Webuild") issued a communication that, in short, set out its interest in acquiring an infrastructure construction business unit. On 13 February 2019, Webuild issued a binding offer, subsequently integrated on 28 March, 20 May, 18 June and 15 July 2019, proposing to acquire an investment in Astaldi as part of its restructuring process ("Webuild's binding offer"). On 14 February 2019, the parent filed its composition with creditors proposal, prepared on the basis of Webuild's binding offer, together with the relevant documentation. Finally, on 19 June 2019, the parent filed a brief replying to the request for clarifications received from the Rome Court, simultaneously filing an updated version of the composition with creditors proposal, the composition plan and the related report, followed by further integrations on 16 July, 20 July and 2 August 2019.

Specifically, the composition with creditors proposal provides for:

1. the parent's continuation of its activities in order to ensure its ability to continue as a going concern by directly managing the business unit solely comprising Engineering, Procurement & Construction (EPC) activities, facility management and complex system management and certain minor concessions implicit in EPC activities;
2. a capital strengthening and refinancing manoeuvre, entailing:

a) a cash capital increase of €225 million reserved to Webuild, excluding a rights offering for the current shareholders, at an issue price of €0.23 each (twenty-three cents) per share;

b) a divisible capital increase of €98.65 million, excluding a rights offering for the current shareholders, to service the conversion into Astaldi shares of the total filed unsecured claims or potential unsecured claims, accrued in the provision for risks, that may be filed in the meantime, at a rate of 12.493 shares for each €100 of filed or potential unsecured claim against Astaldi (the equivalent of an issue price of €0.23 per share);

3. the issue - as per the financing agreements (cash and bonding facilities) underpinning the composition with creditors proposal - of warrants for Astaldi's lending banks (the "bonus warrants") to be exercised against payment at the terms and conditions set out in the regulation attached to Webuild's binding offer. The number of bonus warrants approved for issue shall be sufficient to allow Astaldi's lending banks to subscribe a number of ordinary Astaldi shares against consideration and during the established exercise window at a price of €0.23 per share for up to 5% of the share capital as it stands immediately after the two capital increases mentioned above;
4. Webuild's binding offer provides for a third possible divisible capital increase, excluding a rights offering for the current shareholders, of a maximum amount (to be decided subsequently) to satisfy additional unsecured creditors, not included in the composition plan, that present claims subsequently, if the amounts claimed are higher than the accruals to the provision for the unsecured claims as per the plan with the right to receive 12.493 ordinary shares for each €100 of the filed or potential unsecured claim.

The impact of this possible capital increase is not included in the plan, but the possibility is provided for in order to clarify that any unsecured creditors not currently included in the plan will receive the same treatment as the other unsecured creditors. This complies with article 184 of the Bankruptcy Law as it enables all creditors existing before the application for the composition with creditors procedure is filed with the company registrar to be treated on like terms;

5. Webuild's binding offer also provides for the issue of anti-dilutive warrants to Webuild with the related possible issue of the parent's ordinary shares to ensure that its investment in Astaldi will not be diluted should other unsecured creditors that are not provided for in the composition plan present a claim ("anti-dilutive warrants"). The anti-dilutive warrants may not reverse any dilution of investments of all future Astaldi shareholders due to the exercise of the bonus warrants (and resulting share issue) by the banks involved in granting the new credit facilities;

6. a first issue of pre-preferential bonds on 12 February 2019 for €75 million (the "Fortress bonds" or "bonds") subscribed by Fortress and authorised by the court following the application presented by Astaldi as per article 182-quinquies.3 of the Bankruptcy Law;
7. actions taken by Webuild (via its wholly-owned newco Beyond S.r.l.) and illimity Bank S.p.A. to (i) repurchase the Fortress bonds (first issue), and (ii) subscribe an additional issue of the pre-preferential bonds for up to €125 million (second issue). €50 million was issued as part of the second issue on 2 December 2019 and €63.9 million on 10 February 2020, for a total bond issue of €188.9 million (first and second issues);
8. the granting of a revolving credit facility by banks for €200 million ("RCF 200"), to be used after the composition with creditors procedure is authorised and the Webuild capital increase is made, in order to fund Astaldi's ordinary activities, including the full redemption (with funds from the credit facility) of any residual portion of the pre-preferential bonds set out in points 6 and 7. The RCF 200 is a pre-preferential facility provided as per the composition with creditors procedure as per articles 111 and 182-quater of the Bankruptcy Law;
9. the granting of bonding facilities for a total of €384 million as per article 182-quinquies.1 of the Bankruptcy Law, aimed at providing Astaldi with the resources needed to issue guarantees for projects in progress and/or on stand-by or pending award (the contract was signed with banks on 10 August 2019);
10. the sale of specific assets excluded from the core assets scope and which will be transferred to a separate unit as per article 2447-bis of the Italian Civil Code along with other assets/liabilities set out in the composition plan of 19 June 2019. The proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of participating financial instruments.

The main assets to be transferred to the separate unit set up as resolved by Astaldi's board of directors on 24 May 2020 are:

a. Astaldi's gross amount due from IC Içtas Inşaat Sanayi ve Ticaret A.Ş. (ICTAS) for the sale of its 20% investment in Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusun Ve Kuzey Marmana Otoyolu Yatirim Ve Isletme Anonim Sirketi (an SPE that holds the concession to build and operate the Third Bosphorus Bridge - the "Third Bosphorus Bridge operator") (the "Third Bosphorus Bridge receivable" and with regard to the original investment, the "Third Bosphorus Bridge investment") and the related shareholder loan. The deed of sale for the Third Bosphorus Bridge investment and the Third Bosphorus Bridge receivable, originally included in the composition proposal, was signed by Astaldi and ICTAS on 17 March 2020;

b. the shareholder loans and investments held directly by Astaldi in the operators of: *(i)* the Gebze-Orhangazi-Izmir Motorway in Turkey, and *(ii)* the Etlik Integrated Health Campus in Ankara, Turkey;

c. the shareholder loans and investments held indirectly by Astaldi, via Astaldi Concessioni S.p.A., in the operators of: *(i)* the Arturo Merino Benitez International Airport of Santiago, Chile, *(ii)* the West Metropolitan Hospital in Santiago, Chile and *(iii)* the Etlik Integrated Health Campus mentioned above;

d. amounts due from Instituto de Ferrocarriles del Estado (IFE) of Venezuela for the projects to build the Puerto Cabello-La Encrucijada and San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway line sections (the "Venezuelan financial assets");

e. the building and appurtenance land in Via G.V. Bona 65, Rome, which houses the parent's current offices.

In accordance with the composition plan, as per the board of directors' resolution of 24 May 2020, the parent set up the separate unit as per article 2447-bis of the Italian Civil Code, which will include the investee Astaldi Concessioni S.p.A. which was, in turn, partially proportionately demerged, under notary public Salvatore Mariconda's deed of 28 May 2020, in order to separate the non-core assets which remain with the demerged Astaldi Concessioni from the core assets to be transferred to a newco also fully controlled by Astaldi.

The composition with creditors proposal covers the settlement of the following claims at the reference date (28 September 2018) amounting to €3,598 million, including:

(i) pre-preferential claims totalling €67.8 million, mainly comprised of the fees of judicial commissioners and consultants involved in the procedure and provisions for pre-preferential claims;

(ii) preferential claims totalling €96.7 million, mainly (i) tax liabilities of €28.3 million, (ii) provisions for preferential claims (i.e., the provision for tax disputes) of €22.1 million, (iii) preferential trade payables (i.e., artisans and professionals) of €20.5 million, and (iv) payables to employees of €12.7 million;

(iii) unsecured claims totalling €3,433.5 million, mainly (i) bank loans and borrowings and payables to bondholders of €2,557.1 million, (ii) trade payables of €329.5 million, (iii) intragroup payables of €155.8 million, and (iv) provisions for unsecured claims totalling €378.6 million.

With regard to such total claims, the composition with creditors proposal provides that:

1. pre-preferential claims and management costs will be paid in full when due;
2. pre-preferential claims related to the loans agreed as per article 182-quinquies of the Bankruptcy Law will be settled in full;
3. preferential claims will be satisfied in full within one year of the authorisation of the composition with creditors procedure as per the moratorium under article 186-bis of the Bankruptcy Law;
4. unsecured claims (not broken down by class), including preferential claims downgraded to unsecured as per article 160.2 of the Bankruptcy Law, will be satisfied within 120 days of the authorisation date via:
   - new shares assigned to unsecured creditors at 12.493 new shares for each €100 of claim;
   - participating financial instruments that give creditors the right to receive the net proceeds on the sale of the assets transferred to the separate unit, in the ratio of one participating financial instrument for each euro of their unsecured claim;
5. the tax and social security liabilities will be settled within one year from the authorisation of the composition with creditors application at the terms and conditions set out in the proposal to settle such tax and social security liabilities as per article 182-ter of the Bankruptcy Law. This provides for, in short: (i) the full payment of the preferential tax/social security liabilities within 12 months from the authorisation date; (ii) the partial payment of any unsecured liabilities through the assignment of shares and participating financial instruments in the same ratio as that offered to the other unsecured creditors; and (iii) the complete elimination of the potential tax liability arising on the tax assessment (currently pending before the Campania Regional Tax Commission), without prejudice to that set out in point 3 above;
6. the subordinated claims will not be satisfied during the period of the composition plan.

The Rome Court accepted the parent’s application for the composition with creditors procedure on 5 August 2019 and set the date for the creditors’ meeting before the delegated judge as 6 February 2020. On 27 November 2019, the court postponed the meeting to 26 March 2020 and then postponed it further to 9 April 2020 on 23 March 2020.

After reading the minutes of the creditors’ meeting of 9 April and the information provided by the judicial commissioners on the definitive outcome of the vote held on 30 April 2020, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote, with its ruling of 4 May 2020, the court set the hearing date for the authorisation of the composition with creditors to be attended by the parties involved and the judicial commissioners as 23 June 2020.

Based on the above, the parent’s directors made extremely thorough evaluations on the going concern assumption, duly considering the specific stages of its overall application for composition with creditors. Specifically, the directors took into account all information available on predictable future events, considering all aspects characterised by significant uncertainty that could raise considerable doubts as to the ability of the parent and the group to continue as going concerns, as follows:

a. **Authorisation of the composition with creditors:** As mentioned earlier, the hearing date for the authorisation of the composition with creditors was set for 23 June 2020. Astaldi, the judicial commissioners, any dissenting creditors and any interested parties must present themselves at least ten days prior to the hearing date, as per article 180.2 of the Bankruptcy Law. The judicial commissioners shall file their reasoned opinion within the same date. Following the hearing and after assessing any objections and the reasoned opinion of the judicial commissioners, the court shall decide whether to issue its decree authorising the composition with creditors as per article 180 of the Bankruptcy Law.

b. **Conditions precedent of Webuild's binding offer:**

   i) Definitive authorisation of the composition with creditors procedure by 31 March 2021, i.e., the Rome Court issuing a decree as per article 180 of the Bankruptcy Law authorising Astaldi's composition with creditors application that is definitive and no longer subject to claims. Specifically, the decree is considered definitive and no longer subject to claims:

   - when it has been filed, if no objections are made; or
   - if objections are made, within 30 days after the last of the following requirements has been fulfilled: (1) filing of the decree authorising the composition with creditors procedure with the Rome company registrar; (2) notification of the decree to the creditors as per articles 17 and 180 of the Bankruptcy Law without any appeals being made in the meantime as per article 183 of the Bankruptcy Law; or
   - if objections are made, if the decree authorising the composition with creditors procedure is appealed as per article 183 of the Bankruptcy Law, and (i) the appeal as per article 183 of the Bankruptcy Law is discontinued by the claimant(s) (even after settlement) resulting in the decree becoming definitive when the claimant formally discontinues the claim, or (ii) when the Rome Court of Appeal rejects the claim.

c. *No events or circumstances arising before the definitive authorisation date* that (individually or together) could compromise the judicial, economic and/or financial feasibility conditions underlying the composition with creditors proposal and the composition plan prepared on the basis of Webuild's binding offer, as possibly amended or integrated as per article 162 of the Bankruptcy Law or subsequent amendments to the proposal and plan as per article 172.2 of the Bankruptcy Law, the content of which shall be agreed with Webuild.

   In addition to the above conditions precedent, Webuild's binding offer also requires that:

   - there are no significant changes to the amount and/or nature and composition of the claims for which proof was filed without Webuild's prior written notification of its continued interest in the transaction;
   - the statement of financial position in Astaldi's first separate and consolidated financial statements approved after the definitive authorisation of the composition with creditors, which therefore reflects the debt-discharging effect of the composition with creditors procedure, is substantially in line with that set out in the composition plan;
   - Astaldi's subsidiaries owning contracts listed in Webuild's binding offer terminate such contracts in a manner that ensures that their termination does not lead to payables, charges, liabilities or obligations for Astaldi to be borne outside the unsecured claims provided for as part of the composition (i.e., provided for in the related provision for risks in the plan attached to Webuild's binding offer);
   - Astaldi continues as a going concern, i.e., it can continue performing its contracts and operations and, specifically, continue its existing contracts and projects which at the offer date are mostly suspended or, in any case, restricted due to Astaldi's financial difficulties.

d. **Capital strengthening and refinancing manoeuvre:** the implementation of the capital strengthening and refinancing manoeuvre under the composition with creditors proposal described earlier provides for, in short: capital increases reserved to Webuild and unsecured creditors; obtaining revolving credit facilities of €200 million from banks; and the sale of specific assets excluded from the core assets scope and which will be transferred to a separate unit as per article 2447-bis of the Italian Civil Code along with other assets/liabilities. The proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of participating financial instruments.

e. **Meeting the targets set out in the composition plan:** effectively reaching the financial and performance targets that will confirm the group's turnaround under the provisions of the plan. They also depend on future, uncertain variables that cannot be controlled, e.g., variables that could affect (i) the amount and timing of new contracts, (ii) the timing of collecting additional fees for variations, price revisions, incentives and claims compared to the contractually agreed amounts and (iii) the amount and timing of collecting advances from customers, estimated based on the parent's application for the benefits provided by urgent measures introduced to aid the liquidity of contractors under Decree law no. 34 of 19 May 2020 (the so-called "Relaunch Decree") issued following the Covid-19 emergency.

In light of the above, the parent's directors duly requested and obtained the information needed to assess the reasonableness that all of the above circumstances could occur, i.e., the significant uncertainties that could lead to material doubts as to the group's ability to continue as a going concern. As a result, they deemed it appropriate to prepare the consolidated financial statements at 31 December 2019 under the going concern assumption.

Specifically, the parent's directors based their conclusions on the following considerations, with reference to each of the elements of uncertainty listed above:

1. with regard to points a) and b):
   i. as mentioned earlier, the authorisation process of the composition with creditors procedure is at a very advanced stage. Indeed, with its decree issued on 5 August 2019, the Rome Court authorised the commencement of the procedure proposed by the parent. The creditors' meeting was held on 9 April 2020. Then, after reading the minutes of the creditors' meeting and the information provided by the judicial commissioners on the definitive outcome of the vote held on 30 April 2020, whereby the proposal was approved by a majority of 69.40% of the creditors eligible to vote, with its ruling of 4 May 2020, the court set the hearing date for the authorisation of the composition with creditors to be attended by the parties involved and the judicial commissioners as 23 June 2020. Also based on the opinions of their external legal advisers, the parent's directors believe that the objections presented to the Rome Court to date which will be discussed at the authorisation hearing set for 23 June 2020 will not jeopardise the success of the composition with creditors application as they are mostly focused on matters already analysed and assessed during the procedure even should such objections lead to claims to the Court of Appeal subsequent to the authorisation decree. Therefore, there is no reason to believe that the court will not authorise the composition with creditors application and that such authorisation would not be confirmed by the Court of Appeal in the event of any subsequent claims;
   ii. based on the analysis performed by the parent's directors, at the date of approval of the draft consolidated financial statements, there have been no events or circumstances that (individually or together) could compromise the judicial, economic and/or financial feasibility conditions underlying the composition with creditors proposal and the composition plan prepared on the basis of Webuild's binding offer, or provisions such not to ensure that all the underlying assumptions of the offer are met;
2. with regard to point c), the parent's directors deem it reasonable to assume that the capital strengthening and refinancing manoeuvre under the composition with creditors proposal will be successfully implemented once definitive authorisation of the composition with creditors procedure has been granted. The project includes capital increases reserved to Webuild and unsecured creditors and revolving credit facilities of €200 million from banks to enable the parent's continuity. The directors' assumption is based on Webuild's binding offer as well as the commitments undertaken by the banks

involved in the manoeuvre and formalised in specific commitment letters attached to the offer. In addition, Webuild completed a capital increase of €600 million on 12 November 2019. This is key to Progetto Italia as one of the essential elements of the project is acquiring control of Astaldi once it has completed its capital strengthening and refinancing manoeuvre. Astaldi's planned capital increase is naturally also subject to other conditions outside of its control, such as the shareholders approving the transaction and CONSOB (the Italian commission for listed companies and the stock exchange) authorising the publication of the relevant prospectus to be issued for the capital increase. It seems reasonable to assume that the voting of Astaldi's shareholders will be in line with Webuild's binding offer as the majority shareholder has already made binding commitments on 14 February, 14 June and 16 July 2019 to vote in favour of the resolutions needed to implement the manoeuvre. With regard to the CONSOB authorisation, on the other hand, it seems reasonable to assume that it will be granted, also considering that: (i) the capital increase is imperative for the capital strengthening and refinancing manoeuvre; (ii) the latter has already been communicated to the market and CONSOB; (iii) the entire cash amount to be injected has already been guaranteed; (iv) the company documentation required by ruling legislation to obtain the authorisation is already being drafted and finalising and sharing it with CONSOB should not be an issue for the parent;

3. finally, with regard to point d) relating to uncertainties linked to the composition plan, the plan was certified by a professional appointed under the composition with creditors procedure in their reports dated 14 February 2019, 19 June 2019 and 16 July 2020. Based on this fact and the respective checks carried out, the feasibility of the plan was also approved by the judicial commissioners appointed by the Rome Court who issued their report as per article 172 of the Bankruptcy Law on 10 February 2020. At their meeting held on 9 April 2020, the creditors also approved the plan with a large majority (69.40%). Finally, the directors carefully monitored and assessed all subsequent events regarding the achievement of the plan targets, which is also impacted by the collection of slow-moving items and advances from customers as per the urgent measures introduced to aid liquidity under the Relaunch Decree issued following the Covid-19 emergency. The directors did not detect any critical issues further to the uncertainties mentioned previously.

   In conclusion, though the actions described above entail significant uncertainties that could lead to material doubts as to the parent's and the group's ability to continue as going concerns, the parent's directors prepared the consolidated financial statements at 31 December 2018 under the going concern assumption. Based on the considerations listed above, they deem it reasonable to assume that the tough situation that the parent and the group are facing can be overcome by defining and implementing the composition with creditors procedure, the capital strengthening and refinancing manoeuvre and the related plan.

The existence and overcoming of such uncertainties depend only partly on variables and internal factors under management's control and depend on external factors that have been assessed using the criteria of reasonableness set out above.

Risks related to Covid-19 (the Coronavirus)

At the date of preparation of these consolidated financial statements, the Italian and other EU and non-EU governments have applied extraordinary measures to curb the spread of the Covid-19 virus (the Coronavirus), declared a pandemic by the World Health Organisation. See the "Events after the reporting date - The spread of Covid-19 (the Coronavirus)" section for more information.

Significant contractual events

ITALY // COURT OF AUDITORS PROCEEDINGS ON LINE C OF THE ROME METRO – With order no. 486/2019 published on 10 January 2019, the joint session of the Court of Cassation ruled the lack of jurisdiction of the Court of Auditors over the management of the general contractor Metro C S.c.p.A. ("Metro C") (including members of Astaldi senior management) for the first hearing pending before the Court of Auditors in relation to the variations introduced for Line C of the Rome Metro in the period from 2006 to 2010. Given that Metro C was not even summonsed for the second hearing on the events occurred after 2010 - and particularly the out-of-court agreement and the implementing act -, it is presumed that the general contractor and its management are definitively not subject to liability for the alleged damage to the state related to the construction of Line C of the Rome Metro.

ITALY // CRIMINAL PROCEEDINGS RELATED TO LINE C OF THE ROME METRO – With regard to the preliminary investigations for the out-of-court agreement between Roma Metropolitane and Metro C S.c.p.A., on 23 January 2019, an extension was requested for the preliminary investigations into the SPE, the general contractor Metro C (34.5% held by Astaldi), in relation to the crime as per Legislative decree no. 231/2001. Metro C adopted the model as per Legislative decree no. 231/2001 with board of directors' resolution of 20 December 2007. There are no proceedings as per Legislative decree no. 231/2001 against Astaldi.

ITALY // LINE C OF THE ROME METRO (AOSTA FACTOR VS METRO C SCPA) – In January 2013, Aosta Factoring ("AF") and Astaldi signed a recourse factoring framework agreement for future receivables that will derive from works on Line C of the Rome Metro. Astaldi is a shareholder of the SPE (as general contractor) Metro C S.c.p.a. set up to construct Line C of the Rome Metro for Roma Metropolitane S.r.l. (owned by the Rome municipal authorities). The SPE's shareholders are Astaldi, Vianini Lavori S.p.A., Consorzio Cooperative Costruzioni and Ansaldo STS S.p.A.. Under the factoring agreement, Astaldi assigned some invoices issued to Metro C for its share of the contractual fees due in line with its investment in the SPE. Metro C did not pay the factored invoices, despite AF's reminders, because, as per the applicable statutory provisions, its receivables cannot be factored. AF issued an enforcement notice to Metro C, which led to the latter's accounts being frozen, in order to collect the unpaid amounts. This was then suspended as agreements were reached between Metro C and AF. The above led to a legal dispute between the parties, which is currently pending. In order to claim for potential damage - yet to be checked and assessed - that could be incurred by Metro C and the partners due to the legal dispute with AF, Metro C decided to apply for arbitration against Astaldi. The arbitration board was appointed on 18 March 2020 but it is not known whether the relevant application has been filed. The board postponed the first hearing from 25 June 2020 to 14 September 2020. Therefore, though it prudently appeared before the arbitration board, the parent cannot yet appraise Metro C's claims and does not know what to offer as its defence or what evidence will be presented by Metro C.

MEXICO // LAND TRANSPORT LOGISTICS HUB ("LTLH") AT MEXICO CITY AIRPORT – On 25 January 2019, the customer (Grupo Aeroportuario Ciudad México) terminated the contract early for reasons of public interest (inter alia, due to lack of funding). In the draft final bill the customer did not include any charge for the contractor, that, in turn, is quantifying the costs resulting from the termination of the contract to be subsequently discussed with the customer. Meetings are being held with the customer to reach an agreement on the percentage of completion of the works and the relevant consideration, in addition to the costs and charges resulting from the termination of the contract. To avoid the time limit for taking action expiring, a formal appeal for the payment of costs was presented to the local courts.

TURKEY // STANDSTILL AGREEMENT – Due to the fact that Turkey does not recognise the composition with creditors on a going concern basis procedure, thus excluding Turkish creditors from the protection guaranteed by such procedure, Astaldi commenced negotiations in 2019 with some Turkish banks that have claims with the Turkish branch (also related to commitments deriving from the guarantees issued in favour of the subsidiary Astur) in order to reach a standstill agreement on credit collection actions pending the sale of the investments in the SPEs awarded the contracts to construct and operate important public works in Turkey, under the understanding that the banks would receive full settlement of their claims when the sale is made.

Under the standstill agreement, upon the sale of the first Turkish asset and collection of the related amount, the Turkish banks will receive full repayment of the principal and full payment of the interest expense calculated at the contractual (non-default) rate up to the date of repayment of the principal. The standstill agreement will expire at the earliest of: *(i)* the date when the sale price of the first Turkish asset (i.e., the Third Bosphorus Bridge operator) is collected and *(ii)* 18 months after the signing of the agreement. The banks that signed the agreement with Astaldi in September 2019 are T. Vakiflar Bankasi T.A.O., T.C. Ziraat Bankası A.Ş., Ziraat Katılım Bankası A.Ş and T. İş Bankası A.Ş.

CHILE // WEST METROPOLITAN HOSPITAL IN SANTIAGO (FORMERLY THE FELIX BULNES HOSPITAL) – The Chilean Ministry of Public Works awarded the contract for the construction, repair, maintenance and operation of the Felix Bulnes Hospital to Astaldi Concessioni which, in accordance with the terms of the tender, set up Sociedad Concesionaria Metropolitana De Salud S.A. ("SCMS" or the "operator"). The operator then entrusted the turnkey construction of the hospital to Astaldi's Chilean branch. However, right from the design stage, events and circumstances arose not attributable to the branch that impacted the work schedule, leading to higher costs and more time required to perform the project. On 4 December 2018, the operator issued Astaldi with a default notice (notificacion de incumplimiento) asking it to present a recovery plan. While challenging the validity of the notice, Astaldi presented a recovery plan for the completion of the project. On 2 January 2019, SCMS unduly terminated the construction contract. On the same date, the contractor challenged the termination and requested arbitration before the Santiago Chamber of Commerce, claiming that termination was unlawful and requesting return of the enforced guarantees (performance bond and advance payment bond), payment for the work performed and compensation for damage and lost profit. The proceedings are currently at a preliminary stage. Also based on the opinions of their external legal advisers, the directors deem the reasons for return of the enforced guarantees to be founded.

Basis of presentation and segment reporting

The Astaldi Group's consolidated financial statements as at and for the year ended 31 December 2019 have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and applicable at the reporting date.

All the standards and interpretations referred to above are herein referred to as the "IFRS". Reference has also been made to the measures issued by CONSOB implementing article 9.3 of Legislative decree no. 38/2005.

The consolidated financial statements comprise:

1. a statement of profit or loss;
2. a statement of comprehensive income;
3. a statement of financial position;
4. a statement of cash flows;
5. a statement of changes in equity;
6. these notes.

The group has chosen to present the statement of comprehensive income in two separate statements as permitted under IAS 1.81. Therefore, it presents a statement showing items making up the profit (loss) for the year (statement of profit or loss) and a statement which adds the other comprehensive income (expense) to the profit (loss) for the year (statement of comprehensive income).

Moreover, captions are classified by nature in the statement of profit or loss. This classification reflects the management reporting model used by the group and, therefore, has been preferred to the presentation of captions according to their destination, as it provides information in a manner that better reflects the group's operations.

The statement of financial position classifies assets and liabilities as current or non-current, as allowed by paragraph 60 and following paragraphs of IAS 1.

The statement of cash flows breaks down the cash flows for the year by operating, investing and financing activities. Cash flows from the operating activities are shown using the indirect method. Cash flows from investing activities are shown separately for the construction and concessions segments.

The statement of changes in equity is drawn up in compliance with IAS 1, taking into account comprehensive income.

Finally, the group applied a management approach to segment reporting, taking into account the elements that senior management uses for taking its strategic and operating decisions and defining the specific reportable segments. Segment reporting specifically refers to the various geographical segments in which the group operates and is prepared using the same accounting policies used for the consolidated financial statements. Reference should be made to note 37 for the presentation of segment reporting.

All figures are shown in thousands of Euros, unless stated otherwise. Consequently, there may be minor differences in the total amounts shown in some statements compared to the sum of the individual amounts comprising the total due to rounding.

Preliminary considerations about the comparability of figures

Discontinued operations

As provided for by the 2018-2023 business plan approved by its board of directors on 13 February 2019 and filed with the Rome Court together with the application for composition with creditors procedure on 14 February 2019, Astaldi initiated an in-depth analysis of its order backlog in order to progressively curtail the intrinsic risk in individual projects.

In line with the business plan, the solution found was cutting back the group's presence in countries considered higher risk and choosing more economically and financially sustainable projects.

Specifically, the new business plan clearly defined the order backlog in countries where the group's industrial activities will be focused and, thus, the countries (mainly Central American countries and Russia, with respect to 2019) where the parent will disengage from activities as they no longer meet revised commercial and business planning strategies.
In line with the business plan guidelines, Astaldi:

- reached an agreement to fully transfer its activities in progress in Russia to its partner ICTAS, as part of the sale of the Third Bosphorus Bridge operator agreed on 20 June 2019;
- suspended the operations of its Honduras branch after the local judicial authorities appointed an administrator on 25 May 2019 in order to sell the branch's assets to satisfy its creditors;
- in 2019, discontinued its business activities in the other geographical segments identified under the parent's new business plan.

Based on the above and as the conditions set out in paragraph 32.a) and b) of IFRS 5 - Non-current assets held for sale and discontinued operations were deemed to have been met, the parent's directors reclassified its revenue and costs related to those geographical segments in which it has discontinued its operations to the caption "Loss from discontinued operations" in the statement of profit or loss (loss of €6 million) as described in more detail in note 14.

In accordance with IFRS 5.34, the parent restated the comparative figures in the statement of profit or loss and the statement of comprehensive income, reclassifying the revenue and costs for 2018 related to these geographical segments to the "Loss from discontinued operations". This did not affect the loss for 2018 or the deficit at 31 December 2018. More information is available in notes 14 (Loss from discontinued operations) and 28 (Non-current assets held for sale and liabilities directly associated with non-current assets held for sale) and the statement of cash flows.

Consolidation scope

At 31 December 2019, the consolidation scope includes:

	Nature of investment	Recognition	Construction	Concessions and O&M	Plant engineering and facility management	Total
Subsidiaries	Control	Consolidation	51	7	11	69
- *of which: Italy*			*26*	*2*	*10*	*38*
Joint ventures	Joint control	Equity accounting	14	4	0	18
- *of which: Italy*			*10*	*0*	*0*	*10*
Associates	Significant influence	Equity accounting	29	6	2	37
- *of which: Italy*			*24*	*2*	*2*	*28*

Astaldi group companies

Subsidiaries

Construction	Registered office	Operating office	Share/quota capital/consortium fund Nominal amount	Funct-ional currency	Investment %	Direct investment	Indirect investment	Indirect investor
Italy								
Afragola FS Società consortile a Responsabilità Limitata	Rome	Italy	€10,000	EUR	100.00%	82.54%	17.46%	NBI S.p.A.
AR.GI S.c.p.A.	Rome	Italy	€35,000,000	EUR	99.99%	99.99%	0.00%	
AS. M. S.c.r.l.	Naples	Italy	€10,000	EUR	75.91%	75.91%	0.00%	
Bussentina S.c.r.l. in liquidation	Rome	Italy	€25,500	EUR	78.90%	78.90%	0.00%	
C.O.MES. in liquidazione S.r.l.	Rome	Italy	€20,000	EUR	55.00%	55.00%	0.00%	
Capodichino AS.M S.c.r.l.	Naples	Italy	€10,000	EUR	66.83%	66.83%	0.00%	
CO.ME.NA S.c.r.l. in liquidation	Naples	Italy	€20,658	EUR	70.43%	70.43%	0.00%	
CO.MERI S.p.A.	Rome	Italy	€35,000,000	EUR	99.99%	99.99%	0.00%	
Consorzio Stabile Operae	Rome	Italy	€500,000	EUR	99.00%	98.00%	1.00%	Sartori Tecnologie Industriali S.r.l.
Dirpa 2 S.c.ar.l.	Rome	Italy	€50,009,998	EUR	98.99%	0.00%	99.99%	Consorzio Stabile Operae
DMS DESIGN CONSORTIUM s.c.r.l.	Rome	Italy	€10,000	EUR	60.00%	60.00%	0.00%	
Forum S.c.r.l.	Rome	Italy	€51,000	EUR	79.98%	79.98%	0.00%	
Garbi Linea 5 S.c.a.r.l. in liquidation	Rome	Italy	€10,000	EUR	100.00%	100.00%	0.00%	
Infraflegrea Progetto S.p.A.	Naples	Italy	€500,000	EUR	51.00%	51.00%	0.00%	
Italstrade S.p.A.	Rome	Italy	€16,515,578	EUR	100.00%	100.00%	0.00%	
Messina Stadio S.c.r.l. in liquidation	Milan	Italy	€45,900	EUR	100.00%	100.00%	0.00%	
Nuovo Ospedale Sud Est Barese S.c.r.l. - NOSEB S.c.r.l.	Rome	Italy	€50,000	EUR	70.00%	70.00%	0.00%	

Ospedale del Mare S.C.r.l. in liquidation	Rome	Italy	€50,000	EUR	100.00%	100.00%	0.00%
Partenopea Finanza di Progetto S.c.p.A.	Naples	Italy	€9,300,000	EUR	99.99%	99.99%	0.00%
Portovesme S.c.r.l. in liquidation	Milan	Italy	€25,500	EUR	99.98%	99.98%	0.00%
S. Filippo S.c.r.l. in liquidation	Rome	Italy	€10,200	EUR	80.00%	80.00%	0.00%
S.P.T. - Società Passante Torino S.C.r.l.	Rome	Italy	€50,000	EUR	82.50%	82.50%	0.00%
Scuola Carabinieri S.C.r..l in liquidation	Rome	Italy	€50,000	EUR	76.40%	76.40%	0.00%
Sirjo Scpa	Rome	Italy	€30,000,000	EUR	60.00%	60.00%	0.00%
Susa Dora Quattro S.c.r.l. in liquidation	Rome	Italy	€51,000	EUR	90.00%	90.00%	0.00%
Toledo S.c.r.l. in liquidation	Naples	Italy	€50,000	EUR	90.39%	90.39%	0.00%

Abroad

AGN Haga AB	Gothenburg	Sweden	SEK500,000	SEK	40.00%	40.00%	0.00%	
Asocierii Astaldi S.p.A., Sc Somet sa, sc Tiab sa, sc Uti grup sa (Line 4 of the Bucharest Metro)	Bucharest (Romania)	Romania	- - - -	EUR	40.00%	40.00%	0.00%	
Astaldi Algerie - E.u.r.l.	Algiers	Algeria	DZD54,979,619	DZD	100.00%	100.00%	0.00%	
Astaldi Arabia Ltd.	Riyadh	Saudi Arabia	SAR5,000,000	USD	100.00%	60.00%	40.00%	Astaldi International Ltd.
Astaldi Bulgaria LTD	Sofia	Bulgaria	BGN5,000	BGN	100.00%	100.00%	0.00%	
Astaldi Canada Design & Construction Inc.	Montreal	Canada	CAD100	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.
Astaldi Canada Enterprises Inc.	Montreal	Canada	CAD100	CAD	100.00%	100.00%	0.00%	
Astaldi Canada Inc.	Montreal	Canada	CAD50,020,000	CAD	100.00%	100.00%	0.00%	
Astaldi Construction Corporation	Davie (Florida)	USA	USD18,972,000	USD	65.81%	65.81%	0.00%	
Astaldi de Venezuela C.A.	Caracas	Venezuela	VEF110,300	EUR	99.80%	99.80%	0.00%	
Astaldi India Services LLP	Mumbai	India	-----	INR	99.99%	99.99%	0.00%	
Astaldi International Inc.	Monrovia	Liberia	USD3,000,000	EUR	100.00%	100.00%	0.00%	
Astaldi International Ltd.	London	United Kingdom	GBP2,000,000	GBP	100.00%	100.00%	0.00%	
Astaldi Mobilinx Hurontario GP Inc.	Montréal (Canada)	Canada	----	CAD	100.000%	0.00%	100.000%	Astaldi Canada Enterprises Inc.
Astaldi Polska Sp. z o.o.	Warsaw	Poland	PLN120,000	PLN	100.00%	100.00%	0.00%	
Astaldi-Max Bogl-CCCF JV S.r.l.	Bucharest	Romania	RON40,000	EUR	66.00%	66.00%	0.00%	
Astalnica S.A.	Managua	Nicaragua	NIO2,000,000	NIO	98.00%	98.00%	0.00%	
ASTALROM S.A.	Calarasi	Romania	RON3,809,898	RON	99.68%	99.68%	0.00%	
Astur Construction and Trade A.S.	Ankara	Turkey	TRY35,500,000	USD	100.00%	100.00%	0.00%	
Constructora Astaldi Cachapoal Limitada	Santiago	Chile	CLP10,000,000	CLP	99.90%	99.90%	0.00%	
Italstrade CCCF JV Romis S.r.l.	Bucharest	Romania	RON540,000	EUR	51.00%	51.00%	0.00%	
Redo-Association Momentanée	Kinshasa	Democratic Republic	CDF0.5	EUR	100.00%	75.00%	25.00%	Astaldi International Ltd.

		of the Congo						
Romairport S.r.l.	Rome (Italy)	Romania	€500,000	EUR	99.26%	99.26%	0.00%	
Seac S.p.a.r.l. in liquidation	Kinshasa	Democratic Republic of the Congo	CDF400	EUR	100.00%	100.00%	0.00%	
T.E.Q. Construction Enterprise Inc.	Montreal	Canada	CAD11,080,515	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.

Concessions and O&M

Italy

Astaldi Concessioni S.p.A.	Rome	Italy	€83,000,000	EUR	100.00%	100.00%	0.00%	
GE.SAT S.c. a r.l.	Prato	Italy	€10,000	EUR	53.85%	35.00%	18.85%	Astaldi Concessioni S.p.A.

Abroad

Mondial Milas - Bodrum Havalimani Uluslararasi Terminal Isletmeciligi Ve Yatirim A.S.	Ankara	Turkey	TRY37,518,000	EUR	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
Sociedad Austral Mantenciones y Operaciones S.p.A.	Santiago	Chile	CLP1,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. 75% - NBI 25%
Sociedad Concesionaria Aguas de Punilla S.A.	Santiago	Chile	CLP40,000,000,000	CLP	99.998%	0.00%	99.998%	Astaldi Concessioni S.p.A.
Transmisora del Sur S.p.A.	Santiago	Chile	CLP1,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. - Chilean branch
Valle Aconcagua S.A.	Santiago	Chile	CLP17,132,991,411	USD	84.31%	0.00%	82.54%	Astaldi Concessioni S.p.A.

Plant engineering and facility management

Italy

3E System S.r.l. in liquidation	Bologna	Italy	€10,000	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
A10 S.c.a r.l.	Bologna	Italy	€10,000	EUR	62.52%	0.00%	62.52%	NBI S.p.A.
Bielle Impianti S.c..r.l. in liquidation	Bologna	Italy	€100,000	EUR	75.00%	0.00%	75.00%	NBI S.p.A.
CO.VA S.c.r.l. in liquidation	Bologna	Italy	€10,000	EUR	60.00%	0.00%	60.00%	NBI S.p.A.
Consorzio Stabile Busi in liquidation	Bologna	Italy	€100,000	EUR	95.00%	0.00%	95.00%	NBI S.p.A., 3E System S.r.l.
DEAS Società Consortile a Responsabilità Limitata	Bologna	Italy	€10,000	EUR	57.00%	0.00%	57.00%	NBI S.p.A.
LAGUNA S.c.a r.l. in liquidation	Bologna	Italy	€10,000	EUR	84.70%	0.00%	84.70%	NBI S.p.A.
NBI S.p.A.	Rome	Italy	€7,500,000	EUR	100.00%	100.00%	0.00%	
Sartori Tecnologie Industriali S.r.l.	Brindisi	Italy	€500,000	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
Tione 2008 S.c.r.l. in liquidation	Bologna	Italy	€100,000	EUR	76.00%	0.00%	80.00%	Consorzio Stabile Busi

Abroad

NBI Elektrik Elektromekanik Tesisat Insaat Sanayi Ve Ticaret L.S.	Istanbul	Turkey	TRY10,720,000	TRY	100.00%	0.00%	100.00%	NBI S.p.A. Astur Construction and Trade A.S.

Key joint arrangements and associates*

Joint ventures	Registered office	Operating office	Operating segment	Share/quota capital/consortium fund Nominal amount	Functional currency	Investment %	Direct investment	Indirect investment	Indirect investo
Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim A.s.	Istanbul	Turkey	CO	TRY267,240,000	EUR	51.00%	5.00%	46.00%	Astaldi Concessioni S.

Joint operations

Asocierea Astaldi – FCC – Salcef – Thales, Lot 2a	Bucharest	Romania	C	- - - -	RON	49.50%	49.50%	0.00%	
Asocierea Astaldi – FCC – Salcef – Thales, Lot 2b	Bucharest	Romania	C	- - - -	RON	49.50%	49.50%	0.00%	
Asocierea Astaldi Spa – Max Boegl Romania Srl – Astalrom Sa – Consitrans S.R.L. (Ogra-Campia Turzii)	Bucharest	Romania	C	- - - -	RON	40.00%	40.00%	0.00%	
ASOCIEREA LOT 3 FCC-ASTALDI-CONVENSA	Bucharest	Romania	C	- - - -	RON	49.50%	49.50%	0.00%	
Astaldi-Turkerler Joint Venture	Ankara	Turkey	C	- - - -	EUR	51.00%	51.00%	0.00%	
Gebze-Izmir Otoyolu Insaati (Nomayg) Adi Ortakligi	Ankara	Turkey	C	- - - -	USD	17.50%	17.50%	0.00%	
UJV Astaldi S.p.A. Chilean branch, Vinci CGP Chilean branch and VCGP	Santiago	Chile	C	- - - -	CLP	50.00%	49.50%	1.00%	VCGP - Astaldi Ingenieria y Construccion Limitada

Associates

Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusu Kuzey Marmara Otoyolu Yatirim Ve Isletme AS	Ankara	Turkey	CO	TRY666,600,000	USD	20.00%	20.00%	0.00%	
METRO C S.c.p.a.	Rome (Italy)	Italy	C	€150,000,000	EUR	34.50%	34.50%	0.00%	
Otoyol Yatirim Ve Isletme A.S.	Ankara	Turkey	CO	TRY4,180,000,000	USD	18.86%	18.86%	0.00%	

* Key joint ventures and associates are those investments in which the group's investment's carrying amount exceeds €15 million and in joint operations with revenue exceeding €15 million.

C = Construction; CO = Concessions

Interests in unconsolidated structured entities

Astaldi does not directly or indirectly hold interests in structured entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls them (IFRS 12.24-31/B21).

Consolidated subsidiaries that have non-controlling interests that are material to the parent

There are no subsidiaries that have non-controlling interests that may individually and significantly affect the main consolidated financial figures. Moreover, in most cases, the proportion of voting rights held by non-controlling interests reflects their proportion of interest in profit or loss and equity.

Judgements and assumptions used in defining the consolidation scope

Certain judgements and assumptions were necessary to identify the correct treatment of some equity investments, especially in relation to:

- **Control of specified assets:**

As part of the acquisition of the "Quadrilatero" industrial complex, Astaldi acquired Consorzio Stabile Operae ("CSO") in 2015. The agreements with the seller[5] provided Astaldi S.p.A. with a guarantee against the possible reduction in CSO's equity, since the seller undertook to discharge the acquiree's liabilities existing at the acquisition date. Considering the sale agreement provisions and the special legislation governing companies under extraordinary administration, the parent's management held that:

- the pre-acquisition assets and liabilities of CSO were to be treated as deemed a separate entity (silo) in accordance with IFRS 10.B76 and following paragraphs;
- the parent did not control the silo as all activities that significantly affect its returns are de facto managed by the special commissioner.

Based on the above considerations, the group once again did not consolidate the silo's assets and liabilities.

- **Investees not controlled by the group despite its holding more than half of the voting rights:**

Astaldi has interests in various special purpose entities with other companies in the sector, where the unanimous approval of the parties to the arrangement is required for decisions concerning the relevant activities. Consequently, it has classified some of these entities, which are not particularly significant for the group's business, as joint arrangements <u>although it holds more than half of their voting rights.</u>

- **Companies over which the group exercises significant influence despite its holding less than 20% of their voting rights:**

As the conditions of IAS 28.6 are met, the group believes that it can exercise significant influence over the investees involved in the Gebze-Orhangazi-Izmir Motorway project in Turkey although it holds less than 20% of their voting rights (18.14%). Specifically, based on its analysis, the parent can actively participate in defining the investees' policies in the light of the following considerations:

(i) the investees have six investors, five of which each holding an interest of around 20%;
(ii) none of the investors have individual or joint control over the investees;
(iii) the parent is suitably represented on the investees' boards of directors.

[5] Special commissioner of Impresa and SAF.

- **Joint arrangements structured through a separate vehicle**

The joint operations (JO) in which the group is involved are usually “transparent” vehicles, which do not entail the segregation of the vehicle’s assets from those of the venturers. However, a very limited number of joint arrangements structured thorough a separate vehicle (five[6]) required checking whether the related contractual arrangements attributed the SPE’s rights and obligations directly to the venturers. Based on the analyses carried out and the opinions of highly reputable advisors, management believes that the arrangements give the venturers (and hence the parent) title to the assets and obligations for the liabilities of the SPE and that, therefore, the joint arrangements qualify as joint operations pursuant to IFRS 11.

Main changes in the consolidation scope

The table below shows the main changes in the consolidation scope compared to the previous year end:

Company name	Type of company	Event
Astaldi India Services LLP	Subsidiary	Incorporation
Astaldi Mobilinx Hurontario GP Inc.	Subsidiary	Incorporation
Mobilinx Hurontario DBJV	Joint Operation	Incorporation
Mobilinx Hurontario Contractor CJV	Joint Operation	Incorporation
Astaldi Infrastructure S.p.A.	Subsidiary	Wound up
Astaldi Enterprise S.p.A.	Subsidiary	Wound up

Loss of control over investees during the year

The parent did not directly or indirectly through its subsidiaries undertake in any transactions during the year that would have led to the loss of control over its investees.

Changes in the group’s investments in subsidiaries that did not entail loss of control

The group did not engage in any transactions that would have changed its investments in subsidiaries during the year.

Reporting dates of the consolidated companies’ financial statements

The reporting dates of the subsidiaries’ financial statements are the same as that of the parent’s. On the other hand, for a small number of associates and joint ventures, management used their most recent reporting packages officially sent to the parent for the preparation of these consolidated financial statements, even though their reporting dates were different.

These companies, to which the group does not provide administrative services, are mostly involved in special projects relating to contract works awaiting inspection or nearing completion. Moreover, their revenue and costs are usually nonetheless included in the consolidated financial statements as they solely pursue consortium purposes (special purpose entities: consortium companies and consortia) and recharge all costs they incur in performing their activities to their investors, which are part of the Astaldi Group.

[6] Mostly relating to the consortium companies that entail the recharging of costs provided for by the Italian Civil Code.

Accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements at 31 December 2019 are summarised below.

Basis of consolidation

Subsidiaries

An investor controls an investee when it has the practical ability to unilaterally direct the activities that significantly affect the investee's returns.

As required by IFRS 10 - Consolidated financial statements, Appendix [A], the group combines like items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries. The subsidiaries' financial statements are consolidated from the date the parent gains control until the date when the parent ceases to control the subsidiary.

In order to present the group's financial information as if it were a single economic entity, the following adjustments are subsequently made:

a) the carrying amount of the investments is offset by the parent's portion of equity of each subsidiary;
b) the parent's portion of equity of each subsidiary and their profit or loss for the year attributable to non-controlling interests is recognised separately in equity and profit or loss;
c) profits deriving from transactions between consolidated companies and not yet realised with third parties are eliminated as are receivables, payables, revenue and costs, guarantees, obligations and contingencies between consolidated companies;
d) intragroup losses are not eliminated since they show an actual decrease in the fair value of the asset sold.

Any difference between the acquisition cost and the relevant portion of equity relating to investments acquired after control has been obtained (acquisition of non-controlling interests) is recognised as equity attributable to owners of the parent. Similarly, gains and losses deriving from the sale of non-controlling interests without loss of control are recognised in equity. On the other hand, if the sale of investments involves the loss of control, the following are recognised in profit or loss: *(i)* any gains/losses calculated as the difference between the consideration received and the relevant portion of equity transferred; *(ii)* any fair value gains/losses on the residual investment maintained; *(iii)* any amounts recognised under other comprehensive income in relation to the former subsidiary that should be reclassified to profit or loss.

Interests in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control, i.e., when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, they are measured differently depending on whether they are:

- JOINT OPERATIONS (JO): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement;

- JOINT VENTURES (JV): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under IFRS 11, an entity shall determine if it is involved in a JO or a JV by considering its rights and obligations arising from the arrangement. It assesses its rights and obligations, considering substance over form.

The standard requires that JV be recognised in the consolidated financial statements using the equity method.

As regards JO, since the parties to the arrangement share rights to the assets and take on the obligations for the liabilities arising from the arrangement, IFRS 11 requires that each joint operator recognise, in its own financial statements, its share of the assets, liabilities, costs and revenue of the JO.

Investments in associates

An associate is an entity over which the parent has significant influence, i.e., the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are measured using the equity method.

Equity method

Interests in joint ventures and investments in associates are measured using the equity method, whereby they are initially recognised at cost.

Any difference between the cost of the investment and the parent's share of the net fair value of the investee's identifiable assets and liabilities, calculated on the basis of IFRS 3 - Business Combinations, is accounted for as follows:

a) cost of investment higher than the parent's share of the net fair value of the individual assets and liabilities acquired: this is usually goodwill, which in accordance with IAS 28.32, is not recognised separately but is included in the carrying amount of the investment;
b) cost of investment lower than the group's share of the net fair value of the individual assets and liabilities: this is included as income in the determination of the investor's share of the investee's profit or loss in the year in which the investment is acquired.

Appropriate adjustments to the carrying amount of the investment are subsequently made in order to account for: *(i)* the investor's share of the investee's profit or loss after acquisition, and *(ii)* the parent's share of the investee's other comprehensive income. Any dividends distributed by the investee reduce the carrying amount of the investment.

The group's share of any profits arising from transactions with equity-accounted investees and not yet realised with third parties are eliminated, while losses are not eliminated since they show an actual decrease in the fair value of the assets sold.

Translation of foreign currency transactions and financial statements of foreign operations

The consolidated financial statements are drawn up in Euros, which is the parent's functional and presentation currency.

Translation of foreign currency transactions into the functional currency

Items are presented in the financial statements of each group company in the currency of the primary economic environment in which the company operates (functional currency). In these financial statements, the items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, assets and liabilities to be received or paid in a fixed or determinable number of units of currency) or non-monetary (inventories, property, plant and equipment, goodwill, other intangible assets, etc.) are initially recognised at the exchange rate enacted on the transaction date. They are subsequently translated into the functional currency using the closing rate and the resulting exchange differences are recognised in profit or loss.

After initial recognition, non-monetary items are translated at the transaction-date exchange rate, unless they are measured at fair value, in accordance with the relevant standards. In the latter case, the exchange differences are treated as fair value gains or losses on those items and may be either recognised in *(i)* profit or loss if related to investment property measured at fair value pursuant to IAS 40 or decreases in fair value in accordance with IAS 16, or *(ii)* equity if related to equity instruments classified as available for sale or as increases in fair value in accordance with IAS 16.

Translation of financial statements into the presentation currency

Foreign currency financial statements are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate;
- costs, revenue, income and expenses are translated at average exchange rates for the year or at the exchange rates at the dates of the transactions if these are significantly different to the average rates;
- equity items, excluding the profit or loss for the year, are translated at the historical exchange rate.
- The translation reserve includes both the exchange differences generated by the translation of income and expenses at a different rate from the closing rate and those generated by the translation of opening equity at a different rate to the closing rate.

The following exchange rates were used to translate the results and financial position of companies that have a functional currency other than the Euro:

Currency	Closing rate 31 December 2019	Average rate 2019	Closing rate 31 December 2018	Average rate 2018
Algerian dinar	133.8916	133.6757	135.4881	137.6525
New Bulgarian lev	1.9558	1.9558	1.9558	1.9558
Canadian dollar	1.4598	1.4855	1.5605	1.5294
Chilean peso	844.8600	786.8932	794.3700	756.9400
United Arab Emirates dirham	4.1257	4.1113	4.2050	4.3371
Indonesian rupiah	15,595.6000	15,835.2674	16,500.0000	16,803.2200
Moroccan dirham	10.7810	10.7658	10.9390	11.0820
Nicaraguan cordoba oro	38.0375	37.1597	37.2491	37.3355
Peruvian nuevo sol	3.7255	3.7364	3.8630	3.8793
Pound sterling	0.8508	0.8778	0.8945	0.8847
Polish zloty	4.2568	4.2976	4.3014	4.2615
Romanian new leu	4.7830	4.7453	4.6635	4.6540
Russian rouble	69.9563	72.4553	79.7153	74.0416
US dollar	1.1234	1.1195	1.1450	1.1810
New Turkish lira	6.6843	6.3578	6.0588	5.7077
Venezuelan bolivar soberano	52,308.3738	14,692.8600	729.8027	**n.a**

In the case of a currency of a hyperinflationary economy as defined by IAS 29, the group applies the requirements of that standard.

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred in order to prepare the assets for use, as well as any future costs for dismantling and removal needed to restore the site to its original conditions.

Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss when incurred. Costs for the extension, renovation or improvement of owned or leased assets are capitalised solely to the extent they meet the requirements for separate classification as an asset or portions of an asset. Borrowing costs are capitalised if they meet the requirements of IAS 23, i.e., when they are specifically related to loans received to purchase the individual assets.

The carrying amount of an asset is adjusted by depreciation on a straight-line basis, calculated in relation to the residual possibility of use based on its useful life. Assets cannot be depreciated according to the revenue they generate during their useful life.

Depreciation begins when the asset becomes available for use. The group has estimated the useful life of the various classes of assets as follows:

	Years
Buildings	20 - 33
Plant and machinery	5 - 10
Equipment	3 - 5
Other assets	5 - 8

Land, including land pertaining to buildings, is not depreciated.

Should the asset subject to depreciation be composed of distinctly identifiable parts, whose useful life differs significantly from that of the other parts forming the asset, depreciation is applied separately for each of the parts, applying the component approach.

Profits and losses from the sale of assets or groups of assets are calculated as the difference between the assets' fair value loss costs to sell and carrying amount.

Leased property, plant and equipment

IFRS 16 covers the recognition, measurement, presentation of and disclosures about leases and replaces IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - Incentives and SIC-27 - Evaluating the substance of transactions involving the legal form of a lease starting from 2019.

Specifically, IFRS 16 defines a lease as a contract that conveys the right to use an asset to the customer (the lessee) for a period of time in exchange for consideration.

The new standard provides for a single presentation model for lessees for both a finance or an operating lease, which is that an asset (right to use) and a liability (the obligation to make the payments contractually provided for) be recognised for any lease with a term of more that twelve months.

On the other hand, with reference to the financial statements of lessors, IFRS 16 does not introduce significant changes, maintaining the distinction between operating and finance leases.

IFRS 16 has also significantly incremented the disclosure requirements of IAS 17, but it specifies that the disclosures are to be provided only when it is helpful for users of financial statements.

At inception of a contract, the group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The group has adopted a single model to recognise and measure all leases, except for short-term leases or leases for which the underlying asset is of low value. It recognises a lease liability and a right-of-use asset.

i) Right-of-use asset

The group recognises a right-of-use asset at the commencement date (the date on which the underlying asset is ready for use). It measures the right-of-use asset at cost, net of any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. The group depreciates the right-of-use asset on a straight-line basis from the commencement date to the end of the useful life of the underlying asset.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Right-of-use assets are tested for impairment (more information is available in the section on the impairment of intangible assets).

ii) Lease liabilities

At the commencement date, the group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable by the group under residual value guarantees. The lease payments also include the exercise price of a purchase option if the group is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as costs (unless they have been incurred to produce inventories) in the period in which the event or condition that generated the payment occurs.

At the commencement date, the group measures the lease liability at the present value of the lease payments that are not paid at that date using the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the carrying amount of the lease liability increases to reflect interest on the lease liability and reduces to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured to reflect any reassessment or lease modification or any change in the lease term which revises the lease payments or a change in the assessment of an option to purchase the underlying asset or changes in future payments due to modification of the index or rate used to determine the payments.

iii) Short-term leases and leases of low-value assets

The group has applied the exemption for the recognition of short-term leases for machinery and equipment (i.e., leases with a term of twelve months or less at the commencement date that do not have a purchase option). It also applied the exemption for leases of low-value assets (office equipment). The related lease payments are expensed on a straight-line basis over the lease term.

As lessor

Lease contracts where the group is lessor and retains all the risks and rewards incidental to ownership of the asset are recognised as operating leases. The related lease income is recognised on a straight-line basis over the lease term under revenue in the statement of profit or loss given its operating nature. The initial direct costs are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. Lease payments that were not provided for are recognised as income in the period in which they accrue.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the group. They are recognised at acquisition and/or development cost, including directly attributable costs of preparing the asset for its intended use, net of accumulated amortisation (with the exception of assets with an indefinite useful life, whose carrying amount is tested for impairment pursuant to IAS 36) and any impairment losses. Amortisation is calculated from when the asset becomes available for use and is applied on a straight-line basis according to the remaining possibility of use, i.e., on the basis of its useful life. A rate taking its actual use into account is applied in the year in which the intangible asset is recognised for the first time.

Industrial patents and intellectual property rights are recognised at purchase cost net of amortisation and any accumulated impairment losses.

Amortisation is calculated starting from when the acquired rights are available for use and takes into account the assets' useful life (2–5 years).

Licenses and similar rights are recognised at cost, net of amortisation and any accumulated impairment losses. Amortisation is calculated starting from when title thereto is acquired in relation to their useful life.

Rights for the use of infrastructure under concession are amortised over the concession term, with a pattern that reflects the way in which the economic benefits are expected to flow to the group. Amortisation is calculated from when the rights for the use of infrastructure under concession start to produce the related economic benefits.

The use of the revenue generated by individual assets cannot generally be used as a basis for calculating amortisation. This prohibition can only be overcome if one of the following conditions occurs:

a) *the intangible asset is expressed as a measurement of revenue:* use of the intangible asset depends on a fixed amount of revenue to be generated and not a set time period or a set volume of goods produced or sold;

b) *the group can show that the expected revenue and consumption of the economic benefits embodied in the intangible asset are closely interrelated:* in this case, the group shall be able to clearly show that use of revenue to calculate amortisation of an intangible asset does not lead to significant differences from the other methods allowed by IAS 38.

Goodwill recognised as part of a business combination is allocated to each cash-generating unit identified and is recognised under intangible assets. It represents the positive difference between the cost incurred for the acquisition of a company or business unit and the net fair value of the acquired assets and liabilities of that company or business unit. The contingent assets and liabilities acquired and identifiable are recognised at their fair value at the acquisition date. On the other hand, any negative difference is immediately recognised in profit or loss. After initial recognition, goodwill is not amortised, but may be tested for impairment.

It is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 - Impairment of assets.

Business combinations

Upon first-time adoption of the IFRS, the group decided not to apply IFRS 3 - Business combinations retrospectively for acquisitions made before 1 January 2004.

Business combinations prior to 1 January 2010 and completed within that year are recognised in accordance with the provisions of IFRS 3 (2004). Specifically, they are recognised using the purchase method, whereby the consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the acquisition-related costs. The consideration transferred is allocated by recognising the identifiable assets, liabilities, including contingent liabilities, of the acquiree at fair value. The excess of the consideration transferred over the fair values of the group's share of the net assets acquired is recognised as goodwill. If the difference is negative, it is recognised in profit or loss. When the fair value of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognised by using these provisional amounts. The carrying amount of non-controlling interests is calculated proportionally to the non-controlling interests in net assets. In business combinations achieved in stages, when control is obtained, fair value gains and losses on the net assets previously held by the acquirer are recognised in equity. Any adjustments arising from the completion of the measurement process are recognised within twelve months of the acquisition date.

Business combinations carried out after 1 January 2010 are recognised in accordance with IFRS 3 (2008). Specifically, they are recognised using the acquisition method, whereby the consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the acquirer. The costs directly attributable to the acquisition are recognised in profit or loss. The consideration transferred is allocated by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their acquisition-date fair value. Any excess between the acquisition-date fair value of the consideration transferred plus any non-controlling interests and the net fair value of the acquiree's identifiable assets and liabilities is recognised as goodwill. If the difference is negative, it is recognised in profit or loss. The non-controlling interests' share is calculated proportionally to the non-controlling interests in the investee's identifiable net assets, i.e., their acquisition-date fair value.

If the fair value of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognised by using these provisional amounts. Any adjustments deriving from the completion of the measurement process are recognised within twelve months of the acquisition date, restating the corresponding figures.

In a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in profit or loss.

Business combinations carried out in 2019

No business combinations were carried out in 2019.

Investment property

Investment property is recognised as an asset when it is held to earn rentals or for capital appreciation, provided that the cost of the asset can be measured reliably and it is probable that the relevant future economic benefits will flow to the group.

Investment property is measured at purchase or construction cost, increased by any transaction costs, net of accumulated depreciation and any accumulated impairment losses.

Its useful life is between 20 and 33 years.

It is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets

Intangible assets with an indefinite useful life and intangible assets under development with a finite useful life are tested for impairment at least annually.

At each reporting date, the group checks that no events or changes in circumstances took place indicating that property, plant and equipment and intangible assets (other than those with an indefinite useful life or under development) may have been impaired.

Where necessary, when the recoverable amount of individual assets cannot be determined, the group tests the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units") for impairment.

The impairment test is carried out by comparing the asset's (or group of assets') carrying amount to its recoverable amount[7]. Should the carrying amount be higher than the recoverable amount, the asset is impaired and the impairment loss is recognised in profit or loss. Should the reasons for a previously-recognised impairment loss cease to exist, the impairment loss is reversed to the extent of the asset's carrying amount. Any reversal of impairment loss is recognised in profit or loss. Conversely, impairment losses on goodwill or an intangible asset with an indefinite useful life are never reversed.

The following table shows the results of the impairment tests:

[7] The recoverable amount is defined as the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use.

Asset	Ref.	CGU	Description	Impairment indicators	Business segment	Carrying amount (€m)	Rate	Method
Investments in associates and joint ventures (IAS 28)	Note 18	Otoyol Yatirim Ve Isletme A.S.	Concession for the Gebze - Orhangazi – Izmir Motorway	External sources	Concessions	366.5	Ke 9.86%	DDM
Investments in associates and joint ventures (IAS 28)	Note 18	Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS	Concession for the Etlik Integrated Health Campus	Internal and external sources	Concessions	35.5	Ke 11.86%	DDM
Contractual right (IAS 38)	Note 17	Quadrilatero industrial complex	Maxi lot 2 of the Quadrilatero Marche-Umbria road system	Internal sources	Construction	16.2	WACC 8.05%	UDCF
Contractual right (IAS 38)	Note 17	Infraflegrea project	Cumana and Monte Sant'Angelo (Naples) railway line	Internal sources	Construction	23.6	WACC 8.05%	UDCF

Finally, as is customary, the parent's management utilised the services of an independent expert to perform the impairment tests[8].

Pursuant to the provisions of IAS 36, the tests were performed in accordance with the group's procedures approved pursuant to the Bank of Italy/CONSOB/ISVAP Joint Document no. 4 of 3 March 2010 and article 7.C.2 of the New Code of Conduct for Listed Companies.

The results of the impairment tests and assumptions applied to carry out the individual tests are detailed later on in these notes.

Impairment of other financial instruments

Adoption of IFRS 9 - Financial instruments has drastically changed the methods used to calculate and recognise impairment losses on financial assets, as it has replaced the IAS 39 incurred loss model with a forward-looking expected credit loss (ECL) model.

Under the new standard, regardless of any existing or contingent trigger event, an entity shall recognise the expected credit losses calculated using the ECL model on all financial assets (except those measured at FVTPL).

The group introduced an impairment model for its trade receivables and contract assets, which make up most of its credit exposure, based on the simplified approach allowed by IFRS 9 for these types of financial assets. Specifically, it split these financial assets into clusters that reflect the assets' nature, customer credit rating and geographical segment. Based on the information collected, it then calculated the reference parameters (PD[9], LGD[10] and EAD[11]) for each cluster to calculate the lifetime expected credit losses. It tested exposures related to customers with a less than adequate credit rating (speculative grade, non investment grade and high yield) and significant payment delays (over 12 months) individually for impairment using the parameters identified from time to time[12].

The group tested the other financial assets for impairment using the generalised approach provided for by IFRS 9, allocating the assets to various stages and estimating the expected credit loss using the PD, LGD and EAD risk parameters.

Impairment of amounts due from the Venezuelan government

The group has three railway projects in Venezuela with Instituto de Ferrocarriles del Estado. At 31 December 2019, the group's total exposure (the "exposure") amounts to €433 million and relates to contracts entered into as part of an intergovernmental agreement (the "intergovernmental agreement") between Italy and Venezuela, which provides additional protection to the measures that can be taken by resorting to local courts. Despite this and starting from 2017, the parent prudently impaired its exposure by €381 million given the delays in

8 An international network.

9 PD: Probability of Default.

10 LGD: Loss Given Default.

11 EAD: Exposure At Default.

12 More information is available in the analysis of the recoverability of the amounts due from the Venezuelan government.

collecting payments and the country's current and expected conditions. As a result, the recoverable amount of the group's exposure amounts to approximately €52 million.

Valuation techniques

The group estimated the expected credit losses on the Venezuelan assets in line with IFRS 9 considering all the information that was reasonably available at the date of approval of these consolidated financial statements. Specifically, management tested the exposure's recoverable amount using market benchmarks given the country's economic and social context and the difficulties in making reliable estimates about expected cash flows.

Therefore, the group calculated the exposure by reference to the fair value of benchmarks deemed pertinent for the estimate, considering specifically:

- market returns and prices of the Venezuelan government bonds in the period prior to the reference date;
- market value of the spread of the credit default swaps (CDS), with the Venezuelan government's default as the underlying;
- recovery rate of the Venezuelan government bonds based on the mean of the related bonds' market prices at the reference date;
- recovery rates observed with reference to sovereign debt default events that have occurred from 1983 to 2019.

Conclusions

Based on the technical analyses performed (including with the assistance of an independent expert), management confirmed the financial assets' recoverable amount to be €52 million, as determined at 31 December 2018.

Service concession arrangements

The service concession arrangements, in which the grantor is an entity of the public sector and the operator is an entity of the private sector, fall under the scope of IFRIC 12 - Service concession arrangements if they relate to infrastructures used to provide important economic and social services to the public. Moreover, an entity shall apply IFRIC 12 if the following conditions are fully met:

- the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price;
- the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement.

Specifically, IFRIC 12 provides that, under the terms of a service concession arrangement, the operator acts as a <u>provider</u> substantially of the following types of services:

- <u>construction or upgrade services</u>: the operator constructs or upgrades infrastructure used, by the same operator, to provide a public service;
- <u>operation service</u>: the operator operates and maintains the infrastructure over the concession term.

The consideration received or receivable by the operator is allocated by reference to the relative fair values of the services delivered, in order to reflect the substance of the transaction.

With respect to the stage of completion of the contract, the operator recognises the consideration received or receivable for operation and upgrade services and for operation services in accordance with IFRS 15 - Revenue from contracts with customers.

The interpretation also provides that if the concession agreement has certain characteristics, the right to use the infrastructure (asset in concession) for providing the service can be recognised as:

- <u>*a financial asset*</u>, to the extent that the operator has <u>an unconditional contractual right</u> to receive a guaranteed minimum amount regardless of the users' actual use of the infrastructure. Under this model, the operator recognises a loan or receivable that accrues interest. The financial asset is initially recognised at the fair value of the infrastructure constructed and is subsequently measured at amortised cost. The loan or receivable is settled through the guaranteed minimum amounts received from the grantor. Interest income is calculated using the effective interest rate and is recognised as operating revenue (IFRS 15.BC 247);

- *an intangible asset*, to the extent that the operator receives a right (a licence) to charge users of the public service. IFRIC 12 specifies that the operator shall recognise and measure concession services in accordance with IAS 38. Specifically, the intangible asset is amortised systematically over the concession term in order to reflect the pattern in which the future economic benefits arising from the use of the infrastructure are expected to flow to the group;
- *as both an intangible asset and a financial asset ("mixed method")*, when the consideration for the construction of the infrastructure is a right to receive both assets. In this case, the intangible asset is calculated as the difference between the fair value of the infrastructure constructed and the financial asset measured as the present value of the cash flows arising from the guaranteed minimum amounts. The discount rate the group uses for its concession arrangements is the effective interest rate of each project, in line with that already discussed for the financial asset model.

During the period when the infrastructure is constructed or upgraded, the consideration is classified in accordance with IFRS 15 as a contract asset, regardless of the accounting treatment that will be adopted when the asset is operated under concession.

The group's main concession arrangements are summarised below.

Concessions	Business segment	Key asset	Subject to IFRIC 12	Recognition	Expiry	Country	%
Joint ventures							
Ankara Etlik Hastane Saglik Hizmetleri Isletme Yatirim A.S.	Healthcare	Etlik Integrated Health Campus	Yes	Financial asset	2043	Turkey	51.00%
Associates							
Otoyol Yatirim Ve Isletme A.S.	Motorways	Gebze-Orhangazi-Izmir Motorway	Yes	Financial asset	2035	Turkey	18.14%
Other companies							
Sociedad Concesionaria Nuevo Pudahuel S.A.	Transport	Santiago Airport	Yes	Financial asset	2035	Chile	15.00%

Investments in other companies

Non-controlling interests (usually those where the investment percentage is less than 20%) are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Indicators that cost might not be representative of fair value include:

a) a significant change in the performance of the investee compared with budgets, plans or milestones;

b) changes in expectation that the investee's technical product milestones will be achieved;

c) a significant change in the market for the investee's equity or its products or potential products;

d) a significant change in the global economy or the economic environment in which the investee operates;

e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market;

f) internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy;

g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties.

Management also decided to avail of the option provided for by paragraph 5.7.5 of IFRS 9 - Financial instruments to designate some[13] non-controlling interests as financial assets at fair value through other comprehensive income[14]. In this case, any dividends distributed shall be recognised in profit or loss while changes in fair value shall be presented in other comprehensive income without subsequently being recognised in profit or loss.

Inventories

Inventories are recognised at the lower of cost and net realisable value. The carrying amount of inventories is calculated using the weighted average cost formula applied to groups of similar assets. The cost includes all costs incurred in bringing the inventories to the location and condition to be used in the production process.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services.

Contract consideration accrued on construction contracts in progress is measured using the cost to cost method (paragraphs B14-B19 of IFRS 15, input methods), considering the contract budget. The group regularly updates the assumptions underlying the contract budget to reflect the most reasonable estimate of the accrued contract consideration and the contract output in the consolidated financial statements.

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods or services.

Contract revenue comprises the initial amount of revenue agreed in the contract and variable elements (variations in contract work, price reviews, incentive payments, claims and penalties). Variable elements are estimated to be the expected or most probable amount. Variable consideration is recognised only to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
In this respect, consideration has been given to the following:

- specific legislation regarding public works and international legislation;
- contractual clauses;
- the progress of negotiations with the customer and likelihood that these negotiations will have a positive outcome;
- when necessary due to the complexity of specific situations, technical-legal studies also conducted with external consultants, to confirm that the valuations made are reliable.

Contract costs comprise:

- all costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs also include:

- pre-operating costs, i.e., the costs incurred during the initial phase of the contract prior to the start of construction activity (design costs, work site installation costs, etc.), as well as
- post-operating costs incurred after completion of the contract (site dismantlement, return of equipment and/or machinery to the base, insurance, etc.).

If the completion of a contract is expected to generate a loss, this is entirely recognised in the year in which it

[13] The measurement method for equity investments was selected on a case-by-case basis as allowed by the new standard.
[14] Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

is reasonably foreseeable in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets.

When the outcome of a construction contract cannot be estimated reliably, contract work in progress is recognised on the basis of the contract costs incurred that it is probable will be recoverable, without recognising any profit or loss.

When favourable or unfavourable events attributable to present situations at the reporting date occur after the reporting date, the carrying amounts are adjusted to reflect the related effects.

With respect to the presentation of financial statements captions related to construction contracts in progress, in accordance with IFRS 15.105-107, the group presents:

(i) the unconditional right to consideration related to work performed (invoices issued or to be issued) as a trade receivable;

(ii) the consideration due by the customer for contract work performed net of progress payments and advances (i.e., financial milestones that have not yet been certified) as a contract asset. This caption also includes the additional consideration due to contract variations (work variations and claims) being negotiated with the customers;

(iii) the group's obligation to transfer goods or services to a customer for which it has received advances and progress payments as a contract liability;

(iv) the estimate of the variable consideration that the group expects to pay to customers for higher costs and damages due to termination of the contract for the part exceeding the related contract asset for work performed and not yet paid for as other contract liabilities.

Loans and receivables and other financial assets

The group classifies financial assets considering (i) the contractual characteristics of the cash flows of the financial asset (SPPI test), and (ii) the business model for managing the financial assets.

As a result, financial assets may be classified in the following categories:
- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (AC)
A financial asset is measured at amortised cost if both of the following conditions are met:
- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes trade receivables, other operating receivables included in other current and non-current assets and part of the loan assets included in current and non-current financial assets.

Financial assets at fair value through other comprehensive income (FVTOCI)
A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:
- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The group classified part of its subordinated loans (semi-equity) given to the concession SPEs in this category after analysing the business model it intends to use to manage such loans.

Financial assets at fair value through profit or loss (FVTPL)
A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.
This category includes financial instruments whose contractual cash flows are not solely the payment of principal and interest on the principal amount outstanding.

Derivatives

Derivatives are assets and liabilities measured at fair value. There are three type of hedging relationships:
• fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment;
• cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss;
• hedge of a net investment in a foreign operation.
A hedging relationship qualifies for hedge accounting if the following criteria are met:
(i) there is an economic relationship between the hedged item and the hedging instrument such to offset value changes and this offset ability
is not dominated by the counterparty's credit risk; (ii) the hedge ratio is consistent with the risk management objectives, as part of a risk management strategy which includes the appropriate rebalancing measures.
The group uses derivatives as part of its hedging strategies to offset the risk of changes in expected cash flows related to contractually defined or highly probable transactions (cash flow hedges) such as, currency forwards and interest rate swaps to hedge currency risk and interest rate risks, respectively.
Derivatives are initially recognised at the transaction-date fair value. They are subsequently remeasured (at least at every reporting date). Specifically, the effective portion of fair value gains or losses on derivatives designated as cash flow hedges and qualified as such is recognised in a caption of the statement of comprehensive income (the hedging reserve), which is subsequently reclassified to profit or loss when the hedged item affects profit or loss. The ineffective portion of fair value gains or losses is immediately recognised in profit or loss. If hedge accounting is discontinued for a cash flow hedge, the amount accumulated in the hedging reserve remains in the hedging reserve if the hedged future cash flows are still expected to occur until the future cash flows occur. Subsequently, in proportion to the hedged cash flows that occur, any amount still accumulated in the hedging reserve is gradually recognised in profit or loss. If the hedged cash flows are no longer expected to occur, the amount accumulated in the hedging reserve is immediately reclassified to profit or loss.

Fair value measurement

IFRS 13 defines fair value as a market-based measurement, not an entity-specific measurement. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When a price for an identical asset or liability is not observable, the group measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Single or multiple valuation techniques may be appropriate. If multiple valuation techniques are used to measure fair value, the results are assessed considering the reasonableness of the range of values indicated by those results.

The most commonly used valuation techniques are as follows:

- **market approach:** a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities;
- **cost approach:** a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset; and
- **income approach:** a valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount.

Based on the observability of the inputs used as part of the valuation technique applied, the assets and liabilities recognised at fair value in the consolidated financial statements are measured and classified using the fair value hierarchy established by IFRS 13:

- **level 1 inputs**: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **level 2 inputs**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- **level 3 inputs**: unobservable inputs for the asset or liability.

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to the cash flows from the financial asset expire;
- the group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows fully and on time to one or more recipients;
- the group transfers the contractual rights to receive the cash flows of the financial asset and: (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

If the group transfers the contractual rights to receive the cash flows of the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership or retains control of the financial asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. When the group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of its continuing involvement is the lower of the initial carrying amount of the asset and the maximum amount of the consideration received that the group could be required to repay.

The group derecognises a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires. If an existing financial liability is exchanged with another of the same lender with substantially different terms or the terms of an existing financial liability are substantially modified, the exchange or modification is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original and new financial liabilities is recognised in profit or loss. In the case of modifications and exchanges of financial liabilities that do not entail their derecognition, IFRS 9 requires that their carrying amount be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liabilities' original effective interest rate. Any resulting gain or loss shall be immediately recognised in profit or loss.

Cash and cash equivalents

These include cash, bank deposits or other amounts with other financial institutions available for day-to-day transactions, postal current accounts and other cash equivalents, as well as investments with terms expiring within three months of the acquisition date. Cash and cash equivalents are recognised at fair value, which normally equals their nominal amount.

Assets held for sale and discontinued operations

Non-current assets or disposal groups[15] are classified as held for sale if their carrying amount will be recovered mainly through their sale rather than continuing use.

This condition is considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current conditions.

Non-current assets held for sale and disposal groups are recognised in the statement of financial position separately from the group's other assets and liabilities. Immediately before being classified as held for sale, they are measured on the basis of the specific IFRS applicable to each asset and liability. They are subsequently recognised at the lower of their carrying amount and fair value less costs to sell. Any losses are immediately recognised in profit or loss. Subsequently, non-current assets held for sale are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. If an equity-accounted investment, or a portion thereof, is classified as held for sale, equity accounting is discontinued for the entire investment or for the portion classified as held for sale. Any portions of investments that are not classified as held for sale continue to be measured using the equity method up to the completion of the disposal plan. Any difference between the carrying amount and fair value less costs to sell of non-current assets held for sale is recognised as an impairment loss in profit or loss. Any gains for subsequent increases in fair value are recognised to the extent of the previously recognised impairment losses, including those recognised before the asset is classified as held for sale.

Non-current assets and disposal groups classified as held for sale constitute a discontinued operation if they (i) represent a separate major line of business or geographical area of operations, (ii) are part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) are a subsidiary acquired exclusively with a view to resale.

The post-tax profits or losses of discontinued operations and any post-tax gains/losses realised on disposal are presented separately in a specific caption of the statement of profit or loss. The prior year corresponding figures are presented accordingly.

Non-current assets to be abandoned

IFRS 5.13 states that an entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use.

However, if the disposal group to be abandoned (i) represents a separate major line of business or geographical area of operations, or (ii) is a subsidiary acquired exclusively with a view to resale, the entity shall present the results and cash flows of the disposal group as discontinued operations at the date on which it ceases to be used.

Equity

Share capital
The share capital comprises the parent's subscribed and paid up share capital. Costs strictly related to share issues are recognised as a reduction in share capital if they are directly attributable to the capital transaction.

Treasury shares
Treasury shares, including those held to service the incentive plans, are measured at cost and deducted from equity. Profits or losses arising from the sale or cancellation are recognised in equity.

[15] A disposal group is a group of assets and directly associated liabilities to be disposed of, by sale or otherwise, together as a group in a single transaction.

Retained earnings (losses carried forward)
These include the portion of previous years' profits or losses not distributed or allocated to reserves (in the case of profits) or not covered (in the case of losses).

Other reserves
These are reserves deriving from first-time application of the IFRS and other equity-related reserves (such as the stock grant reserve).

Other comprehensive income
Other comprehensive income includes items recognised directly in equity reserves in compliance with the IFRS provisions about their origin and changes.

The statement of comprehensive income captions of these consolidated financial statements are presented by nature in two categories:

(i) Those that will not be subsequently reclassified to profit or loss:

- actuarial gains and losses on defined benefit plans (IAS 19);
- gains and losses on changes in equity instruments classified as FVTOCI (IFRS 9);

(ii) Those that will be subsequently reclassified to profit or loss when certain conditions are met in accordance with IFRS:

- exchange differences arising on the translation of the financial statements of foreign operations with functional currencies that differ from the Euro (IAS 21);
- gains and losses on changes in financial assets classified as FVTOCI (IFRS 9);
- the effective portion of gains and losses on hedging instruments (IFRS 9).

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost.

Any difference between the amount received (net of transaction costs) and the nominal amount of the liability is recognised in profit or loss by applying the effective interest method.

Financial liabilities are classified as current liabilities, unless the group has the contractual right to extinguish its obligations after one year of the reporting date.

The group has not designated any financial liabilities at fair value through profit or loss.

Convertible bonds

Convertible bonds are generally financial instruments comprising a liability and an equity component. At the date of issue, the fair value of the liability is estimated using the current market interest rate for similar non-convertible bonds. The difference between the net proceeds from the issue and the fair value of the liability, which represents the implicit option to convert the bonds into group shares, is recognised in equity.

On the other hand, convertible bonds offering the issuer the choice between repayment through ordinary shares or, alternatively, in cash (cash settlement option) are classified as hybrid financial instruments.

In this case, the host bond is measured at amortised cost while the embedded derivative, representing the conversion option, is measured at fair value through profit or loss.

Trade payables and other financial liabilities

Trade payables due within the normal commercial terms are not discounted and are recognised at cost (identified by their nominal amount).

Income taxes

Current income taxes
Current taxes for the current and previous years are recognised at the amount expected to be paid to the tax authorities. Tax rates and tax laws used to calculate the liability are those substantially enacted at the reporting date in the individual countries where the group operates.

Deferred taxes
Deferred taxes are calculated by applying the liability method to the taxable or deductible temporary differences between the carrying amount of assets and liabilities and their tax base.

Deferred tax liabilities are recognised on all taxable temporary differences, except when:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and that at the time of the transaction affects neither accounting profit or loss nor taxable profit (tax loss);
- they refer to taxable temporary differences associated with investments in subsidiaries, associates and joint ventures and the timing of their reversal can be controlled and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and tax losses carried forward, to the extent to which it is probable that the group will earn sufficient future taxable profits offsetting them, except when a deferred tax asset arises from the initial recognition of an asset or liability in a transaction which is not a business combination that at the time of the transaction affects neither accounting profit or loss nor taxable profit (tax loss).

The carrying amount of deferred tax assets is remeasured at each reporting date and reduced if it is no longer probable that the group will earn sufficient future taxable profits to offset the entire or part of the asset. Unrecognised deferred tax assets are reassessed on an annual basis at the reporting date and are recognised to the extent that it has become probable that the group will earn sufficient taxable profit against which the deferred tax assets may be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year when the assets will be realised or the liabilities will be settled, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legal right to set off current tax assets against current tax liabilities and the deferred taxes refer to the same taxable entity and the same taxation authority.

Current and deferred taxes relating to items recognised directly in equity are recognised in equity too rather than in profit or loss.

Employee benefits

Termination benefits
Termination benefits consist of benefits due to employees following the group's decision to terminate an employee's employment before their retirement date and the employee's decision to accept voluntary redundancy in exchange for those benefits.
The group recognises these benefits as liabilities and an expense at the earlier of (i) the date when the group can no longer withdraw the offer of such benefits; and (ii) the date when the group recognises restructuring costs within the scope of IAS 37, which implies payment of the termination benefits due. These liabilities are

measured according to the nature of the benefit. In particular, if the benefits are an enhancement of other post-employment benefits due to employees, the liability is measured in accordance with paragraphs 50 to 60 of IAS 19 - Post-employment benefits. On the other hand, the measurement criteria used to measure termination benefits differ depending on when they will be paid:

- if the group expects to pay the full amount of the benefits within 12 months of the reporting date, the criteria applicable to short-term employee benefits apply (IAS 19.9-25);
- if the group does not expect to pay the full amount of the benefits within 12 months of the reporting date, the criteria applicable to other long-term employee benefits apply (IAS 19.153-158).

Post-employment benefits

Liabilities for guaranteed employee benefits paid when or after employment is terminated through <u>defined benefit plans</u> are recognised in the period in which the employee vests the right to receive them, consistently with the service required to obtain the benefits. They are calculated on the basis of actuarial assumptions and stated net of any advances paid. Independent actuaries measure the liability using the projected unit credit method.

The following income and expense are recognised as personnel expenses in the statement of profit or loss:

- current service cost reflecting the actuarial estimates of benefits due to employees for their service in the reporting period;
- net interest cost, which is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement; and
- the full amount of costs and income arising from changes to the defined benefit plans (“past service cost or income”), which are recognised in the period when the changes occur.

Furthermore, any actuarial gains and losses on the defined benefit liability are fully recognised in the year when they arise as other comprehensive income (OCI) in the statement of comprehensive income.

Liabilities for guaranteed employee benefits paid when or after employment is terminated through <u>defined contribution</u> plans are recognised at the amount vested at the reporting date.

Liabilities for other employee benefits are recognised at the amount vested at the reporting date, including by using actuarial assumptions in the case of long-term benefits.

Share-based payment plan

The parent has adopted an incentive plan for senior management (CEO with delegated financial management powers and general managers), which assigns them the parent’s shares free of charge upon attainment of specific financial objectives.

The stock grant plan is an equity-settled share-based payment that falls within the scope of IFRS 2.

The plan cost is recognised over the vesting period and is calculated with reference to the fair value of the options assigned to the senior management at the grant date, thereby reflecting the market conditions existing on that date.

At each reporting date, the assumptions about the number of options expected to vest are verified. The current cost is recognised in profit or loss under personnel expenses with a balancing entry recognised in an equity reserve. The most recent incentive plan refers to the 2016-2018 period and was suspended by the board of directors in its meeting of 12 November 2018. At the date of preparation of these consolidated financial statements, there were no incentive plans in place for periods after 2018.

Provisions for risks and charges

The provisions for risks and charges are recognised when the group has a present (legal or constructive) obligation arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the reporting date. Where the effect of the time value of money is material, the provision is discounted using a pre-tax discount rate that reflects current market assessments. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Other operating revenue

Other operating revenue includes revenue not directly related to the group's core business, i.e., that is not earned on contracts with customers, such as, for example:

- revenue from the sale of goods or rendering of services to suppliers and subcontractors;
- revenue from operating leases recognised on an accruals basis over the lease term;
- gains on sales of non-core assets.

Government grants

Government grants are recognised at fair value, when there is reasonable assurance that such grants will be received and the group will comply with the conditions attaching to them. Grants related to costs are recognised as revenue on a systematic basis over the years in which the group recognises the related costs which the grants are intended to compensate. Grants related to assets are recognised at fair value as a decrease in the carrying amount of the related asset. If related to assets not yet available for use or under construction, the portion of the grant exceeding the related asset is presented as deferred income.

Financial expense

Interest is recognised on an accruals basis using the effective interest method, by applying the interest rate that makes all cash inflows and outflows (including premiums, discounts, commissions, etc.) related to such transaction financially equivalent. If they meet the relevant conditions, borrowing costs are capitalised in accordance with IAS 23.

Dividends

Dividends are recognised when the shareholders become entitled to receive the payment that normally arises with the related resolution taken by the shareholders. Dividends are recognised as a liability when their distribution is approved by the shareholders, with a balancing entry in equity.

Expenses

Expenses are recognised on an accruals basis, assuming the group companies' ability to continue as going concerns.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by adjusting the above profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding to account for the effect of all potential ordinary shares with a dilutive effect.

Use of estimates

IFRS financial reporting requires the formulation of estimates and assumptions affecting the carrying amounts of assets and liabilities and the disclosures on contingent assets and liabilities.

In accordance with Bank of Italy/CONSOB/ISVAP Joint Document no. 2 of 6 February 2009, the estimates are based on the most recent information available to management at the time of preparing these consolidated financial statements, the reliability of which is, therefore, unprejudiced. Estimates are used, inter alia, to perform impairment tests and recognise the loss allowance, discounting of loans and receivables based on their estimated collection times, contract revenue, amortisation and depreciation, impairment losses on assets, employee benefits, taxes, other accruals and provisions.

Actual results may differ from these estimates. Estimates and assumptions are periodically reviewed and the effects of any changes are recognised in profit or loss when the change is made.

Specifically, taking into account the group's specific segment, which involves payment of an advance when the individual contracts are assigned, contract profits or losses systematically recognised in profit or loss may differ from those originally estimated. Such estimates may be influenced by numerous factors, including the following:

- claims for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed;
- disputes with customers for fines and compensation for damages;
- the long timeframe and engineering and operating complexity of construction contracts in progress;
- the risk profile of certain countries in which the construction contracts are carried out.

Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2019

The EU regulations effective as of 1 January 2019 are summarised below.

<u>Commission Regulation (EU) no. 2017/1986 of 31 October 2017</u>, published in Official Journal L 291 of 9 November 2017: Adoption of IFRS 16 - Leases
IFRS 16 has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - incentives and SIC-17 - Evaluating the substance of transactions involving the legal form of a lease. It establishes the guidelines for the recognition, measurement, presentation and disclosure of lease contracts and requires that a lessee recognise most of the lease in its financial statements.
The accounting of leases from the lessor's standpoint is substantially unchanged from that provided in IAS 17. Therefore, IFRS 16 does not affect how the group accounts for leases in which it is the lessor.
With respect to the recognition of leases in which the group is the lessee, starting from the last quarter of 2017, it commenced assessing all contracts that are potentially affected by the new standard. At the same time, management considered it opportune to launch a project for the identification of the potential impact of the adoption of the new standard in terms of updating the currently used systems, processes and procedures.
With respect to the main assumptions made at the date of initial application, the group availed of the following practical expedients:

(i) recognition of the cumulative effect of the initial application of the new standard as an adjustment to opening equity at 1 January 2019, without restating the comparative figures for the corresponding period (modified retrospective approach);

(ii) for contracts classified as operating leases under the previous standards, recognition of a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;

(iii) at the date of initial recognition, recognition of lease contracts with a term of less than one year at 1 January 2019 as short-term leases;

(iv) for leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

At initial application of the standard, the group adopted a single lessee accounting model for the recognition and measurement of its leases, except for short-term leases and leases of low-value assets. It recognises a lease liability and a right-of-use asset. Under the full retrospective approach, the group applied IFRS 16 at the

date of initial application as if it had already been applied at the commencement date of the existing leases.
The weighted average incremental borrowing cost applied to the lease liabilities presented in the statement of financial position at the date of initial application is provided below for the main countries where the group operates:

Maturity (years)	Italy	Romania	Poland	Sweden	Turkey	USA	Chile
1	13.75%	12.65%	12.69%	10.79%	22.86%	9.28%	14.34%
2	13.75%	15.48%	15.43%	13.59%	24.34%	12.13%	16.93%
3	13.75%	15.47%	15.33%	13.52%	23.58%	11.78%	16.75%
After 3	13.75%	15.85%	15.51%	13.88%	21.62%	12.10%	17.03%

Given Italy's financial situation, the group applied the threshold rates established for similar financial transactions by Bank of Italy in accordance with Law no. 108/96.
With respect to the effect of the application of IFRS 16 to leases classified as operating leases under IAS 17 on the group's net financial debt as per these consolidated financial statements, lease liabilities increased by €23,741 thousand at the date of initial application.

Commission Regulation (EU) no. 2018/498 of 22 March 2018, published in Official Journal L 82 of 26 March 2018; Amendments to IFRS 9 Financial instruments - Prepayment features with negative compensation

The amendments clarify how financial assets with prepayment features are to be classified under IFRS 9.
Application of these amendments has not had any significant effects on the group's consolidated financial statements.

Commission Regulation (EU) 2018/1595 of 23 October 2018, published in Official Journal L 265 of 24 October 2018: IFRIC 23 - Uncertainty over income tax treatments

This interpretation, effective for annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement criteria of IAS 12 when there is uncertainty over income tax treatments. Specifically, it provides that an entity shall recognise a current or deferred tax asset or liability when it is uncertain whether the taxation authority will accept a treatment deemed uncertain.
If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall recognise the income taxes consistently with the tax treatment used or planned to be used in its income tax filings.
If the entity concludes it is not probable that the taxation authority will accept a particular tax treatment, the entity shall reflect the effect of uncertainty in determining the current and deferred tax assets and liabilities by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

a) the most likely amount - the single most likely amount in a range of possible outcomes;
b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes.

The interpretation establishes that an entity shall reassess a judgement or estimate if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate. For example, a change in facts and circumstances might change an entity's conclusions about the acceptability of a tax treatment or the entity's estimate of the effect of uncertainty, or both. Adoption of IFRIC 23 has not had any significant effects on the measurement of the consolidated financial statements captions.

Commission Regulation (EU) no. 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019: Long-term interests in associates and joint ventures (Amendments to IAS 28)

The amendments clarify how the provisions of IFRS 9 on impairment are to be applied to long-term interests in associates and joint ventures. Adoption of the new amendments, effective from 1 January 2019, has not had any significant effects on the measurement of the consolidated financial statements captions.

Commission Regulation (EU) no. 2019/402 of 13 March 2019, published in Official Journal L 72 of 14 March 2019: Plan amendment, curtailment or settlement (Amendments to IAS 19)
The amendments, effective for annual periods beginning on or after 1 January 2019, require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
Adoption of the amendments has not had any significant effects on the measurement of the consolidated financial statements captions.

Commission Regulation (EU) no. 2019/412 of 14 March 2019, published in Official Journal L 73 of 15 March 2019: Annual improvements to IFRS Standards (2015-2017 cycle), which include amendments to IAS 12 - Income taxes, IAS 23 - Borrowing costs, IFRS 3 - Business combinations and IFRS 11 - Joint arrangements

The amendments introduced by the 2015-2017 cycle provide clarifications or formal changes to existing standards:

- IFRS 3 - Business combinations, the amendments clarify that when an entity obtains control of a business that is a joint operation (JO), the provisions of IFRS 3 for step acquisitions are applied. Specifically, as provided for by this standard, at the acquisition date, the entity recalculates its entire investment previously held in the JO at fair value.

- IFRS 11 - Joint arrangements, the amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 - Income taxes, the amendments clarify that the income tax consequences of dividends are directly related to past transactions or events that generated distributable profits. Therefore, these tax effects shall be recognised in profit or loss or other comprehensive income or equity depending on where the entity initially recognises these past transactions or events;

- IAS 23 - Borrowing costs, the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Application of these amendments has not had any significant effects on the group's consolidated financial statements.

Endorsed standards and interpretations not adopted early by the group

The standards and interpretations endorsed by EU Regulations but not adopted early by the group are summarised below:

Commission Regulation (EU) no. 2019/2075 of 6 December 2019, published in Official Journal L 316 of 6 December 2019: adoption of the amendments to references in the conceptual framework in International Financial Reporting Standards. The objective of the amendments is to update existing references in several standards and interpretations to previous frameworks with references to the revised conceptual framework.
Specifically, on 29 March 2018, the IASB published the revised Conceptual Framework for Financial Reporting. The main changes of a technical and presentation nature compared to the 2010 version include a new section on measurement, better definitions and guidance in particular on the definition of a liability as well as clarifications about important concepts such as stewardship, prudence and measurement uncertainty. The group will apply these amendments starting from 1 January 2020.

Commission Regulation (EU) no. 2020/551 of 21 April 2020, published in Official journal L 127 of 22 April 2020: adoption of "Definition of a business (Amendments to IFRS 3)"
The amendments to IFRS 3 - Business combinations are designed to clarify the definition of a business. The group will apply them starting from 1 January 2020.

Notes to the consolidated financial statements

1 Revenue from contracts with customers: €1,368,827 thousand (€882,315 thousand)

1.1 Revenue: €1,368,827 thousand (€975,042 thousand)

Revenue for 2019 amounts to €1,368,827 thousand, up by €393,785 thousand on the previous year. It may be analysed as follows:

	2019	2018	Variation
Contract revenue	1,339,575	923,006	416,569
Concessions - Commercial services under arrangement	22,179	47,078	(24,899)
Plant maintenance fees	7,073	4,964	2,109
Change in inventories, buildings and plant under construction	0	(6)	6
Total	**1,368,827**	**975,042**	**393,785**

Contract revenue is that arising from works performed and accepted by customers, including the portion of uncompleted long-term works carried out during the year.
Concessions – Commercial services under arrangement include the revenue from infrastructure operation services for the four Tuscan hospitals (€22,179 thousand).
Plant maintenance fees relate to activities performed by the subsidiary NBI during the year. NBI operates in the plant engineering and facility management sub-segment, which is complementary to the group’s current operations.

The following table shows a breakdown of revenue by geographical segment:

	2019	%	2018	%	Variation
Italy	430,889	31.48%	264,516	27.13%	166,373
Europe	470,192	34.35%	281,835	28.90%	188,357
Americas	451,948	33.02%	425,711	43.66%	26,237
Africa	10,083	0.74%	758	0.08%	9,325
Asia	5,715	0.42%	2,222	0.23%	3,493
Total	**1,368,827**	**100.00%**	**975,042**	**100.00%**	**393,785**

Domestic production benefited from the positive contribution of works on Line 4 of the Milan Metro, the Brenner Base Tunnel and the NATO base in Sigonella, in addition to the commencement of recently acquired railway contracts (the Naples-Cancello and Apice-Hirpinia lots of the high speed Naples–Bari railway line and the Bicocca-Catenanuova railway line). There was a decrease in revenue from concessions in Italy, especially following the sale of the investment in the Ospedale dell’Angelo di Venezia-Mestre operator in 2018.

Compared with the previous year, European production benefited from the greater contribution of contracts in Sweden (Haga Station and Kvarnberget Rock Tunnel) and Romania (Curtici-Simeria railway line) due to their positive performances.

Production in the Americas segment grew slightly thanks to the positive contribution of contract work in progress in Chile (the Chuquicamata mining projects related to Contract CC13 and El Teniente mine) which mitigate the slowdown in activities in Canada and the US.

Note 40 - Segment reporting pursuant to IFRS 8 provides more information about this caption.

1.1.1 Revenue by business segment

The following table shows a breakdown of revenue by business segment (construction and O&M) for 2019 and 2018, along with a further breakdown by sub-segment:

	2019	%	2018	%	Variation
Transport infrastructure	992,476	72.51%	512,511	52.56%	479,965
- Railways and metros	*519,283*	*37.94%*	*373,120*	*38.27%*	*146,163*
- Roads and motorways	*346,727*	*25.33%*	*34,680*	*3.56%*	*312,047*
- Ports and airports	*126,466*	*9.24%*	*104,711*	*10.74%*	*21,755*
Hydraulic plants and energy production	18,902	1.38%	39,942	4.10%	(21,040)
Civil and industrial construction	125,713	9.18%	206,947	21.22%	(81,234)
Industrial plants	186,772	13.64%	149,522	15.33%	37,250
Construction	**1,323,863**	**96.72%**	**908,922**	**93.22%**	**414,941**
Operation & maintenance	44,964	3.28%	66,120	6.78%	(21,156)
Operating revenue	**1,368,827**	**100.00%**	**975,042**	**100.00%**	**393,785**

The breakdown of revenue by business segment for 2019 shows a rise in revenue from the construction segment mainly thanks to the increase in (i) the transport infrastructure sub-segment (due to higher volumes recorded in railway contracts in Romania and Italy), and (ii) the industrial plants sub-segment (due to the positive contribution of the plants built for Chuquicamata Contract CC13 and plant engineering works on Line 5 of the Bucharest Metro). These increases were partially offset by lower revenue from the hydraulic plants and energy production and civil and industrial construction sub-segments.

Transport infrastructure

Revenue from the transport infrastructure sub-segment amounts to €992,476 thousand, up €479,965 thousand on 2018 (€512,511 thousand). This increase was principally due to higher volumes from its sub-segments: (i) **railways and metros,** mainly deriving from railway contracts in Romania (lots 2A, 3B and 3 of the Curtici-Simeria railway line) and the contribution of the high speed Naples-Bari and Palermo-Catania railway lines, the construction of Line 4 of the Milan Metro and the Brenner Base Railway Tunnel in Italy; and (ii) **roads and motorways**, chiefly attributable to works on the Interstate-405 in California and the Braila Bridge over the Danube. This sub-segment had been impacted in 2018 by the one-off negative effects of the partial recognition of variable consideration following the final accounting of the works on the Third Bosphorus Bridge in Turkey.

Hydraulic plants and energy production

Revenue from the hydraulic plants and energy production sub-segment amounts to €18,902 thousand in 2019, down €21,040 thousand on 2018 (€39,942 thousand). The decrease was chiefly due to the completion of the Muskrat Falls project in Canada in 2018.

Civil and industrial construction

Revenue from the civil and industrial construction sub-segment amounts to €125,713 thousand in 2019, down €81,234 thousand on 2018 (€206,947 thousand), above all due to the termination of activities on the West Metropolitan Hospital in Santiago de Chile.

Industrial plants[16]

Revenue from the industrial plants sub-segment amounts to €186,772 thousand in 2019, up €37,250 thousand on 2018 (€149,522 thousand), mainly due to the relaunch of contracts for mining projects in Chile

[16] Also includes revenue from mining projects.

(Chuquicamata Mine).
Revenue from the **operation & maintenance** segment in 2019 was chiefly earned in the Italian healthcare sector via the investee GE.SAT and amounts to €22,179 thousand. The €24,899 thousand decrease on 2018 (€47,078 thousand) was mainly due to no contribution being made by the Ospedale dell'Angelo di Venezia-Mestre project due to the loss of control over the SPE Veneta Sanitaria Finanza di Progetto S.p.A. at the end of 2018.
Finally, like the other sector operators, the group complies with its performance obligations over time by mainly developing contract projects for complex activities that are part of the design, construction and operation of public infrastructure and large civil engineering works.
At 31 December 2019, the combined amount of contractual consideration of construction contracts in progress allocated to performance obligations not yet satisfied is €6.6 billion (of which €1.5 billion after 2022). The group will recognise these amounts in revenue of future years in line with available forecasts.

1.2 Fines for contract terminations: €0 (€-92,727 thousand)

Fines for contract terminations in 2018 (nil balance in 2019) related to estimated probable liabilities for the reimbursement to customers of the greater costs and damage incurred due to the termination (that has already taken place or is expected to take place) of certain contracts in Europe and Central and South America.
Reference should be made to the notes to the consolidated financial statements at 31 December 2018 for more information.

2 Other operating revenue: €106,197 thousand (€102,091 thousand)

Other revenue of €106,197 thousand includes items not directly related to the group's core business but accessory thereto.

	2019	2018	Variation
Revenue from the sale of goods	2,593	2,660	(67)
Services - third parties	45,987	59,283	(13,296)
Services - management of joint projects	581	507	74
Leases and rent	2,174	1,922	252
Gains on sales	5,621	3,415	2,206
Other	49,241	34,304	14,937
Total	**106,197**	**102,091**	**4,106**

The decrease in services - third parties is mainly due to lower revenue recognised in Turkey during the year. Indeed, in 2018, this segment had benefited from the performance of certain activities ancillary to the construction of works on behalf of suppliers and subcontractors as part of the Susurluk contract in Turkey.
"Other" mainly includes *(i)* prior year income related to the updating of prior years' estimates (€43,257 thousand), and *(ii)* compensation from third parties (insurance companies and sub-contractors) for higher costs incurred by the group in previous years for the performance of contracts in the construction segment in Italy and Poland (€3,145 thousand).

3 Purchase costs: €203,358 thousand (€295,049 thousand)

Purchases of and changes in raw materials and consumables amount to €203,358 thousand for the year, a decrease of €91,691 thousand on the previous year.

	2019	2018	Variation
Purchase costs	203,448	293,434	(89,986)
Change in raw materials, consumables and supplies	(90)	1,615	(1,705)
Total	**203,358**	**295,049**	**(91,691)**

The following table shows a breakdown of costs by geographical segment:

	2019	%	2018	%	Variation
Italy	64,756	31.84%	70,770	23.99%	(6,014)
Europe	94,771	46.60%	147,906	50.13%	(53,135)
Americas	41,123	20.22%	73,229	24.82%	(32,106)
Africa	993	0.49%	2,662	0.90%	(1,669)
Asia	1,715	0.84%	482	0.16%	1,233
Total	**203,358**	**100.00%**	**295,049**	**100.00%**	**(91,691)**

The lower purchase costs incurred abroad is mainly due to some projects that the group exited after the contracts had been terminated (i.e., Dęblin–Lublin Railway Line no. 7 in Poland, the hydroelectric plant at Muskrat Falls in Canada and the Felix Bulnes Hospital in Chile) or the temporary reduction of industrial activities due to the review of the relevant projects (the Etlik Integrated Health Campus in Turkey).

4 Service costs: €932,492 thousand (€1,176,959 thousand)

Service costs decreased by €244,467 thousand to €932,492 thousand in 2019. They may be analysed as follows:

	2019	2018	Variation
Consortium costs	129,014	95,659	33,355
Subcontracts and other services	596,105	832,660	(236,555)
Technical, administrative and legal consultancy	125,525	136,638	(11,113)
Directors’ and statutory auditors’ fees	3,015	3,738	(723)
Utilities	6,595	8,677	(2,082)
Business trips and travel	3,454	5,738	(2,284)
Insurance	16,514	15,867	647
Leases and other costs	31,370	49,196	(17,826)
Lease and building management costs	8,656	11,608	(2,952)
Maintenance on third party assets	224	400	(176)
Other	12,020	16,778	(4,758)
Total	**932,492**	**1,176,959**	**(244,467)**

Technical, administrative and legal consultancy costs include a one-off component, with a resulting impact on gross operating profit, for the advisory services provided for the composition with creditors procedure, including legal costs, amounting to €30,644 thousand.

The consortium costs incurred to carry out contracts with other construction companies increased by €33,355 thousand on the previous year. The rise is mainly due to industrial activities for the Brenner Base Tunnel which is now fully up and running.

Subcontracts and other services fell by €236,555 thousand over the previous year and are broken down as follows by geographical segment:

	2019	%	2018	%	Variation
Italy	120,977	20.29%	182,774	21.95%	(61,797)
Europe	237,575	39.85%	337,320	40.51%	(99,745)
Americas	232,404	38.99%	306,301	36.79%	(73,897)
Africa	2,135	0.36%	5,178	0.62%	(3,043)
Asia	3,014	0.51%	1,087	0.13%	1,927
Total	**596,105**	**100.00%**	**832,660**	**100.00%**	**(236,555)**

The decrease in Italy is chiefly attributable to: *(i)* the reduced activities of the subsidiary NBI due to its current financial difficulties (it commenced the composition with creditors procedure in November 2018), and *(ii)* the slowdown of construction works on maxi lot 2 of the Quadrilatero Marche-Umbria road system and the container terminal at Taranto Port.

The decrease in Europe is related to (i) the temporary slowdown of industrial activities on the Etlik Integrated Health Campus in Turkey due to negotiations underway to redefine certain contractual terms of the project, in addition to (ii) lower production volumes in Poland (Dęblin–Lublin Railway Line no. 7 and Line II of the Warsaw Metro). These effects were partially offset by the larger contribution for the year of the railway contracts in Romania and road works in Sweden.

There was a lower contribution from the Americas due to (i) the termination of the Muskrat Falls project in Canada, (ii) the step-in of the sureties for the contracts in Florida, and (iii) the lower use of sub-contractors on mining projects in Chile (the Chuquicamata Mine). With regard to the latter, following the contract terminations in the last quarter of 2018, the group defined new contracts with the customer CODELCO in 2019 with a fully revised format regarding the scope of work and the times and amounts involved.

Furthermore, the decrease in lease costs was mainly due to the application of the new provisions of IFRS 16.

5 Personnel expenses: €300,872 thousand (€468,366 thousand)

Personnel expenses amount to €300,872 thousand, down €167,494 thousand on 2018. This caption may be analysed as follows:

	2019	2018	Variation
Wages and salaries	232,901	358,501	(125,600)
Social security contributions	30,068	55,236	(25,168)
Other costs	36,415	53,560	(17,145)
Other post-employment benefits	1,474	1,069	405
Cost of share-based payments	14	0	14
Total	**300,872**	**468,366**	**(167,494)**

In addition to the overall slowdown in production activities, the decrease in 2019 compared to 2018 is also due to the actions taken by the parent to adapt its organisational structure to its new operating situation following the composition with creditors procedure. Moreover, this was one of the key requirements underpinning the composition with creditors plan approved in 2019.

Other personnel expenses mainly comprise costs incurred for bed and board and the transfer of personnel.

The following table shows a breakdown of personnel expenses by geographical segment:

	2019	%	2018	%	Variation
Italy	86,369	28.71%	101,569	21.69%	(15,200)
Europe	56,933	18.92%	71,750	15.32%	(14,817)
Americas	153,817	51.12%	287,791	61.45%	(133,974)
Africa	2,746	0.91%	6,579	1.40%	(3,833)
Asia	1,007	0.33%	677	0.14%	330
Total	**300,872**	**100.00%**	**468,366**	**100.00%**	**(167,494)**

With regard to the geographical breakdown of personnel expenses, the decrease in the Americas was mainly attributable to the completion of the Muskrat Falls hydroelectric project.

5.1 Average number of employees

The average number of employees by category is as follows:

	2019	2018	Variation
Managers	188	276	(88)
Junior managers	172	230	(58)
White collars	2,299	3,514	(1,215)
Blue collars	4,022	6,876	(2,854)
Average number of employees	**6,681**	**10,896**	**(4,215)**

The average number of employees was 6,681 in 2019. On a combined basis, the workforce decreased by roughly 38% compared to the previous year and most employees continued to be based outside Italy (89%), as a result of the significant revenue produced outside Italy and a larger number of contracts requiring the direct involvement of Astaldi employees.

5.2 Senior management incentive plans.

There are no incentive plans in place in 2019 and, therefore, no related costs are recognised in these consolidated financial statements.

The previous incentive plan, as per the 2016-2018 stock grant plan approved by the shareholders on 20 April 2016, and the success fee/MBO plan were both suspended by the board of directors' resolution of 12 November 2018 in light of the ongoing worsening of the parent's financial difficulties.

Specifically, the board resolved to:

- suspend the assignment of stock grants under the 2013-2016 incentive plan;
- suspend the assignment of stock grants under the 2016-2018 incentive plan;
- suspend the MBO medium-term incentive plan for the chairman, tied to the task of implementing the disposal plan for certain assets under concession.

6 Other operating costs: €24,231 thousand (€69,425 thousand)

The other operating costs decreased by €45,194 thousand to €24,231 thousand. They are made up as follows:

	2019	2018	Variation
Prior year expense and fair value losses	4,381	10,537	(6,156)
Taxes and duties	3,126	7,729	(4,603)
Other administrative and sundry costs	16,724	51,159	(34,435)
Total	**24,231**	**69,425**	**(45,194)**

Other administrative and sundry costs mainly include: *(i)* the losses realised on the sale of plant and equipment, mostly as part of contracts that are no longer active (€7,164 thousand); and *(ii)* ordinary administration costs (stationery, photocopies, visas, etc.) (€3,638 thousand). The decrease is chiefly due to one-off costs incurred for fines for non-payment (ascribable to the commencement of the composition with creditors procedure) of the parent's taxes in Italy (€8,806 thousand) and impairment losses on certain credit-impaired exposures in Italy (€16,866 thousand).

The decrease in the taxes and duties (principally due to government concession fees and customs duties) is mostly attributable to contracts in Turkey which are nearing completion.

7 Change in costs capitalised to fulfil a contract: -€2,863 thousand (€1,995 thousand)

This caption of €2,863 thousand includes the change in costs capitalised for future performance obligations pursuant to IFRS 15.91-95.

8 Share of profits from joint ventures and associates: €30,671 thousand (€93,843 thousand)

The share of profits of equity-accounted investees fell by €63,171 thousand compared to the previous year and is made up as follows:

	2019	2018	Variation
Associates	38,074	48,499	(10,425)
Joint ventures	(7,403)	44,686	(52,089)
Total	**30,671**	**93,843**	**(63,171)**

The 2019 balance (€30,671 thousand) mostly relates to the profit recognised by Otoyol Yatirim Ve Isletme A.S. (the Gebze-Orhangazi-Izmir Motorway in Turkey, €40,174 thousand), partially offset by losses recorded during the year by the joint venture Ankara Etlik Hastane A.S (the Etlik Integrated Health Campus in Turkey, €7,450 thousand). The decrease on the previous year is mainly due to delays in the construction work on the Etlik Integrated Health Campus project, along with the general financial and monetary crisis afoot in Turkey.

9 Amortisation, depreciation and impairment losses: €36,438 thousand (€215,194 thousand)

Amortisation, depreciation and impairment losses decreased by €178,756 thousand to €36,438 thousand.

They may be analysed as follows:

	2019	2018	Variation
Amortisation	7,803	8,400	(597)
Depreciation	15,545	25,395	(9,850)
Depreciation of right-of-use assets	27,636	0	27,636
Other impairment (gains) losses on non-current assets	(16,712)	153,998	(170,710)
Impairment losses on loans and receivables	2,166	27,401	(25,235)
Total amortisation, depreciation and impairment losses	**36,438**	**215,194**	**(178,756)**

Amortisation is substantially in line with 2018 and mainly refers to the contractual rights acquired to develop works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€2,020 thousand) and the Infraflegrea project[17] (€4,010 thousand).

The €9,850 thousand decrease in depreciation is mainly due to the completion of the Warsaw Metro contract and the Muskrat Falls hydroelectric project in Canada.

Depreciation of right-of-use assets, which showed a nil balance in 2018, comprises depreciation of leased assets as per the new standard IFRS 16. It mainly refers to (i) core assets (plant, machinery and equipment) used to develop projects in progress in Italy and Chile, as well as (ii) buildings that will house the local offices of foreign branches.

Other impairment gains on non-current assets mainly refer to the investment in the SPE Ankara Etlik Hastane A.S. (the Etlik Integrated Health Campus in Turkey) following the outcome of the impairment test[18] (€11,012 thousand).

In 2018, this caption included the one-off effect of the impairment loss on the investment held by the parent in the Third Bosphorus Bridge operator, in addition to the impairment loss on the goodwill of the cash-generating units: (i) Plant engineering and facility management (NBI S.p.A.), and (ii) TEQ Construction Enterprise Inc..

The decrease in impairment losses on loans and receivables is mostly due to the one-off effects in 2018 chiefly related to credit-impaired exposures in Turkey.

10 Provisions: -€4,307 thousand (€190,279 thousand)

This caption decreased by €194,586 thousand to -€4,307 thousand in 2019. It may be analysed as follows:

	2019	2018	Variation
Accruals to (utilisations of) the provision for onerous contracts	(5,066)	175,186	(180,252)
Accruals to (utilisations of) the provision for equity investments	0	(586)	586
Accruals to the provision for legal disputes	759	15,679	(14,920)
Total	**(4,307)**	**190,279**	**(194,586)**

Utilisations of the provision for onerous contracts comprise the partial utilisation (following appraisals performed in 2019) of the provision set up in 2018 for the reimbursement of greater costs incurred by the sureties for stepping in for the road projects in Florida.

The considerable decrease in 2019 is due to the one-off effects in 2018 mostly related to the commencement of the composition with creditors procedure. Reference should be made to the notes to the consolidated financial statements at 31 December 2018 for more information.

17 Cumana railway and the Monte Sant'Angelo railway connector in Naples.

18 See note 18 for more information.

11 Financial income: €56,556 thousand (€113,260 thousand)

Financial income decreased by €56,704 thousand to €56,556 thousand in 2019 and may be analysed as follows:

	2019	2018	Variation
Income from financial transactions with banks	1,592	2,752	(1,160)
Commissions on sureties	754	6,166	(5,412)
Exchange gains	23,300	38,378	(15,078)
Financial income on leases	509	1,836	(1,327)
Fair value gains on derivatives	2,600	6,071	(3,471)
Fair value gains on the derivative embedded in convertible bonds	0	95	(95)
Other financial income	27,801	57,962	(30,161)
Total	**56,556**	**113,260**	**(56,704)**

Other financial income mainly includes: *(i)* accrued interest on amounts due from customers for contracts in progress in Italy and abroad (€8,506 thousand), *(ii)* interest on loans granted to associates and joint ventures (€16,789 thousand), and *(iii)* fair value gains on subordinated loans (€2,209 thousand). The decrease on the previous year is principally due to:

- the change in the fair value of subordinated loans, especially the semi-equity loan granted to the Third Bosphorus Bridge operator;
- interest recognised in 2018 following the definitive recognition of amounts due for previous railway contracts in Romania (Railway section 2, 3/4, Lot 2).

There was also a decrease in commissions on sureties (€5,412 thousand) which the parent charges for specific counter-guarantees given on behalf of investees. In particular, in 2018, this caption had benefited from the commissions on contractually provided-for performance bonds and advance payment bonds charged to the SPE that is performing the Moscow-St. Petersburg M-11 Motorway contract.

The decrease in exchange gains is mainly due to fluctuations of the Turkish lira.

12 Financial expense: €102,462 thousand (€294,749 thousand)

Financial expense decreased by €192,287 thousand to €102,462 thousand in 2019 and may be analysed as follows:

	2019	2018	Variation
Interest on bonds	11,308	57,507	(46,199)
Commissions on sureties	30,971	43,278	(12,307)
Expense on financial transactions with banks	8,264	62,176	(53,912)
Exchange losses	26,658	57,268	(30,610)
Fair value losses on derivatives	4,180	17,356	(13,176)
Financial expense on leases	3,868	1,739	2,129
Interest on payment extensions for trade payables	11,533	16,147	(4,614)
Non-recourse factoring of receivables	295	1,139	(844)
Interest on intragroup financing	2,650	2,679	(29)
Other financial expense	2,735	35,460	(32,725)
Total	**102,462**	**294,749**	**(192,287)**

There was smaller interest on bonds and smaller bank fees and charges due to the lack of borrowing costs on the parent's borrowings given commencement of the composition with creditors procedure. Indeed, the Bankruptcy Law provides that loans and borrowings do not accrue interest from the date of presentation of the related application as per article 161 of the Bankruptcy Law. As a result, the financial expense recognised in 2019 was mostly incurred on the interim financing, the use of which was specifically authorised by the Rome Court in accordance with article 182-quinquies of the Bankruptcy Law. More information is provided in the note to financial liabilities.

Commissions on sureties decreased by €12,307 thousand due to the reduction of operating activities in certain foreign areas (specifically, Canada and the US) as a result of the reorganisation of the order backlog following the commencement of the composition with creditors procedure.

Fair value losses on derivatives fell due to the one-off effects of events in 2018 when, as per the provisions of the Bankruptcy Law, interest no longer accrued on unsecured loans and borrowings and, therefore, there was no longer an economic relationship between the hedged loan and the hedging instrument. Accordingly, the parent reclassified the related amounts accumulated in the hedging reserve to profit or loss when it filed the application as per article 161 of the Bankruptcy Law.

The decrease in exchange losses (€30,610 thousand) is mainly due to fluctuations of the Turkish lira.

The decrease in other financial expense mainly refers to items recognised in 2018 in relation to (i) one-off effects related to impairment losses on financial assets chiefly related to Chile (€11,612 thousand), and (ii) commissions on loans and other credit facilities charged by banks and other financial institutions (€10,914 thousand).

13 Income taxes: €27,804 thousand (-€76,677 thousand)

Income taxes for the year amount to €27,804 thousand.

They may be broken down as follows:

	2019	2018	Variation
Current income taxes (*)	30,757	50,705	(19,948)
Deferred income taxes (*)	(13,361)	(138,429)	125,068
IRAP, current	322	4,349	(4,027)
IRAP, deferred	226	(4,424)	4,650
Prior year and other taxes	9,860	11,122	(1,262)
Total	**27,804**	**(76,677)**	**104,481**

(*) The income taxes refer to IRES for Italy and equivalent taxes for abroad.

Deferred tax assets and liabilities amounting to €275,466 thousand and €62,395 thousand, respectively, are broken down as follows:

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
Statement of financial position	***IRES***	***IRAP***	***IRES***	***IRAP***
a) Deferred tax assets, deriving from:	**276,540**	**4,198**	**273,801**	**4,424**
- provisions for risks, taxed and costs deductible in following years	24,442	4,198	64,966	4,424
- provision for taxed default interest risks	1	0	1	0
- exchange differences	13,679	0	13,286	0
- tax losses	102,690	0	58,095	0
- IFRS 15 and IFRS 9	21,758	0	21,713	0
- interest expense as per art. 96 and other minor	113,970	0	115,739	0
b) Deferred tax liabilities, deriving from:	**(67,667)**	**0**	**(76,538)**	**0**
- buildings recognised at fair value as deemed cost	(3,807)	0	(3,807)	0

- taxable portion of dividends	(62)	0	(62)	0
- default interest to be received	(6,952)	0	(600)	0
- foreign components taxable in following years	(57,487)	0	(71,817)	0
- IFRS 15 and IFRS 9	1,081	0	0	0
- other + hedging reserve	(440)	0	5,146	0
c) Deferred tax assets, net (a + b)	**208,873**	**4,198**	**197,263**	**4,424**
d) Deferred taxes for the year taken to profit or loss	**(13,361)**	**226**	**(138,429)**	**(4,424)**

The recoverability of the deferred tax assets recognised in the consolidated financial statements is reliably attributable to the forecasts implicit in and deriving from the plan underpinning the composition with creditors procedure.

The following is a reconciliation, solely for IRES purposes, between the actual tax (current and deferred) and theoretical tax resulting from the application of tax rates ruling in Italy (equal to 24%) to pre-tax profit (loss):

	2019	%	2018	%
Pre-tax profit	**41,935**		**1,979,181**	
Theoretical tax	(10,065)	24.00%	(475,598)	24.00%
Net effect of permanent increases (decreases)	(12,004)	28.62%	150,992	(7.62%)
Net effect of deferred and current taxes of foreign operations and other adjustments	40,307	(96.12%)	238,982	(12.06%)
Substitute and other taxes	9,860	(23.51%)	16,210	(0.82%)
IRAP (current and deferred)	548	(1.31%)	(75)	0.00%
Taxes recognised in the consolidated financial statements (current and deferred)	**28,648[19]**	**(68.31%)**	**(69,489)**	**3.51%**

14 Loss from discontinued operations: -€6,620 thousand (-€472,328 thousand)

As already described in the “Preliminary considerations about the comparability of figures” section of these notes and in line with the guidelines of the business plan, the parent has classified revenue and costs attributable to discontinued operations in this caption.

The following table shows a breakdown of the revenue and costs of discontinued operations:

	2019	2018	Variation
Revenue from sales and services	120,719	22,371	98,348
Other revenue	32,111	35,258	(3,147)
Interest income	127	1,674	(1,547)
Other financial income	18,250	15,527	2,723
Total revenue of discontinued operations	**171,207**	**74,830**	**96,377**

	2019	2018	Variation
Operating costs	122,600	146,754	(24,154)
Commissions and other financial expense	13,964	34,041	(20,077)

[19] Taxes generated by discontinued operations (€844 thousand; 2018: €7,188 thousand) were also taken into consideration in calculating the tax rate

Interest on loans	2,296	4,344	(2,048)
Provisions and impairment losses	4,714	269,880	(265,166)
Other sundry operating costs	2,890	36,268	(33,378)
Income taxes of discontinued operations	844	7,188	(6,344)
Total costs of discontinued operations	**177,827**	**547,159**	**(369,332)**

In accordance with IFRS 5 - Non-current assets held for sale and discontinued operations, the group restated 2018 revenue, costs and cash flows of discontinued operations.

The main revenue and costs of discontinued operations are commented on below:

Revenue from sales and services: €120,719 thousand (€22,371 thousand)

Revenue from sales and services mainly refers to Russia (€112,851 thousand), specifically the Moscow-St. Petersburg M-11 Motorway contract. Revenue and costs related to Russia were classified under discontinued operations as a result of the agreement signed on 20 June 2019 with the group's partner ICTAS as part of Astaldi's exit from the country and the simultaneous sale of its investment in the Third Bosphorus Bridge operator in Turkey. This transaction was finalised in March 2020 following the Rome Court's authorisation on 21 November 2019.

Operating costs: €122,600 thousand (€146,754 thousand)

Operating costs mostly related to Russia (€107,023 thousand) and, specifically, service costs (mainly sub-contracts) and costs to purchase raw materials.

Provisions and impairment losses: €4,714 thousand (€269,880 thousand)

This caption, which has an immaterial balance in 2019, included (i) impairment losses on Venezuelan financial assets (€151 million); (ii) the accrual to the provision for equity investments related to the Russian joint venture Ic Içtaş Astaldi Ica Inşaat A.S. (€51 million); and (iii) the accrual to the provision for onerous contracts related to the Moscow-St. Petersburg M-11 Motorway contract (€17.7 million) in the previous year.

In accordance with IFRS 5 - Non-current assets held for sale and discontinued operations, the group reclassified the above-mentioned revenue and costs for 2018 to discontinued operations.

15 Loss per share: -€0.74 (-€19.50)

The basic loss per share is calculated as follows:

		2019	2018
Numerator (€'000)			
Loss from continuing operations attributable to the ordinary shareholders of the parent	**(a)**	(65,380)	(1,436,096)
Loss attributable to the ordinary shareholders of the parent	**(b)**	(72,000)	(1,908,424)
Denominator (in units)			
Weighted average shares (ordinary)		98,424,900	98,424,900
Weighted average treasury shares		(551,834)	(551,834)
Weighted average shares used to calculate basic loss per share	**(c)**	**97,873,066**	**97,873,066**
Basic loss per share - (€)	**(b)/(c)**	**(€0.74)**	**(€19.50)**
Basic loss per share from continuing operations - (€)	**(a)/(c)**	**(€0.67)**	**(€14.67)**

At the date of preparation of these consolidated financial statements, a potential increase in the number of outstanding ordinary shares compared to the financial instruments issued by the parent would not have a dilutive effect.

16 Property, plant and equipment: €99,938 thousand (€162,541 thousand)

The following table shows the opening and closing balances and variations of the year:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machinery	Assets under const. and payments on account	Total
Balance at 31 December 2018, net of depreciation (1)	36,721	62.6862	30,372	26,423	6,333	162,541
Additions from acquisitions	43	5,017	4,216	1,970	0	11,246
Gross amount	**36,764**	**67,709**	**34,588**	**28,393**	**6,333**	**173,787**
Depreciation	(1,113)	(6,133)	(3,134)	(5,157)	0	(15,538)
Disposals	0	(12,091)	(1,994)	(1,632)	0	(15,717)
Reclassifications and transfers	(1,738)	(21,936)	(13,766)	(1,229)	(3,803)	(42,472)
Net exchange gains (losses)	32	(154)	66	9	(9)	(56)
Change in consolidation scope and other changes	0	(17)	0	(50)	0	(67)
Balance at 31 December 2019, net of depreciation (2)	**33,945**	**27,379**	**15,760**	**20,334**	**2,521**	**99,938**
(1) of which:						
Historical cost	53,559	152,769	105,163	91,431	6,333	409,261
Acc. Depreciation	(16,839)	(90,083)	(74,791)	(65,008)	0	(246,720)
Carrying amount	**36,721**	**62,686**	**30,372**	**26,423**	**6,333**	**162,541**
(2) of which:						
Historical cost	51,105	73,849	61,019	63,660	2,521	252,155
Acc. Depreciation	(17,160)	(46,470)	(45,260)	(43,326)	0	(152,217)
Carrying amount	**33,945**	**27,379**	**15,760**	**20,334**	**2,521**	**99,938**

The more significant changes relate to:

- additions from acquisitions, totalling €11,246 thousand, principally relating to investments made for recently acquired projects in Italy (high speed/high capacity Bicocca-Catenanuova railway line) and Sweden (Haga Station for the Gothenburg Metro);
- depreciation for the year of €15,538 thousand;
- disposals of €15,717 thousand principally relating to the assets of contracts nearing completion in Poland and Turkey;
- reclassifications and transfers mainly regarding (i) assets under finance lease (€32.4 million at 31 December 2018) included under right-of-use assets at 31 December 2019, and (ii) core assets related to Honduras and Russia (€15.6 million at 31 December 2018) classified as discontinued operations at 31 December 2019 as detailed in note 27.

17 Right-of-use assets: €38,724 thousand (€0)

Right-of-use assets, which showed a nil balance at 31 December 2018, comprise leased assets as per the new standard IFRS 16. The caption mainly refers to (i) core assets (plant, machinery and equipment) used to develop projects in progress in Italy and Chile, as well as (ii) buildings that will house the local offices of foreign branches.

This caption may be analysed as follows:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/2019
Historical cost	11,320	22,825	36,740	2,747	73,631
Acc. Depreciation	(3,496)	(9,632)	(20,533)	(1,246)	(34,908)
Total	**7,824**	**13,192**	**16,207**	**1,501**	**38,724**

18 Investment property: €127 thousand (€135 thousand)

Investment property of €127 thousand includes buildings and land held for investment purposes (31 December 2018: €135 thousand). The decrease is principally due to ordinary depreciation (€8 thousand).

The caption is not measured at fair value as the indicators are not wholly reliable and the investment is immaterial.

19 Intangible assets: €48,295 thousand (€53,740 thousand)

The following table shows changes in this caption:

	31/12/2018	Additions from acquisitions	Amortisation	Impairment gains under profit or loss	Changes in consolidation scope and other changes	31/12/2019
Historical cost	97,084	74	0	2,478	(964)	**98,672**
Acc. amortisation	(43,344)	0	(7,803)	0	769	**(50,378)**
Carrying amount	**53,740**	**74**	**(7,803)**	**2,478**	**(194)**	**48,295**

At the reporting date, the caption mainly comprises:

(i) contractual rights acquired from third parties to perform works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€16,251 thousand) and the Infraflegrea project (€23,578 thousand);

(ii) contractual rights acquired from third parties to perform the O&M activities for the Felix Bulnes hospital (€3,447 thousand) and the four Tuscan hospitals (€1,679 thousand).

The decrease is mainly due to (i) impairment gains on contractual rights for the Infraflegrea project (€2,478 thousand), and (ii) ordinary amortisation (€7,803 thousand).

Finally, taking into account the indicators of impairment[20] on the contractual rights for maxi lot 2 of the Quadrilatero Marche-Umbria road system and the Infraflegrea project, management prudently tested the related investments for impairment.

Specifically, the group estimated value in use by discounting the operating cash flows (using the UDCF method) calculated on the basis of the projections based on reasonable and sustainable assumptions reflecting parent management's best estimates. The cash flows of each year have been suitably discounted (mid-year convention) at a WACC of 8.05%.

[20] Internal information about delays in the performance of works and the financial performance of the contract.

Impairment test results

Quadrilatero Marche-Umbria road system

The impairment test did not show the need to recognise an impairment loss on these intangible assets. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would confirm the recoverability of investments. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would not affect their recoverability.

Infraflegrea project

As is its usual practice, the group performed a separate impairment test on the recoverability of investments in the Cumana Railway and Monte Sant'Angelo contracts. To this end, though these contracts are part of the Infraflegrea project, they are two separate cash-generating units which are separately monitored for management reporting purposes.

The impairment test on the contractual rights for the **Monte Sant'Angelo** contract confirmed the full recoverability of the investment. Accordingly, the group recognised an impairment gain to cancel out the impairment loss recognised in 2018 (€2,478 thousand).
Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would confirm the recoverability of investments. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would not affect their recoverability.

The impairment test on the contractual rights for the **Cumana Railway** did not identify the need to recognise an impairment loss on these intangible assets. The sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would confirm the recoverability of the investments. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would not affect their recoverability.

20 Equity investments: €502,088 thousand (€487,770 thousand)

Equity investments net of impairment losses amount to €502,088 thousand, up €14,318 thousand on 31 December 2018.

	31/12/2019	31/12/2018	Variation
Equity-accounted investments	454,269	468,089	(13,820)
Impairment losses on equity investments	0	(11,012)	11,012
Non-controlling interests	47,819	30,692	17,127
Total	**502,088**	**487,770**	**14,318**

The increase is chiefly due to:
- the effects of the adoption of the IFRS[21];
- the equity loans granted to SPV Linea M4 S.p.A. (€3,643 thousand) and Sociedad Concesionaria Nuevo Pudahuel S.A (€6,988 thousand);
- the sale of shares held in Otoyol Yatirim Ve Isletme AS (approximately 0.72% of the SPE's share capital) to the parent's Turkish partner Gocay (€14,093 thousand).

The carrying amounts of the equity investments are shown net of the capital proceeds to be paid in for shares and/or quotas subscribed, like at 31 December 2018.

[21] See notes 9 and 27.4 for more information.

20.1 Impairment testing

Given the existence of indicators of impairment, the group tested the carrying amount of the following equity investments for impairment:

Company name	Project	Indicators of impairment	Contract stage	Investment %	Ke[22]	Valuation method
Otoyol Yatirim Ve Isletme A.S.	Gebze-Orhangazi-Izmir Motorway	External sources[23]	Construction	18.14%	9.86%	DDM
Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS	Etlik Integrated Health Campus	Internal and external sources[24]	Construction	51.00%	11.86%	DDM

With reference, in particular, to the valuation technique applied for impairment testing purposes to the investees listed in the table, the individual recoverable amount of the related investments was calculated using the “Dividend Discount Model” (DDM), whereby each investee’s value was calculated by discounting the flows of future dividends expected from their operations. In order to apply this method, the group used the investees’ business plans prepared by their relevant bodies, projected over the residual life of the individual concessions.

Impairment test results

Otoyol Yatirim Ve Isletme A.S.

The impairment test did not show the need to recognise an impairment loss on the equity investment. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 10% in the dividend flows on a linear basis in all years covered by the plan would confirm the recoverability of the carrying amount of the investment.

Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS

With regard to this concession project which includes the construction of a healthcare facility that will be one of the largest in Europe, the investee has commenced negotiations with its lenders about the further availability of borrowings that could be affected by the non-compliance with construction progress and ongoing variations. The critical issues mostly relate to the non-compliance with the contractually-established completion date for the construction work, as well as the financial and currency crisis that affected the Turkish lira in August 2018 and commencement of the composition with creditors procedure by Astaldi in September 2018 (Astaldi is a major player in the joint venture set up for this project). The banks’ initial decision to block the use of funds led to subsequent defaults for the non-payment of interest during the construction phase. After an initial deadlock, the negotiations with the banks resumed in the mutual interests of all the parties involved (the Ministry for Health, the lenders and the companies). The effects of such disruptions were reflected in the SPEs’ reporting packages and, accordingly, in the carrying amount[25] of the relevant investment in these consolidated financial statements (€43,913 thousand[26]). The investee’s financial plan used in preparing the impairment test took into account the expected outcome of the negotiations with the customer and the lenders, given the very advanced state of the negotiations underway which the directors expect to complete very shortly. The impairment test confirmed the full recoverability of the investment. Accordingly, the group recognised an impairment gain to cancel out the impairment loss recognised in 2018 (-€11,012 thousand).
Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+50 bps) would substantially confirm the headroom. Similarly, an assumed

[22] Calculated based on market values.

[23] External indicators on the deterioration of the macro-economic situation in Turkey.

[24] Internal information about delays in the scheduled investments and external indicators of (i) the deterioration of the macro-economic situation in Turkey, and (ii) the decrease in cash flows due to the Turkish lira’s depreciation.

[25] Using the equity accounting method.

[26] €67,494 thousand at 31 December 2018 including the impairment loss of €11,012 thousand.

decrease of 5% in the dividend flows on a linear basis in all years covered by the plan would confirm the recoverability of the carrying amount of the investments.

20.2 Disclosures on the main joint ventures and associates

Only the joint venture Ankara Etlik Hastane is considered to be material[27] for Astaldi Group purposes at the reporting date. Its key financial figures are presented below:

(€'000)	Ankara Etlik Hastane 31 December 2019	Ankara Etlik Hastane 31 December 2018
Statement of financial position		
Non-current assets	830,929	760,779
Current assets	64,539	93,152
Of which: cash and cash equivalents	*0.1*	*0.1*
Non-current liabilities	665,115	636,327
Of which: non-current financial liabilities	*665,115*	*636,327*
Current liabilities	144,466	85,263
Of which: current financial liabilities	*41,268*	*18,864*
Statements of profit or loss and other comprehensive income		
Revenue	19,310	153,543
Amortisation, depreciation and impairment losses	0	0
Net financial income (expense)	(9,308)	37,784
Income taxes	(3,588)	50,766
Profit (loss)	(14,609)	88,198
Other comprehensive expense	(31,629)	(5,182)
Comprehensive income (expense)	**(46,237)**	**83,016**
Group's share		
Investment	51.00%	51.00%
Carrying amount	**43,913**	**67,494**
Profit (loss)	(7,450)	44,981
Other comprehensive expense	(16,131)	(2,643)
Profit (loss) for the year	**(23,581)**	**42,338**
Dividends received	0	0

The group's share of comprehensive income of individually immaterial joint ventures totalled €48 thousand (comprehensive expense of -€295 thousand for 2018) and other comprehensive expense of -€2 thousand (-€102 thousand for 2018).

The key financial figures of the material equity-accounted associates are summarised below:

(€'000)	*31 December 2019* Otoyol Yatirim Ve Isletme A.S	*31 December 2019* Metro C	*31 December 2018* Otoyol Yatirim Ve Isletme A.S	*31 December 2018* Metro C
Statement of financial position				
Non-current assets	5,586,807	3,598	5,081,128	4,141
Current assets	1,140,343	289,633	877,238	253,471
Non-current liabilities	4,204,600	2,690	3,717,328	2,484
Current liabilities	504,603	233,524	350,560	198,110
Statements of profit or loss and other comprehensive income				
Revenue	1,112,155	91,851	1,115,623	64,073
Amortisation, depreciation and impairment losses	0	(1,523)	0	(1,544)
Net financial expense	(310,572)	(1,628)	(318,518)	(1,864)
Income taxes	(136,815)	(236)	16,658	(302)

[27] The Astaldi Group considers only its investments in joint ventures and associates with a carrying amount of at least €15 million to be material.

Profit for the year	224,924	0	258,934	0
Other comprehensive income (expense)	(131,030)	0	134,127	0
Comprehensive income	**93,894**	**0**	**393,061**	**0**
Group's share				
Investment	18.14%	34.50%	18.86%	34.50%
Carrying amount	**366,456**	**19,837**	**356,960**	**19,671**
Profit for the year	40,174	0	48,835	0
Other comprehensive income (expense)	(16,585)	0	25,296	0
Comprehensive income	**23,589**	**0**	**74,131**	**0**

The group's share of comprehensive expense of individually immaterial associates totalled €2,100 thousand (€336 thousand for 2018) and other comprehensive expense of €60 thousand (€151 thousand for 2018).

20.3 Significant restrictions on joint ventures and associates

At 31 December 2019, the group's commitments to capitalise the SPEs according to the financial plan of the parent's separate unit as per article 2447-bis and following articles of the Italian Civil Code amount to approximately €52 million, payable in the next five years.

The project financing arrangements involving associates and joint ventures active in the concessions segment usually require compliance with covenants. Any failure may limit those companies' ability to pay dividends or repay the subordinated loans to the group.

Moreover, the investments in associates and joint ventures active in the concessions segment may be pledged as guarantee to banks.

20.4 Non-controlling interests

The group decided to avail of the option as per paragraph 5.7.5 of IFRS 9 - Financial instruments to designate some non-controlling interests (i.e., investments in concession SPEs) as assets at FVTOCI[28], in order to take into account the fact that the valuation of such investments, related to projects developed over a long period of time, can be influenced by external elements[29] - mainly temporary in nature - that do not entail a definitive increase/decrease in equity. Management deemed that recognising these effects in profit or loss would thus impact the proper presentation of the group's income and expense as they only refer to a temporary accounting presentation. The following table provides a summary of the key figures of the main investments recognised at FVTOCI:

Company name	Fair value	Cost	Variation	Investment %	Ke[30]	Valuation method
SPV Linea M4 S.p.A.	21,895	26,962	(5,067)	9.63%	7.69%	DDM
Sociedad Concesionaria Nuevo Pudahuel S.A.	22,837	27,854	(5,017)	15.00%	8.20%	DDM

21 Financial assets

28 Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

29 Variations in exchange rates and discount rates.

30 Calculated based on market values.

21.1 Non-current financial assets: €138,648 thousand (€96,150 thousand)

The following table gives a breakdown of non-current financial assets:

	31/12/2019	31/12/2018	Variation
Non-current loan assets	121,316	79,590	41,726
Securities	5,567	3,068	2,499
Other financial assets - investees	838	838	0
Other financial assets - third parties	2,478	(1)	2,479
Lease payments receivable	8,461	12,660	(4,199)
Loss allowances	(12)	(5)	(7)
Total	**138,648**	**96,150**	**42,498**

Non-current loan assets mainly relate to the subordinated loans (semi-equity) granted to the SPEs in the concessions segment.

The amounts granted to the main investees are summarised below:

	31/12/2019	31/12/2018	Variation
Ankara Etlik Hastane A.S.	60,488	46,727	13,761
Metro 5 S.p.A.	1,828	1,728	100
Otoyol Yatirim Ve Isletme A.S.	461	423	38
SA.T. S.p.A.	0	102	(102)
Sociedad Concesionaria Nuevo Pudahuel S.A.	31,845	17,633	14,212
SPV Linea M4 S.p.A.	26,694	12,977	13,717
Total	**121,316**	**79,590**	**41,726**

The changes for the year mainly relate to the following: (i) the additional amounts granted during 2019 to the SPEs Ankara Etlik (€7,864 thousand), Sociedad Concesionaria Nuevo Pudahuel (€8,411 thousand) and SPV Linea M4 S.p.A. (€10,621 thousand), in addition to (ii) the change in the fair value of such financial instruments.

Securities refer to bonds[31] issued by the joint venture OC 405 Partners, in accordance with the terms and conditions of the relevant contract, to guarantee the customer that the obligations undertaken with regard to the works to upgrade the Interstate-405 in California would be fulfilled.

The lease payments receivable relate to the contract with the associate Brennero Tunnel Construction S.c.a.r.l. for the lease of a TBM needed to bore the Brenner Base Tunnel (€8,461 thousand). The decrease on the previous year end is due to the reclassification of the principal payments due within one year to current financial assets.

Reference should be made to note 37 on related party transactions for information on the other financial assets - investees.

21.2 Current financial assets: €110,388 thousand (€72,166 thousand)

Current financial assets increased by €38,222 thousand to €110,388 thousand and are made up as follows:

[31] Highly rated corporate bonds (investment grade) issued by the parent.

	31/12/2019	31/12/2018	Variation
Securities in portfolio	19,768	21,000	(1,232)
Current loan assets	90,955	60,545	30,410
Impairment losses on current loan assets	(304)	(9,348)	9,044
Loss allowances	(30)	(30)	0
Total	**110,388**	**72,166**	**38,222**

The increase in the securities in portfolio is specifically due to the temporary investment of the joint venture for the Interstate-405 project in California, OC 405 Partners' liquidity in highly rated corporate bonds (investment grade).

The rise in current loan assets is mainly related to: (i) the temporary short-term investment of liquidity related to the joint venture for the Apice-Hirpinia section of the high capacity/high speed Naples-Bari railway line (€47.1 million); and (ii) the reclassification of lease payments receivable related to the contract with the associate Brennero Tunnel Construction S.c.a.r.l. to current assets (€4.2 million). These effects were partially offset by the decrease following the collection of lease payments receivable (€21.8 million at 31 December 2018) for the plant for the treatment and recovery of copper and molybdenum from the CODELCO mine sludge (the Relaves project in Chile).

Impairment losses on trade receivables, which has an immaterial balance at 31 December 2019, related to the impairment loss on financial assets related to the Relaves project at the previous year end. Specifically, with regard to the latter project, the management of the subsidiary Valle Aconcagua A.S. checked the recoverable amount of such assets at the reporting date after detecting indicators of impairment. The subsidiary recognised an impairment loss of €8,888 thousand in order to take into consideration the financial difficulties caused by the concession contract and the progress of negotiations with the customer to find an amicable solution to the ongoing disputes.

22 Other assets

22.1 Other non-current assets: €117,677 thousand (€136,109 thousand)

This caption may be analysed as follows.

	31/12/2019	31/12/2018	Variation
Indirect taxes	10,590	21,095	(10,505)
Direct taxes	7,445	27,569	(20,124)
Tax assets	**18,035**	**48,664**	**(30,629)**
Guarantee deposits	36,678	12,541	24,137
Prepaid insurance premiums	7,636	14,988	(7,352)
Prepaid surety commissions	1,187	3,423	(2,236)
Other prepayments	2,050	3,576	(1,526)
Amounts due from social security institutions	56	58	(2)
Other sundry loans and receivables	52,035	52,859	(824)
Other assets	**99,642**	**87,445**	**12,197**
Total	**117,677**	**136,109**	**(18,432)**

The decrease in direct taxes is mainly due to the utilisation of withholding taxes applied progressively in Turkey to offset certain tax liabilities in the current year (specifically for the Gebze-Orhangazi-Izmir Motorway). Specifically, the local tax regime provides that taxes on long-term contracts shall only be definitively paid after

the related contracts have been completed, which is when the customer issues the taking over certificate.
The decrease in indirect tax assets is principally due to the reclassification of tax assets related to Honduras to non-current assets held for sale and the collection[32] of certain credits in Turkey.
Guarantee deposits rose €24,883 thousand on the previous year end due to increases in Chile for Contract C13 and the El Teniente contract in Chuquicamata.
Other sundry loans and receivables include receivables and contract work in progress (totalling €52 million) of the Venezuelan railway projects, net of the related loss allowances.
Considering the country's persisting serious political, economic and social crisis, management prudently recognised a recoverable amount of €52 million[33] for such assets, recording an additional impairment loss of roughly €152 million on their nominal amount (€433.1 million) in 2018.

22.2 Other current assets: €336,936 thousand (€375,150 thousand)

Other current assets decreased by €38,214 thousand to €336,936 thousand.

	31/12/2019	31/12/2018	Variation
Receivables for the sale of goods and/or services	190,360	179,689	10,671
Advances to suppliers and subcontractors	91,352	145,763	(54,411)
Amounts due from personnel	738	1,054	(316)
Amounts due from social security institutions	2,577	3,138	(561)
Credit notes from suppliers	17,976	18,578	(602)
Prepaid insurance premiums	11,349	9,012	2,337
Prepaid surety commissions	5,112	3,154	1,958
Other prepayments	1,198	1,338	(140)
Other sundry loans and receivables	16,982	14,144	2,838
Allowance for contract losses to complete	(708)	(720)	12
Total	**336,936**	**375,150**	**(38,214)**

Receivables for the sale of goods and/or services of €190,360 thousand mainly relate to:

- activities ancillary to the construction of works (leases of machinery and equipment, sales of goods and provisions of services) provided to suppliers and subcontractors of the construction segment (€147,710 thousand);
- receivables of €42,652 thousand from associates, joint ventures and joint operations for *(i)* industrial, administrative, procurement and engineering services, and *(ii)* commissions for guarantees given by the parent to obtain the performance and advance payment bonds required by the individual contracts.

A breakdown of this item by geographical segment is as follows:

	31/12/2019	%	31/12/2018	%	Variation
Italy	71,385	37.50%	55,933	31.13%	15,452
Europe	85,629	44.98%	96,820	53.88%	(11,191)
Americas	25,610	13.45%	18,986	10.57%	6,624
Africa	7,576	3.98%	7,974	4.44%	(398)
Asia	160	0.08%	(24)	-0.01%	184
Total	**190,360**	**100.00%**	**179,689**	**100.00%**	**10,671**

Advances to suppliers and subcontractors decreased by €54,411 thousand, especially with regard to Chile. At the date of the commencement of the judicial reorganisation procedure in Chile, amounts due from and to suppliers and subcontractors were offset in accordance with local legislation.

[32] Offsetting other taxes due.
[33] See the "Impairment of other financial instruments" section for more information on the criteria adopted to calculate the recoverable amount of such financial assets.

23 Inventories: €38,231 thousand (€42,976 thousand)

This caption, amounting to €38,231 thousand at 31 December 2018, is broken down as follows:

	31/12/2019	31/12/2018	Variation
Raw materials, consumables and supplies	39,321	50,600	(11,279)
Allowance for inventory write-downs	(8,867)	(13,485)	4,618
Finished goods	1,978	1,499	479
Goods and materials in transit	5,799	4,362	1,437
Total	**38,231**	**42,976**	**(4,745)**

The next table gives a breakdown of inventories by geographical segment:

	31/12/2019	%	31/12/2018	%	Variation
Italy	6,495	16.99%	6,334	14.74%	161
Europe	24,673	64.54%	28,127	65.45%	(3,454)
Americas	6,808	17.81%	8,198	19.08%	(1,390)
Africa	255	0.67%	317	0.74%	(62)
Total	**38,231**	**100.00%**	**42,976**	**100.00%**	**(4,745)**

The decrease in inventories is principally due to the reclassification of inventories related to Russia and Honduras to non-current assets held for sale during the year.

The allowance for inventory write-downs relates to some countries in the Americas where the group has decided to discontinue its operations. To calculate the write-downs, the group used the realisable amount of such assets estimated considering (i) the economic situation in such countries, and (ii) its intention to discontinue its operations in such countries.

24 Contract assets: €794,098 (€755,159 thousand) Contract liabilities: €384,063 thousand (€289,925 thousand) Costs capitalised to fulfil a contract: €2,868 thousand (€4,188 thousand)

These captions may be analysed as follows:

	31/12/2019	31/12/2018	Variation
CURRENT ASSETS			
Contract work in progress	13,949,486	14,334,421	(384,935)
Progress payments from customers	(13,042,021)	(13,494,337)	452,317
Fines for contract terminations	(38,774)	(49,974)	11,200
Contractual advances	(73,670)	(34,006)	(39,664)
Loss allowances	(923)	(943)	21
Contract assets	**794,098**	**755,159**	**38,939**
Costs capitalised to fulfil a contract	2,868	4,188	(1,320)
Total current assets	**796,967**	**759,347**	**37,619**
CURRENT LIABILITIES			
Contract work in progress	5,587,481	4,406,196	1,181,285
Progress payments from customers	(5,693,536)	(4,457,579)	(1,235,957)
Contractual advances	(278,007)	(238,541)	(39,466)
Contract liabilities	**(384,063)**	**(289,925)**	**(94,138)**

Net contract work in progress[34], recognised separately under contract assets and contract liabilities, increased slightly (€13 million) on the previous year end, mainly due to the development of industrial activities performed in partnership in Italy (the Brenner Base Tunnel and the high speed/high capacity Bicocca-Catenanuova railway line), Sweden (Haga and Kvarnberget Rock Tunnel) and Romania (lots 2A, 2B and 3 of the Curtici-Simeria railway line).

Contractual advances rose by roughly €79 million due to the advances received on recently acquired railway contracts in Italy (the Naples-Cancello and Apice-Hirpinia lots of the high capacity/high speed Naples-Bari railway line and the Bicocca-Catenanuova lot of the Palermo-Catania railway line) and Romania (the Braila Bridge over the Danube).

The decrease in fines for contract terminations (€11.2 million) is chiefly due to the enforcement of the performance bond related to the La Punilla multi-purpose dam in Chile.

25 Trade receivables: €604,976 thousand (€608,748 thousand)

Trade receivables decreased by €3,772 thousand and are made up as follows:

	31/12/2019	31/12/2018	Variation
Customers	611,234	575,937	35,297
Investees	27,973	67,053	(39,080)
Loss allowances	(34,232)	(34,242)	10
Total	**604,976**	**608,748**	**(3,772)**

The next table gives a breakdown of the caption by geographical segment:

[34] Contract work in progress less progress payments from customers.

	31/12/2019	%	31/12/2018	%	Variation
Italy	380,198	62.85%	232,364	38.17%	147,834
Europe	139,030	22.98%	282,458	46.40%	(143,428)
Americas	84,139	13.91%	82,298	13.52%	1,841
Africa	1,435	0.24%	11,562	1.90%	(10,127)
Asia	174	0.03%	66	0.01%	108
Total	**604,976**	**100.00%**	**608,748**	**100.00%**	**(3,772)**

Based on the table above:

- the increase in Italy is chiefly linked to the development of some contracts performed in partnership (Line 4 of the Milan Metro and the Apice-Hirpinia railway contracts);
- the decrease in Europe is mostly attributable to: (i) the collection of amounts due for the Bucharest Constanta railway project in Romania (approximately €71 million plus interest) in 2019 following the arbitration award in the group's favour; (ii) the temporary slowdown of activities in progress in Turkey on the Etlik Integrated Health Campus; in addition to (iii) the reclassification of amounts due in Russia to non-current assets held for sale;
- the decrease in Africa is related to the considerable slowdown of industrial activities on Algerian railway contracts;
- the additional main increases chiefly refer to new projects developed in Canada, including the Hurontario Light Rail Transit and Ashbridges Bay Treatment Plant Outfall projects.

26 Tax assets: €68,620 thousand (€72,032 thousand)

This caption, amounting to €68,620 thousand at 31 December 2019, is broken down as follows:

	31/12/2019	31/12/2018	Variation
Indirect tax assets	62,382	65,707	(3,325)
Direct tax assets	6,436	6,523	(87)
Loss allowances	(198)	(198)	0
Total	**68,620**	**72,032**	**(3,412)**

Indirect tax assets decreased by €3,325 thousand on the previous year end due to their normal use to reduce the current taxes due in relation to the development of projects in Romania and Turkey.

27 Cash and cash equivalents: €314,061 thousand (€210,974 thousand)

This caption increased by €103,087 thousand over 31 December 2018 as follows:

	31/12/2019	31/12/2018	Variation
Bank and post office accounts	313,733	210,656	103,077
Cash-in-hand and cash equivalents	327	317	10
Cheques	1	1	0
Total	**314,061**	**210,974**	**103,087**

A breakdown of this caption by geographical segment is as follows:

	31/12/2019	%	31/12/2018	%	Variation
Italy	156,995	49.99%	79,821	37.83%	77,174
Europe	95,515	30.41%	78,629	37.27%	16,886
Americas	54,423	17.33%	44,505	21.10%	9,918
Africa	3,053	0.97%	3,887	1.84%	(834)
Asia	4,075	1.30%	4,132	1.96%	(57)
Total	**314,061**	**100.00%**	**210,974**	**100.00%**	**103,087**

28 Non-current assets held for sale and liabilities directly associated with non-current assets held for sale: €161,433 thousand (€263,509 thousand)

Non-current assets held for sale and liabilities directly associated with non-current assets held for sale may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Property, plant and equipment	8,882	0	8,882
Equity investments measured at cost	69,473	69,377	96
Non-current financial assets measured at fair value	200,616	194,132	6,484
Other non-current assets	3,929	0	3,929
Deferred tax assets	31	0	31
Inventories	884	0	884
Contract work in progress	6,659	0	6,659
Trade receivables	33,351	0	33,351
Current equity investments measured at cost	590	0	590
Current financial assets measured at fair value	356	0	356
Tax assets	1,533	0	1,533
Other current assets	28,962	0	28,962
Cash and cash equivalents	762	0	762
Total non-current assets held for sale	**356,028**	**263,509**	**92,519**

	31/12/2019	31/12/2018	Variation
Non-current financial liabilities	(4,485)	0	(4,485)
Employee benefits	(122)	0	(122)
Provisions for risks and charges	(56,893)	0	(56,893)
Progress payments from customers	(9,498)	0	(9,498)
Trade payables	(95,255)	0	(95,255)
Current financial liabilities	(22,555)	0	(22,555)
Tax liabilities	(2,408)	0	(2,408)
Other current liabilities	(3,379)	0	(3,379)
Total liabilities directly associated with non-current assets held for sale	**(194,596)**	**0**	**(194,596)**

This caption principally comprises:

- the 20% interest (including the shareholder loan) in the **Third Bosphorus Bridge** SPE Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu amounting to **€259,415 thousand** (31 December 2018: €246,803 thousand).

  With regard to such investment, after launching an extensive invitation to bid in 2017, in August 2018, the parent received an initial binding offer from a consortium of Chinese investors (the "Chinese consortium") in 2017 and a subsequent bid in April 2018 for the acquisition of the entire share capital and shareholder loan of the SPE Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu, holder of the concession to operate the “Third Bosphorus Bridge” - “Odayeri-Paşaköy motorway section (Third Bosphorus Bridge included)”. As the SPE’s majority shareholder Ic Ictas Sanayi ve Ticaret A.Ş (“ICTAS”) exercised its call option, Astaldi held further negotiations with ICTAS which led to a binding offer, received on 1 August 2018, for the acquisition of the entire investment (including the shareholder loan). In August 2018, Turkey’s political and economic difficulties transmuted into a serious crisis which led, inter alia, to another strong depreciation of the currency and, accordingly, extended the times initially forecast for the sale for reasons not attributable to the parent and that could not, moreover, have been foreseen.

After additional negotiations, the parent signed an agreement with ICTAS in June 2019 - authorised by the Rome Court on 21 November 2019 - for the sale of its entire investment in addition to the subordinated loan for a total of USD315 million. Under such agreement, the two parties defined, inter alia, their partnership for the joint venture projects carried out via special purpose entities. The transaction price will be paid in one instalment if ICTAS completes the sale of a majority investment in the operator to the Chinese consortium or, should no agreement be reached with the Chinese consortium, in annual instalments, along with interest, by the fourth quarter of 2023.

Guarantees for exact and timely payment by ICTAS in the latter case comprise the transfer of the amounts due and falling due from the Third Bosphorus Bridge operator to repay the shareholder loan and the right to receive dividends along with the issue of five promissory notes (to an escrow agent) to be enforced if the payments are not made within the set deadlines.

As required by IFRS 5, at the date of preparation of these consolidated financial statements, the investment has been measured at the lower of its carrying amount and fair value less costs to sell. The latter has been measured considering the terms of the agreement. An impairment gain of €3,147 thousand was recognised in 2019 to partially reverse the impairment loss recognised in the previous year in order to reflect the time value effects on the payment terms of the transaction price;

- the interest (including the shareholder loan) in the Chilean SPE **Sociedad Concesionaria Metropolitana de Salud S.A.** amounting to **€10,673 thousand**;
- **the deficit related to Russia (€102,001 thousand)**: in line with the guidelines of the business plan, the parent agreed to fully transfer its activities in progress in Russia to its partner ICTAS as part of the agreement dated 20 June 2019. As required by IFRS 5, at the date of preparation of these consolidated financial statements, the assets have been measured at the lower of their carrying amount and fair value less costs to sell. The latter has been measured considering the terms of the agreement;
- **the deficit related to Honduras (€5,655 thousand)**: the representatives of the Honduras branch have notified the parent that relationships with creditors have rapidly deteriorated, most of all with the country’s leading banks. Following the application presented by certain creditors and in accordance with local laws, including criminal laws, the parent’s representatives presented a formal statement to the local court about the parent’s assets in the country in the last few months. According to its local legal advisers, due to the inexistence of local insolvency legislation, the tool usually used in Honduras is “fideicomiso” where a third party trusted by both the debtor and creditors is appointed to sell the assets. This type of “voluntary” liquidation - officially proposed by the lending banks - is incompatible with Astaldi’s composition with creditors procedure and, therefore, cannot be pursued. As the parent could not satisfy the creditors’ requests, the latter commenced enforcement actions on the parent’s assets in Honduras. The judicial authorities appointed an administrator on 25 May 2019 with full powers over the branch’s assets (while Astaldi’s representatives were denied any powers of disposal), to manage and preserve them, in order to sell the assets to satisfy its creditors. In light of the above and considering that the industrial activities in progress in the country were interrupted upon the appointment of the court-appointed administrator, management classified the assets and liabilities of the Honduras branch under liabilities directly associated with non-current assets held for sale as such amount will only be recovered when the assets are sold to satisfy the creditors. As required by IFRS 5, at the date of preparation of these consolidated financial statements, the assets have been measured at the lower of their carrying amount and fair value less costs to sell. The latter has been

measured considering the market analyses performed on equivalent assets which did not indicate the need to recognise any impairment losses further to those recognised in 2018.

29 Equity (Deficit): €1,540,088 thousand (€1,438,873 thousand)

29.1 Share capital: €196,850 thousand (€196,850 thousand)

The parent's subscribed and fully paid-in share capital consists of 98,424,900 ordinary shares, without a nominal amount, and a total of €196,850 thousand.

In accordance with article 127-quinquies of Legislative decree no. 58 of 24 February 1998 (the Consolidated Finance Act), the parent introduced a loyalty share mechanism allowing more than one voting right per share in 2015. In 2017, in compliance with the applicable legislation and the specific provisions of the parent's by-laws, some of FIN. AST. S.r.l.'s and other non-controlling investors' shares became loyalty shares.

At the reporting date, according to the shareholders' register and other related information (which is mandatory by law - article 120 of Legislative decree no. 58/98), the parent's shareholders with investments of more than 3% are as follows:

DIRECT SHAREHOLDER	No. of shares	Investment %	Number of voting rights	% of voting rights
Fin.Ast S.r.l.[35]	51,933,462	52.764%	103,761,429	69.054%
FMR LLC	3,931,000	3.994%	3,931,000	2.616%
Total shareholders with a significant investment	**55,864,462**	**56.758%**	**107,692,429**	**71.670%**
Treasury shares	553,834	0.563%	553,834*	0.368%
Market	42,006,604	42.679%	42,006,604	27.962%
Total	**98,424,900**	**100.000%**	**150,252,867**	**100.000%**

*Pursuant to article 2357-ter.3 of the Italian Civil Code, the voting rights attached to treasury shares are suspended.

At the reporting date, outstanding shares number 97,885,066, unchanged compared to 31 December 2018.

29.2 Other financial instruments giving the right to subscribe newly issued shares

At the date of preparation of these consolidated financial statements, there are no financial instruments giving the right to subscribe newly issued shares. To this end, following the parent's presentation of the composition with creditors proposal, the equity-linked bonds of €140 million due in 2024 are included among the overall unsecured liabilities that shall be satisfied within the terms and conditions of such proposal.

29.3 Treasury shares held by the parent: €3,023 thousand (€3,023 thousand)

The parent holds 553,834 treasury shares, equal to 0.563% of its share capital, with a carrying amount of €3,023 thousand at the reporting date.

[35] Finetupar International S.A. was merged into FIN. AST. S.r.l. on 24 July 2019.

29.4 Reserves: €1,663,652 thousand (€275,592 thousand)

The following table shows the reserves:

	31/12/2019	31/12/2018	Variation
Legal reserve	34,347	34,347	0
Extraordinary reserve	198,597	198,632	(35)
Retained earnings (losses carried forward)	(1,677,991)	229,751	(1,907,742)
Other reserves	(86,793)	(86,793)	0
Other comprehensive expense	(156,669)	(108,944)	(47,725)
Deferred tax on other comprehensive expense	24,857	8,599	16,258
Total	**(1,663,652)**	**275,592**	**(1,939,244)**

The most significant changes in the reserves include:
- the carry forward of the 2018 loss;
- the increase in other comprehensive expense (€31,467 thousand net of the related tax), mostly due to the fair value losses recognised in the hedging reserve of the SPE operating the Ankara Etlik Integrated Health Campus in Turkey. The relevant borrowing costs (set at a fixed rate via the hedges) will be offset in future years by profits earned on the project. Therefore, this decrease in equity is just a temporary accounting presentation of the recognition of hedging derivatives at fair value.

Other reserves may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Stock grant reserve	2,407	2,407	0
IFRS FTA reserve	(88,217)	(88,217)	0
Reserve for treasury shares	2,213	2,213	0
Other	(3,196)	(3,196)	0
Total	**(86,793)**	**(86,793)**	**0**

The stock grant reserve includes the value of the shares assigned to employees but not yet delivered, calculated in line with the current regulation and related actuarial appraisal.
The IFRS FTA reserve comprises all the adjustments made in the opening statement of financial position of the first set of financial statements prepared pursuant to the IFRS and the amount recognised after subsequent endorsements of new standards compared to the FTA.
The reserve for trading in treasury shares shows the gains and losses arising from the buyback plan.
The caption "Other" includes small items related to the measurement of investments in certain associates using the equity method.

29.5 Equity attributable to non-controlling interests: €1,737 thousand (€132 thousand)

The increase in equity attributable to non-controlling interests is mostly due to other comprehensive expense (€1,384 thousand).

30 Financial liabilities

After the presentation of the application for the composition with creditors procedure on 28 September 2018 as per article 161.6 of the Bankruptcy Law, the financial liabilities directly related to the parent at such date were classified under current liabilities.

30.1 Non-current financial liabilities: €185,744 thousand (€24,457 thousand)*

Non-current financial liabilities are made up as follows:

	31/12/2019	31/12/2018	Variation
Unsecured senior bonds	130,572	0	130,572
Bonds - nominal amount	**130,572**	**0**	**130,572**
Total bonds	**130,572**	**0**	**130,572**
Bank loans	8,065	0	8,065
Collateralised loans	1,333	1,370	(37)
Lease liabilities	16,370	20,423	(4,053)
Bank loans and borrowings and lease liabilities - nominal amount	**25,768**	**21,793**	**3,975**
Total bank loans and borrowings and lease liabilities	**25,768**	**21,793**	**3,975**
Loans and borrowings from other financial backers	29,202	0	29,202
Associates, joint ventures and other investees	202	2,664	(2,462)
Total	**185,744**	**24,457**	**161,287**

(*) Included in net financial debt for €185,541 thousand (31 December 2018: €21,793 thousand)

The increase in non-current financial debt compared to the previous year end is chiefly due to: (i) the issue of the bonds as the first part of the urgent interim financing which are pre-preferential bonds pursuant to article 182-quinquies.3 of the Bankruptcy Law originally subscribed by the US-based fund Fortress in February 2019 for €75 million. Such bonds were subsequently taken over by Beyond S.r.l. (fully owned by WeBuild S.p.A., formerly Salini Impregilo S.p.A.) in October 2019 and were then increased to €190 million on 27 November 2019 with Illimity Bank becoming one of the bondholders (by subscribing €50 million in December 2019)[36]; in addition to (ii) shareholder loans received by the joint venture in charge of works on the Arturo Merino Benitez International Airport in Santiago, Chile (€29,201 thousand).

[36] Beyond subscribed the remaining bonds (€63.9 million) in February 2020.

30.2 Current financial liabilities: €2,852,017 thousand (€2,624,210 thousand)*

This caption increased by €227,807 thousand on the previous year end and may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Bonds	908,031	907,068	963
Issue and placement fees	(585)	0	(585)
Total bonds	**907,446**	**907,068**	**378**
Current portion of bank loans	1,807,657	1,568,786	238,871
Current portion of non-current loans	26,961	39,252	(12,291)
Current portion of collateralised loans	2,784	2,784	0
Lease liabilities	23,948	24,851	(903)
Bank loans and borrowings and lease liabilities - nominal amount	**1,861,350**	**1,635,673**	**225,677**
Accrued interest on bank loans	14,140	16,683	(2,543)
Hedging derivatives	7,115	8,060	(945)
Total bank loans and borrowings and lease liabilities	**1,882,605**	**1,660,415**	**222,190**
Loans and borrowings from other financial backers	61,958	56,726	5,232
Total	**2,852,017**	**2,624,210**	**227,807**

(*) Included in net financial debt for €2,844,903 thousand (31 December 2018: €2,615,353 thousand)

Bonds

This caption refers to the two bond issues placed by the parent; specifically:

- equity-linked bonds of €140,000 thousand [ISIN code XS1634544248] issued on 14 June 2017 and due on 21 June 2024; denominated in Euro, lot €100,000, traded on the Vienna Stock Exchange at a fixed interest rate of 4.875% payable in quarterly instalments with the final payment due on 21 September 2018;
- senior unsecured bonds of €750,000 thousand [ISIN code XS1000393899], of which €500,000 thousand issued on 4 December 2013 integrated by €100,000 thousand on 9 December 2013 (Tap I) and by €150,000 thousand on 14 February 2014 (Tap II); due on 1 December 2020, denominated in Euro, lot €100,000, traded on the Luxembourg Stock Exchange at a fixed interest rate of 7.125% payable in six-monthly instalments with the final payment due on 1 June 2018;
- interest payable of €131 thousand on the equity-linked bonds accruing on 28 September 2018;
- interest payable of €16,936 thousand on the senior unsecured bonds accruing on 28 September 2018.

Based on market prices observed on 31 December 2019, the fair value of the equity-linked and unsecured senior bonds is €20,021 thousand and €117,720 thousand, respectively.

Accordingly, the total fair value of bond issues at 31 December 2019 is €137,741 thousand.

Bank loans and borrowings and lease liabilities - nominal amount

Most of the loans refer to the composition with creditors liabilities which remained unchanged on the previous year end.

The main changes during the year refer to:

- enforcements of roughly €237.1 million as described later on;
- the €2.1 million increase in liabilities with Turkish banks due to interest accrued on overdue facilities (in this regard, as Turkey does not recognise the Italian composition with creditors procedure, specific standstill agreements were signed with Turkish banks in September 2019 in order to prevent any actions against Astaldi's assets in Turkey);
- the €16 million decrease in liabilities with Honduran banks following the sale of some local assets which were used by the local liquidator to settle existing debts (in this regard, as Honduras does not recognise the Italian composition with creditors procedure, a liquidator was appointed by the local

court to manage/settle the branch's debts) and the reclassification of the residual amount (roughly €4 million) to liabilities directly associated with non-current assets held for sale;

- the reclassification of liabilities related to Russia to liabilities directly associated with non-current assets held for sale (approximately €19 million).

The following table shows the main loans and borrowings at the reporting date:

Type of loan		**Company**	**Outstanding 31/12/2019**
Bilateral - Cariparma	Committed	Astaldi S.p.A.	50,000
Bilateral - BNP Paribas	Committed	Astaldi S.p.A.	45,000
Bilateral - Banca Popolare dell'Emilia Romagna_bis	Committed	Astaldi S.p.A.	25,000
Bilateral - Banca Ubae	Committed	Astaldi S.p.A.	25,000
Bilateral - Credito Valtellinese	Committed	Astaldi S.p.A.	20,000
	Committed	Astaldi S.p.A.	10,000
Bilateral - Factorit	Committed	Astaldi S.p.A.	8,327
Bilateral - Banca del Mezzogiorno	Committed	Astaldi S.p.A.	6,580
Bilateral - Banca Popolare dell'Emilia Romagna	Committed	Astaldi S.p.A.	5,000
Bilateral - Banca Popolare di Spoleto	Committed	Astaldi S.p.A.	5,000
Bilateral - BPM loan	Committed	Astaldi S.p.A.	2,784
Bilateral - Banca Carige	Committed	Astaldi S.p.A.	1,478
Syndicate - RCF €500 million	Committed	Astaldi S.p.A.	500,000
Syndicate - RCF €120 million	Committed	Astaldi S.p.A.	120,000
Syndicate - Cacib_Bbva	Committed	Astaldi S.p.A.	15,000
Unicredit S.p.A.	Uncommitted	Astaldi S.p.A.	45,000
Intesa SanPaolo S.p.A.	Uncommitted	Astaldi S.p.A.	38,000
Syndicate - BPM €9 million Line A	Committed	NBI S.p.A.	6,008
Syndicate - BPM €8 million Line B	Committed	NBI S.p.A.	8,000
Syndicate - Banco Security (USD)	Committed	Valle Aconcagua S.A.	2,577
Enforcements of guarantees			404,011
Other borrowings			494,637
Total bank loans and borrowings			**1,837,402**
Finance leases			23,948
Total bank loans and borrowings and lease liabilities (*)			**1,861,350**

Enforcements of guarantees

The following table provides a summary of the enforced guarantees which the guarantor and/or counter-guarantor had paid out at the reporting date:

€m

Country	Advance payment bonds	Performance bonds	Maintenance bonds	Equity contributions	Other financial guarantees	Total
Canada	56.2	66.7	-	-	-	**122.9**
Chile	0.2	14.4	-	10.8	-	**25.4**
Georgia	12.1	12	-	-	-	**24.1**
Honduras	4.9	9.8	-	-	-	**14.7**
Italy	12.2	3.4	-	-	-	**15.5**
Nicaragua	5.4	2.8	-	-	0.2	**8.4**
Poland	-	4.7	0.03	-	-	**4.8**
USA	-	-	-	-	22.3	**22.3**
Total	**90.9**	**113.8**	**0.03**	**10.8**	**22.5**	**238.06**

The enforced guarantees which the guarantor and/or counter-guarantor had paid out at the reporting date amounted to €238.06 million.

They mainly related to: (i) the Muskrat Falls project in Canada (€123 million); (ii) Zemo Osiauri-Chumateleti section, Lot 2 of the E-60 Motorway in Georgia (€24.1 million); (iii) Lot I-II of the Arenal Hydroelectric Project in Honduras (€14.7 million); (iv) the Genoa-Voltri railway junction in Italy (€15.5 million); (v) the Santiago Airport in Chile (€10.8 million); (vi) Lots I and II of the Mejoramiento del Camino El Comejen-Waslala project in Nicaragua (€8.3 million); (vii) the Wekiva Parkway in the US (€22.3 million); (viii) the La Punilla multi-purpose dam in Chile (€14.3 million), and (x) the Warsaw Metro (€3.7 million), the Poznam-Wroclav S5 Expressway (€1 million) and the Passenger Terminal at Krakow Airport (€0.03 million) in Poland (€4.8 million in total).

Loans and borrowings from other financial backers

Loans and borrowings from other financial backers, basically unchanged on the previous year end, include a reduction (roughly €9 million) due to the reclassification of liabilities related to Russia to liabilities directly associated with non-current assets held for sale and an identical increase for the shareholder loans received by (i) the joint venture performing the works on the Ogra Campia Turzi project in Romania (approximately €9 million), and (ii) the subsidiary Sirjo S.c.p.A. (€1.6 million).

30.3 Net financial debt

The following table shows the group's net financial debt and a breakdown of its main components as required by CONSOB communication no. DEM/6064293 of 28 July 2006 which is based on the European Securities and Markets Authority's (ESMA, former CESR) recommendation of 10 February 2005.

			31/12/2019	31/12/2018
A	Cash		314,061	210,974
B	**Cash and cash equivalents**	**(A+B)**	**314,061**	**210,974**
	Current loan assets		100,012	60,082
	of which: related parties		*15,863*	*9,786*
C	**Current loan assets**		**100,012**	**60,082**
D	Current portion of bank loans and borrowings		(1,568,807)	(1,468,951)
E	Current portion of bonds		(907,446)	(907,068)
	of which: related parties		*(6,689)*	*(7,600)*
F	Current portion of non-current debt		(29,745)	(39,459)
G	Other current loans and borrowings		(338,905)	(195,802)
	of which: related parties		*(20,189)*	*(20,000)*
H	Current portion of non-recourse loans		0	(4,074)
I	**Current financial debt**	**(D+E+F+G+H)**	**(2,844,903)**	**(2,615,354)**
J	**Net current financial debt**	**(I+C+B)**	**(2,430,830)**	**(2,344,298)**
K	Non-current bank loans and borrowings		(9,398)	(1,370)
L	Bonds		(130,572)	0
M	Other non-current financial liabilities		(45,571)	(20,423)
N	**Non-current financial debt**	**(K+L+M)**	**(185,541)**	**(21,793)**
O	**Net financial debt from continuing operations**	**(N+J)**	**(2,616,371)**	**(2,366,091)**
P	**Net financial position of disposal groups**		**179,412**	**194,132**
	of which: related parties		*200,616*	*191,067*
Q	**Net financial debt**	**(P+Q)**	**(2,436,959)**	**(2,171,959)**
	Non-current loan assets		14,015	15,723
	Subordinated loans		121,316	79,590
	of which: related parties		*60,949*	*47,150*
R	Non-current loan assets		135,331	95,313
S	**Total net financial debt**	**(Q+R)**	**(2,301,628)**	**(2,076,646)**

Total net financial debt includes the net financial debt (line Q of the above table) calculated as recommended by the ESMA in its recommendation of 10 February 2005, and the non-current loan assets.

Lastly, the net financial debt at the reporting date and previous year end does not include hedging derivatives as they do not qualify as financial items given their nature.

30.4 Compliance with covenants and negative pledges

The presentation of the application for the composition with creditors procedure qualified as a significant event as per the group's loan contracts and bond regulations and, in some cases, triggered activation of the acceleration clause. Furthermore, under the specific provisions of the Bankruptcy Law (articles 55 and 169), Astaldi's financial liabilities are in any case considered due upon presentation of the application, regardless of the relevant contractual terms.

With regard to the bonds issued on 12 February 2019 (*Euro 75,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*) of €75 million, subsequently increased and modified to €190 million on 27 November 2019 (*up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12*

February 2022), though they do not provide for financial covenants, they do include a negative pledge clause and a limitation to the assumption of further indebtedness, except in the case of some specific exceptions under the relevant bond regulation. Furthermore, the use of the proceeds deriving from such bonds is allowed solely within the limits set out in the authorisation issued by the Rome Court as per article 182-quinquies.3 of the Bankruptcy Law. Such clauses have been complied with at the reporting date.

31 Other liabilities

31.1 Other non-current liabilities: €1,090 thousand (€2,974 thousand)

This caption of €1,090 thousand (31 December 2018: €2,974 thousand) mainly refers to Chile, Canada and Turkey and mostly comprises deferred income (i.e., prepaid lease instalments).

31.2 Other current liabilities: €299,472 thousand (€351,967 thousand)

This caption of €299,472 thousand comprises:

	31/12/2019	31/12/2018	Variation
Subsidiaries	384	246	138
Associates and joint ventures	3,669	2,403	1,266
Other companies	1,438	585	853
Personnel	21,043	31,447	(10,404)
Social security institutions	16,222	22,283	(6,061)
Accrued expenses and deferred income	29,545	17,043	12,502
Other	227,172	277,961	(50,789)
Total	**299,472**	**351,967**	**(52,495)**

"Other" mainly includes (i) amounts due to customers related to the return of contractual advances on certain contracts excluded from the core assets scope[37] (€7 million), (ii) amounts due to customers related to an award against the parent (pending the appeal ruling) as well as payments made by customers to suppliers and sub-contractors, mainly in Poland and Canada (€116.7 million), (iii) advances from customers for the sale of goods and assets (€5 million), and (iv) amounts due to partners for joint projects (€87 million). The decrease over the previous year end relates to: (i) a strong contraction of amounts due to customers for the return of contractual advances (€87 million) attributable to the enforcement of advance bonds during the year (the Muskrat Falls hydroelectric project in Canada, the Zemo Osiauri-Chumateleti section and Lot 2 of the E-60 Motorway in Georgia and the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction in Italy); and (ii) a non-proportionate growth in amounts due to customers for payments made by the latter to suppliers and sub-contractors (chiefly in Canada and Poland).

The decrease in amounts due to personnel is mainly due to the payment of termination benefits following the termination of some contracts in Chile, Russia and Canada.

The rise in deferred income is basically related to commissions on sureties, mainly for the parent.

Reference should be made to note 36 on related parties for information about liabilities with associates and joint ventures.

As in the previous year, subscribed capital of associates and joint ventures not yet called up by the individual boards of directors have been reclassified as a direct deduction in the carrying amount of the related equity investments.

[37] As defined in the business plan underpinning the composition with creditors proposal.

32 Employee benefits: €6,998 thousand (€6,843 thousand)

This caption and related changes for the year are summarised in the following table:

	Defined benefit plans	Termination benefits	31/12/2019
a) Opening balance	**6,837**	**6**	**6,843**
b) Increases			
b.1) Current service cost	1,403	0	1,403
b.2) Interest cost	77	0	77
b.3) Actuarial losses	(12)	0	(12)
c) Utilisations	(1,174)	0	(1,174)
d) Changes in consolidation scope and other changes	(136)	(3)	(139)
d) Defined benefit obligation	**6,995**	**3**	**6,998**

32.1 Defined benefit plans

This caption mostly includes the post-employment benefits governed by article 2120 of the Italian Civil Code.

Plan characteristics

At 31 December 2006, the Italian entities' post-employment benefits (known as "TFR" in Italy) were accounted for as a defined benefit plan. Legislation regulating these benefits was amended with Law no. 296 of 27 December 2006 (the "2007 Finance Act") and subsequent decrees and regulations issued in the first few months of 2007. In the light of these changes and, in particular, for companies with 50 or more employees, these benefits are now considered part of a defined benefit plan only if they refer to amounts vested up to 1 January 2007 (and not yet paid at the reporting date) and a defined contribution plan for amounts accrued after that date.

Therefore, the liability for post-employment benefits, recognised in the statement of financial position, net of any advances paid, reflects (i) the group's residual obligation for benefits vested by employees up to 31 December 2006, which will be paid when their employment ends (for companies with 50 or more employees), or (ii) the progressive amount of post-employment benefits due to employees, accrued over their service period and recognised on an accruals basis consistently with the service necessary to vest the benefits (for other companies).

Main assumptions

The main assumptions used for the actuarial valuation of post-employment benefits at 31 December 2019 are set out below:

- annual discount rate: 0.77%
- annual inflation rate: 1.20%
- annual growth rate of the benefits: 2.4%
- annual salary increase rate:
  - managers: 2.50%
  - junior managers/white collars/blue collars: 1.00%

Sensitivity analysis

The potential effect of reasonably possible changes in the actuarial assumptions on the defined benefit obligation at the reporting date is as follows:

	Turnover rate		Inflation rate		Discount rate	
	+ 1%	- 1%	+1/4 %	-1/4 %	+1/4 %	-1/4 %
Change in the overall amount of the obligation	12.68	-13.67	35.89	35.44	55.48	-56.41

Effect of the defined benefit plan on the group's future cash flows

Based on the reasonably possible estimates at the reporting date, the effects of the defined benefit plan on the group's future cash flows are shown below:

- 2020 service cost: €1,049 thousand
- Weighted average life of the obligation: 8.00 years
- Expected payments:
  - 2020-2022: €4,152 thousand
  - subsequent years: €29,641 thousand

32.2 Termination benefits

Termination benefits show the estimated cost of the agreements signed in 2014 with eight employees based in Italy for the consensual early termination of employment (based on the provisions of article 4.1-7-ter of Law no. 92 of 2012 - the "Fornero law"). Specifically, the residual amount at 31 December 2019 (€3 thousand) refers to social security contributions to be paid on remuneration for the final months of the plan.

33 Trade payables: €1,185,695 thousand (€1,236,912 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Suppliers	1,115,914	1,175,659	(59,745)
Associates and joint ventures	59,533	51,223	8,310
Parents	0	189	(189)
Other investees	10,248	9,841	407
Total	**1,185,695**	**1,236,912**	**(51,217)**

Trade payables net of non-recurring effects (approximately -€65 million) increased slightly by around €9 million. The non-recurring items include: (i) the reclassification of liabilities related to Russia and Honduras to liabilities directly associated with non-current assets held for sale (roughly -€95 million); and (ii) the increase in liabilities related to services provided by the advisers assisting the parent to implement the composition with creditors plan (approximately €30 million).

Net of such effects, the group's industrial activities remained essentially unaffected during the year, thus enabling it to punctually meet its obligations with suppliers and sub-contractors.

With regard to the areas of most strategic interest, there was a decrease in trade payables in Poland (roughly €40 million) and Chile (approximately 25 million), in contrast to an increase in Romania (around €18 million) and Italy (roughly €75 million).

The rise in Italy is mostly attributable to the start-up phases of some contracts performed in partnership (chiefly the high speed Apice-Hirpinia railway line) and the increase in payables for the recharging of costs related to the associate Metro C S.c.p.A..

The increase in Romania is chiefly attributable to railway works on lots 2A, 2B and 3 of the Curtici-Simeria line which made a considerable contribution to production of the year.

34 Tax liabilities: €61,845 thousand (€63,439 thousand)

This caption decreased by €1,594 thousand on 31 December 2018 as follows:

	31/12/2019	31/12/2018	Variation
Indirect tax liabilities	13,590	13,154	436
Direct tax liabilities	39,764	39,907	(143)
Withholding tax liabilities	8,491	10,378	(1,887)
Total	**61,845**	**63,439**	**(1,594)**

The most significant changes include the fall in withholding taxes especially with regard to certain projects in Turkey.

35 Provisions for risks and charges: €104,451 thousand (€308,093 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Provision for legal disputes	43,067	41,553	1,514
Provision for equity investments	1,535	52,817	(51,283)
Provision for tax disputes	243	42	201
Provision as per article 27 of the by-laws	1,435	1,435	0
Provision for onerous contracts	58,171	212,246	(154,075)
Total	**104,451**	**308,093**	**(203,642)**

Provisions for risks and charges are commented on below:

- **The provision for legal disputes** of €43,067 thousand includes the expected costs resulting from the court and out-of-court settlement of disputes relating to contracts, mainly with suppliers and subcontractors, and claims for damages from third parties related to construction contracts. It mostly refers to accruals made for some disputes underway regarding contracts in Algeria, Italy and South America. The most significant items include (i) the dispute with Andritz Hydro in Peru[38] related to the Cerro Del Aguila hydroelectric project, and (ii) accruals made in Algeria for fees claimed by some subcontractors for additional work performed. Under the relevant contracts, such amounts will only be paid to the subcontractors upon receiving the customer's definitive approval of the variation orders.
- **The provision for equity investments** of €1,535 thousand includes the accruals for the parent's legal obligation to cover the losses exceeding the equity of the related investees. The decrease on the previous year end mainly refers to the reclassification of the provision for risks related to the joint venture Ic Içtaş Astaldi Ica Inşaat A.S. (the Moscow-St. Petersburg M-11 Motorway in Russia) to liabilities directly associated with non-current assets held for sale.
- **The provision for tax disputes** of €243 thousand refers to certain pending disputes with the taxation authorities mainly in Italy and Algeria.
- **The provision as per article 27 of the by-laws** of €1,435 thousand is increased by allocating part of the parent's profit for the year, as provided for by the relevant resolutions, and used for charitable

[38] Reference should be made to the notes to the consolidated financial statements at 31 December 2018 for more information.

donations.

- **The provision for onerous contracts** of €58,171 thousand refers to estimates, pursuant to paragraphs 66-69 of IAS 37 - Provisions, contingent liabilities and contingent assets, of costs needed to fulfil certain contracts (net of the relevant economic benefits) mainly in the US, Chile, Italy and Poland. One such accrual (€35,629 thousand) refers to probable liabilities for the reimbursement to customers of the greater costs and damage incurred due to the termination (that has already taken place or is expected to take place) of onerous contracts (chiefly in the US) that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal. The significant decrease in 2019 is basically due to the enforcement of guarantees related to the Muskrat Falls hydroelectric project in Canada (€66 million) and the road projects in Florida (€47 million).

36 Other contract liabilities: €48,893 thousand (€71,552 thousand)

This caption, amounting to €48,893 thousand at 31 December 2019, relates to estimated probable liabilities - assessed pursuant to IFRS 15 - Revenue from contracts with customers - for the reimbursement to customers of the greater costs and damage incurred due to the termination (that has already taken place or is expected to take place) of certain contracts[39]. Specifically, contract liabilities, net of contract assets, will only be definitively due when the relevant disputes have been defined and refer to (i) contracts that needed significant financial support in order to complete the works even though they will achieve break even over the contract term, along with (ii) contracts from which the parent has been unilaterally excluded from performing the works (basically due to the commencement of the composition with creditors procedure) by the relevant counterparties. The decrease in this caption is mostly due to the enforcement of performance bonds by customers on some contracts in Central and South America. Reference should be made to the notes to the consolidated financial statements at 31 December 2018 for more information.

37 Fair value measurement

The group's assets and liabilities are broken down by fair value level below:

	Measurement date	Total	Fair value measurement		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets at fair value					
Subordinated loans[40]	31/12/2019	321,931		321,931	
Non-controlling interests	31/12/2019	47,820		47,820	
Liabilities at fair value					
Interest rate swaps	31/12/2019	(4,759)		(4,759)	

37.1 Valuation techniques and inputs used for fair value measurement purposes

a) Assets and liabilities measured at fair value on a recurring basis

- **Interest rate swaps**

The group measured the fair value of derivatives using a pricing tool. It generated the forward rates for the

[39] Contracts that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal.

[40] Of which €200,616 thousand classified under non-current assets held for sale.

contractual deadlines to measure the leg indexed to the floating rate and then discounted its cash flows to their present value.
It measured the leg indexed to the fixed rate at the present value of its cash flows.
The forward and discount rates have been calculated starting from the zero coupon rates implicit in the curve of short-term rates (deposits) and long-term rates (swap rates) at 31 December 2019.
The carrying amount of the financial instrument is the difference between the present value of the floating and fixed components.
The group checks the effectiveness of the transactions using internal valuation techniques, based on the dollar offset method and the hypothetical derivative to calculate fair value changes in the underlying.

- **Subordinated loans (semi-equity)**

The group calculated the fair value of the subordinated loans using their expected cash flows (based on the related loan agreements) discounted with a market rate applied to similar instruments. Specifically, the discount rate was calculated considering each SPE's credit standing, interbank rate trends (mainly the LIBOR and EURIBOR) plus an additional spread (determined by reference to a market basket of the main providers) to reflect the subordination of the loans' repayment to the SPEs' debt with their lending banks.

- **Non-controlling interests**

The group calculated the fair value of the non-controlling interests using the dividend discount model, discounting the expected future dividends using the investees' cost of equity (ke)[41] rate as per the business plans drawn up by their boards of directors.

b) Assets and liabilities measured at fair value on a non-recurring basis

At the reporting date, there are no assets and liabilities measured at fair value on a non-recurring basis making it necessary to provide the additional disclosures required by IFRS 13 - Fair value measurement.

c) Transfers of financial instruments among the various levels of the fair value hierarchy

During the year, there were no transfers among the different levels of the fair value hierarchy.

38 Information on risk management, financial instruments and guarantees

Financial risk management

The Astaldi Group operates on international markets in different currencies. It uses external sources of funds in Euros and other currencies to finance its activities.

In order to protect its assets, the group issued guidelines for monitoring its exposure to market risks and its hedged positions.

38.1 Interest rate risk

The group's exposure to fluctuations in interest rates is mainly related to its floating rate financial debt, mostly incurred by the parent. As mentioned, in September 2018, the parent applied for authorisation for the composition with creditors procedure as per article 161.6 of the Bankruptcy Law. Therefore, under the specific legislation, regular or legal interest is no longer accrued on unsecured liabilities starting from the publication of such application with the company registrar. Accordingly, the group is not currently exposed to significant risks related to fluctuations in interest rates that could significantly impact its financial assets and liabilities or its net financial expense.

[41] Calculated based on market values.

38.2 Currency risk

The Astaldi Group hedges its exposure to currency risk in relation to specific foreign contracts, in order to mitigate the effect of fluctuations in exchange rates.

The group policy is aimed at hedging a percentage of its exposure to currency risk depending on the characteristics of the business and the particular volatility of certain currencies over the entire duration of the works regarding specific contracts or, if this is not possible, for a period of 12 months.

The group uses forward plain vanilla, cost zero cylinder and knock-in forward derivatives.

In those cases where, in connection with specific foreign currencies, especially those of emerging countries, financial markets do not allow for mitigation of the currency risk through derivatives, the Astaldi Group tends to protect the currency imbalance between trade receivables and payables in local currency through financial debt in the same currency (“natural hedges”).

Given the group’s particular financial situation and the limitations imposed by the composition with creditors procedure in terms of transactions not strictly related to industrial activities, the currency hedges which expired during the year were not temporarily renewed at 31 December 2019.

38.3 Liquidity risk

Liquidity risk is the possibility that the group might not be able to meet its contractual financial obligations and, more generally, its short-term financial obligations that could, in extreme circumstances, lead to insolvency and jeopardise the group’s ability to continue to operate.

As described in great detail in these notes, Astaldi implemented a capital strengthening and refinancing manoeuvre in May 2017 to give it the necessary resources to carry out its strategic plan and support it in a refinancing process aimed at extending the due dates of its financial obligations. Subsequently, the parent presented an application for the composition with creditors procedure on 28 September 2018 as per article 161.6 of the Bankruptcy Law. Then, on 19 June 2019, it filed the composition plan and proposal, which were supplemented on 16 July, 20 July and 2 August 2020. The court accepted Astaldi’s application for the composition with creditors on a going concern basis as per the Bankruptcy Law with its ruling of 5 August 2020. At the date of preparation of these consolidated financial statements, the composition with creditors proposal had been approved by the unsecured creditors with a large majority of 69.4%.

Pending the conclusion of the capital strengthening and refinancing manoeuvre and following the Rome Court’s authorisation of the application presented as per article 182-quinquies.3 of the Bankruptcy Law, the parent issued pre-preferential bonds (in two separate issues) for a total of €200 million needed to support industrial activities. The composition plan also provides for the granting of a revolving credit facility by banks for €200 million, to be used after the composition with creditors procedure is authorised and the Webuild capital increase takes place, in order to fund Astaldi’s ordinary activities, including the full redemption (with funds from the credit facility) of any residual portion of the pre-preferential bonds.

38.4 Credit risk

Credit risk is the group’s exposure to potential default by a counterparty.

The parent chiefly operates in a segment blighted by constant delays in the public sector’s payment of works performed. However, the very nature of the customers, prevalently government and public bodies, which are, by their very nature, solvent, guarantees that receivables will be fully collected over time. The relevant departments constantly monitor receivables falling due. At 31 December 2019, past due trade receivables amount to €188.6 million, including €79.1 million past due by more than one year. The largest exposures of this latter bracket mainly refer to Italy (€33.4 million) and Poland (€17.2 million).

Furthermore, the group has trade receivables and contract assets due from the Venezuelan government totalling €433 million. These assets relate to activities carried out under contracts protected by an intergovernmental agreement signed by the Italian and Venezuelan governments, which provides additional protection to the measures that can be taken by resorting to local courts. Despite the above, given that Venezuela’s macroeconomic situation has not improved nor is it expected to do so, but rather uncertainty about the social and political situation continues to be extremely high while the country's short-term recovery is improbable, management considered it prudent to determine the financial assets' recoverable amount as €52 million.

38.5 Guarantees and sureties

Personal guarantees
Guarantees given amount to €3,029,138 thousand as follows:

- sureties of €96,176 thousand to open credit facilities to ensure regular cash flows for contracts, given on behalf of joint ventures (€11,912 thousand), associates and other investees set up for special purposes as per the current sector regulations;
- sureties of €2,884,250 thousand for contract work given on the group's behalf by banks and insurance companies to customers for the parent, its subsidiaries, joint ventures (€153,720 thousand), associates and other investees;
- other sureties of €48,712 thousand (joint ventures: €4,786 thousand) given for various reasons.

Third party sureties given to the group
Banks and insurance companies have given guarantees of €304,432 thousand on behalf of Italian and foreign suppliers and subcontractors with respect to their contractual commitments with the group.

Guarantees to holders of pre-preferential bonds[42]

The pre-preferential bonds[43] are secured by a series of guarantees given on the following assets held by Astaldi and its subsidiaries:

- a first demand mortgage on two buildings owned by Astaldi at Via Giulio Vincenzo Bona 65 and Via Agrigento 3/5 in Rome;
- collateral assignment of/pledge of/obligation to channel certain claims and loans and receivables of Astaldi and some subsidiaries related to projects performed in Italy, Romania, Poland, Algeria, Chile and Turkey;
- lien on the shares of Astaldi Concessioni S.p.A. and the newco Astaldi Concessions S.p.A.;
- recourse factoring of/obligation to channel future receivables arising from the sale of certain assets under concession;
- recourse factoring of shareholder loans granted to Astaldi Concessioni S.p.A.;
- personal guarantee given by Astaldi Canada Enterprise to the extent of the loans granted by Astaldi S.p.A. to such investee consisting of the proceeds from the use of the first bond issue;
- liens on certain current accounts[44] of Astaldi and some of its subsidiaries.

The combined amount of such guarantees is less than the nominal amount of the pre-preferential bonds including accrued unpaid interest, costs, charges and expenses.

[42] Bonds issued on 12 February 2019 (*Euro 75,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*) of €75 million, subsequently increased and modified to €190 million on 27 November 2019 (*up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*).

[43] Bonds issued on 12 February 2019 (*Euro 75,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*) of €75 million, subsequently increased and modified to €190 million on 27 November 2019 (*up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*).

[44] Current accounts encumbered by obligation to channel the proceeds deriving from claims and/or the sale of assets under concession.

39 Related party transactions and directors', statutory auditors' and general managers' fees

Astaldi - directly or via its subsidiaries - carries out commercial, financial and administrative transactions with related parties that qualify as legal entities belonging to the group (subsidiaries, jointly controlled entities, associates and joint ventures). These transactions generally take place in the normal course of business as part of the core business of each party involved.

The different types of related party transactions may be summarised as follows:

a) **Intragroup services:** Astaldi and/or certain companies controlled thereby provide industrial, corporate, administrative, financial and treasury, and information systems services to some group companies to support the performance and development of their activities.

b) **Development of concession contracts:** In order to streamline its financial investments and optimise the returns on its concession projects, Astaldi invests in the share capital of the operators (SPEs) with non-controlling interests that do not ensure control over such SPEs. Including via its subsidiaries, the parent makes the necessary investments to capitalise the SPEs (through equity loans and shareholder loans) in order to ensure its returns on the development of the concessions, also by the SPEs assigning work to Astaldi which it carries out directly or as part of a joint venture set up with other partners.

c) **Specialist activities (infragroup contract and subcontract services):** Astaldi and/or certain companies controlled thereby carry out specialist activities (i.e., plant engineering, maintenance, etc.) for other group companies as part of the construction and operation of works.

d) **Consortium companies and/or consortia:** Astaldi and/or certain companies controlled thereby develop some projects - mainly in the construction segment - jointly with other sector partners via specific vehicles (consortia and/or consortium companies) set up with the sole business object of coordinating the financial activities of the partners in such limited context. These vehicles periodically divide up the overall costs incurred in performing the works among the various partners (via cost recharging).

e) **Guarantees and counter-guarantees:** Astaldi generally gives guarantees and counter-guarantees on behalf of its subsidiaries, jointly controlled entities, associates and joint ventures in order to enable them to obtain more favourable financial conditions. Such guarantees include, inter alia: (i) sureties to open credit facilities to ensure regular cash flows for contracts; and (ii) sureties for contract work (bid bonds, performance bonds and advance payment bonds) given to customers by banks and insurance companies on behalf of the group.

f) **Sale of intragroup assets (e.g., machinery, plant and other property, plant and equipment items):** Group companies sometimes sell assets to each other (e.g., machinery, plant and other property, plant and equipment items).

All of the above transactions are carried out on an arm's length basis.

In accordance with IAS 24 and CONSOB communication no. 6064293 of 28 July 2006, the balances of related party transactions are presented below.

Company	Contract assets	Loans, receivables and other assets	Financial assets	Non-current assets held for sale	Contract liabilities	Loans and borrowings and other liabilities	Financial liabilities	Liabilities directly associated with non-current assets held for sale	Operating revenue	Operating costs	Financial income (expense)	Revenue of discontinued operations
Parents												
Fin.Ast S.r.l.	0	1	0	0	0	0	26,879	0	11	0	0	0
Joint ventures												
Ankara Etlik Hastane A.S.	0	1,559	60,488	0	83,049	0	0	0	15,810	0	1,830	0
Astaldi Bayindir J.V.	0	203	0	0	0	394	0	0	0	0	0	0
Consorzio A.F.T. Kramis	0	5,403	578	0	0	287	0	0	0	10	5	0
Etlik Hastane PA S.r.l.	0	0	0	0	0	0	0	0	0	0	0	0
Ic Içtaş Astaldi Ica Inşaat Anonim Şirket	0	0	0	11,257	0	0	0	2,033	0	0	0	112,852
Other*	0	14,990	0		0	6,383	0	0	2,404	1,496	3	0
	0	**22,155**	**61,066**	**11,257**	**83,049**	**7,064**	**0**	**2,033**	**18,214**	**1,506**	**1,838**	**112,852**
Associates												
Brennero Tunnel Construction S.c.a.r.l.	0	2,633	31,921	0	0	6,763	0	0	706	90,435	509	0
Consorzio Iricav Due	0	1,224	0	0	0	21,498	0	0	263	2,024	0	0
Consorzio MM4	710	28,599	0	0	0	2,386	0	0	96,960	1,089	0	0
Diga di Blufi S.c.r.l. in liq.	0	6,845	0	0	0	5,503	0	0	0	2	3	0
ICA Ic Ictas Astaldi ucuncu bogaz koprusu ve kuzey marmara otoyolu yatirim ve isletme AS	0	626		194,689	2,211	0	0	0	1,492	0	7,040	0
METRO C S.c.p.a.	0	643	0	0	0	13,252	0	0	504	31,319	0	0
Otoyol Yatirim Ve Isletme A.S	0	68	461	0	6,293	0	0	0	54,700	0	30	0
Sociedad Concesionaria Metropolitana de Salud s.a.	19,078	2,142		5,927	0	656	0	0	-97	11	343	0
Other*	0	4,140	5,771	1,434	0	6,488	0	173	114	610	93	0
	19,788	**46,920**	**38,153**	**202,050**	**8,504**	**56,546**	**0**	**173**	**154,642**	**125,490**	**8,018**	**0**
Total	**19,788**	**69,076**	**99,219**	**213,307**	**91,553**	**63,610**	**26,879**	**2,206**	**172,867**	**126,996**	**9,856**	**112,852**
As a percentage	**0.09%**	**6.69%**	**40.16%**	**59.91%**	**27.73%**	**4.36%**	**0.87%**	**1.13%**	**11.73%**	**8.69%**	**21.47%**	**93.48%**

* items with a unit amount of less than €5,000 thousand.

The main related party transactions in 2019 were:

- the development of construction works by the parent (also via specific joint ventures with other partners) on behalf of the SPEs in the construction segment, mainly referred to the: (i) Etlik Integrated Health Campus, Ankara (Ankara Etlik Hastane A.S., Turkey), (ii) Line 4 of the Milan Metro (Consorzio MM4, Italy) and (iii) Gebze-Orhangazi-Izmir Motorway (Otoyol Yatirim Ve Isletme A.S., Turkey). The relevant operating revenue, trade receivables and contract assets/liabilities were recognised in 2019;
- works performed by the parent (via the joint venture IC Ictas Astaldi Simple Partnership – M11 Project) on behalf of Ic Içtaş Astaldi Ica Inşaat A.S. for the Moscow-St. Petersburg M-11 Motorway project in Russia. The relevant operating revenue, trade receivables and contract assets were recognised in 2019;

- the consortium costs charged to the parent by Brennero Tunnel Construction S.c.a.r.l. for the performance of works for the construction of the Brenner Base Tunnel (lot “Mules 2-3”);
- additional financing granted to the SPEs Ankara Etlik Hastane A.S. (€7,864 million) on the subordinated loan (semi-equity) under the relevant concession contract.
- The effects of the parent’s lease of a TBM needed to bore the Brenner Base Tunnel from Brennero Tunnel Construction S.c.a.r.l. are recognised in these consolidated financial statements. The group recognised the relevant lease payments receivable and financial income in 2019.

The parent’s directors’, statutory auditors’ and general managers’ fees are set out in the following table. Reference should also be made to the Remuneration report prepared pursuant to article 123-ter of the Consolidated Finance Act for further information.

	Fixed fees	Fees for committee meetings	Non-monetary benefits	Other fees	Total
Directors	2,957	33	25	8	3,023
Statutory auditors	175	0	0	0	175
General managers	913	0	22	13	948

40 Segment reporting

The operating segments are defined based on the reports used by senior management for decision-making purposes. Specifically, these reports are split by geographical segment and are prepared using the same accounting policies used for the consolidated financial statements.

The following tables show the segment disclosures required by IFRS 8.

31/12/2019	Italy	Europe	Americas	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	689,219	583,375	460,858	10,259	5,715	0	(380,599)	1,368,827
Share of profit of equity-accounted investees								30,671
Operating profit (loss)	(1,931)	24,173	(30,847)	3,143	(3,304)	(33,477)	51,991	9,747
Net financial expense								(45,906)
Loss before tax and non-controlling interests								(36,159)
Income taxes								(27,804)
Loss for the year								(72,000)
Assets and liabilities								
Segment assets	2,110,349	2,203,775	816,963	254,591	31,735	3,174,701	(4,744,943)	3,847,170
of which: equity investments						842,358	(340,271)	502,088
Segment liabilities	(2,244,278)	(2,336,030)	(1,489,203)	(312,326)	(47,645)	(3,191,636)	4,233,861	(5,387,258)
Other segment figures								
Property, plant and equipment	(9,497)	(29,986)	(48,799)	(385)	(241)	(36,658)	25,628	(99,938)
Intangible assets	(42,930)	(312)	(4,008)	0	(1)	(1,044)	0	(48,295)
Depreciation	(3,875)	(6,712)	(11,619)	(138)	(131)	(3,421)	10,358	(15,538)
Provisions						4,307		4,307

31/12/2018*	Italy	Europe	Americas	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	489,269	292,293	445,580	(8,732)	(9,909)	(1,350)	(324,836)	**882,315**
Share of profit of equity-accounted investees								**93,843**
Operating loss	(513,999)	(538,429)	(734,969)	(39,509)	(10,616)	(123,847)	626,339	**(1,335,029)**
Net financial expense								**(181,489)**
Loss before tax and non-controlling interests								**(1,516,518)**
Income taxes								**76,677**
Loss for the year								**(1,908,424)**
Assets and liabilities								
Segment assets	1,632,170	2,289,815	864,321	247,414	27,496	2,950,367	(4,393,853)	**3,617,730**
of which: equity investments						814,133	(326,363)	**487,770**
Segment liabilities	(1,791,653)	(2,416,660)	(1,544,856)	(318,005)	(39,336)	(2,897,864)	3,951,770	**(5,056,605)**
Other segment figures								
Property, plant and equipment	(24,457)	(35,549)	(64,748)	(575)	(166)	(40,296)	3,250	**(162,541)**
Intangible assets	(46,735)	(488)	(4,547)	0	(4)	(1,967)	0	**(53,740)**
Depreciation	(2,872)	(10,858)	(15,117)	(498)	(62)	(3,918)	7,938	**(25,388)**
Provisions						(190,279)		**(190,279)**

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the group's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

41 Leases

41.1 Leases as lessee

The group is a lessee in various leases - as defined by the new standard IFRS 16 - mainly referring to core assets (plant, machinery and equipment) used to develop projects in progress in Italy and Chile, as well as buildings that will house the local offices of foreign branches and subsidiaries.

The group also has short-term leases and/or leases of low-value assets, namely IT equipment and site vehicles. The group has decided not to recognise the right-of-use assets and lease liabilities for such contracts.

Right-of-use assets

This caption may be analysed as follows:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/2019
Historical cost	11,320	22,825	36,740	2,747	73,631
Acc. depreciation	-3,496	-9,632	-20,533	-1,246	-34,908
Total	**7,824**	**13,192**	**16,207**	**1,501**	**38,724**

Lease liabilities

This caption is broken down by maturity date as follows:

Leases as per IFRS 16	31/12/2019 Present value
Within one year	23,948
Between one and within five years	16,370
Total	**40,318**

Leases as per IAS 17	31/12/2018 Present value
Within one year	23,354
Between one and within five years	20,423
Total	**43,777**

Amounts taken to profit or loss

Leases as per IFRS 16	2019
Interest expense on lease liabilities	3,868
Depreciation of right-of-use assets	27,636
Costs for short-term leases and/or leases of low-value assets	31,370

Leases as per IAS 17	2018
Interest expense on finance lease liabilities	1,739
Depreciation of leased assets	5,168
Costs from operating leases	49,196

Amounts recognised in the statement of cash flows

	2019	2018
Payment of lease liabilities	(33,461)	(20,929)

Extension options

Some leases provide extension options for the group and/or the lessors. At the commencement of the lease term, the group assesses whether it is reasonably certain that it will exercise its option to extend the lease and reassesses this upon the occurrence of a significant event or a significant change in circumstances.

41.2 Leases as a lessor

The group has, in turn, sub-leased core assets under finance lease, specifically a TBM needed to bore the Brenner Base Tunnel to the associate Brennero Tunnel Construction S.c.a.r.l..
The group also leases some core assets under operating leases to investees or suppliers/sub-contractors in order to boost the efficiency of industrial activities on contracts in the construction segment. These are classified as operating leases from the point of view of a lessor, with the exception of one sub-lease which the group classifies as a finance lease as mentioned above.

Amounts taken to profit or loss

	2019	2018
Interest income on lease payments receivable	509	1,836
Income from operating leases classified among other revenue	2,174	1,922

Net investment in the lease

	31/12/2019 Present value	31/12/2018 Present value
Within one year	10,799	26,653
Between one and within five years	8,461	12,660
Present value	**19,260**	**39,313**

42 Other information

Significant non-recurring events and transactions
In 2019, the Astaldi Group's financial position and financial performance were not affected by significant non-recurring events and transactions as defined in CONSOB communication no. DEM/6064293.

Atypical or unusual transactions
In 2019, the Astaldi Group did not carry out any atypical or unusual transactions, as defined in CONSOB communication no. DEM/6064293.

42.1 Authorisation for publication

The parent's board of directors authorised the publication of these consolidated financial statements on 16 June 2020.

42.2 Events after the reporting date

Composition with creditors on a going concern basis (updates after the reporting date)

Important steps were taken after the reporting date in the composition with creditors on a going concern basis procedure commenced by the parent in September 2018[45].

[45] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors on a going concern basis" section.

On 28 November 2019, following the replacement of two judicial commissioners, as mentioned above, the Rome Court postponed the creditors' meeting to 26 March 2020. It then postponed the meeting to 9 April 2020 so that it could take place remotely as allowed by article 163.2.2-bis of the Bankruptcy Law on 23 March 2020, given the regulations and urgent measures adopted by the Italian government to contain and manage the Covid-19 epidemiological emergency.

As per the provisions of the composition plan and proposal, the agreement signed with Astaldi's partner ICTAS in June 2019 and subsequent amendments (already evaluated and authorised by the Rome Court as being the best way to protect the creditors under Astaldi's composition with creditors procedure underway) became effective in March 2020 transferring the entire investment in the SPE that holds the concession to build and operate the Third Bosphorus Bridge in Turkey. In full compliance with the agreements, the transaction entailed:

- selling Astaldi's entire investment in the Third Bosphorus Bridge operator and related receivables to ICTAS for USD315 million. The transaction price will be paid net of *a)* items offset with ICTAS as per point *(ii)*, *b)* repayments to other Turkish creditors (as the composition with creditors procedure is not recognised in Turkey) of roughly €142 million in accordance with the composition plan, and *c)* the relevant transaction costs;
- ICTAS waiving all claims to Astaldi under their partnership contracts as a result of Astaldi leaving such contracts (in both Turkey and Russia).

The transaction price, net of the items set out in point *(i)*, will be paid in one instalment when ICTAS collects the sale price that it is negotiating with a consortium of Chinese investors for the sale of a majority investment in the operator or, should no agreement be reached with the Chinese consortium, in annual instalments, along with interest, by the fourth quarter of 2023.

On the basis of the votes validly cast at the creditors' meeting on 9 April 2020, 58.32% of creditors eligible to vote voted in favour of the composition with creditors proposal, thus exceeding the majority needed for approval. Subsequently, with its ruling of 4 May 2020, the Rome Court (i) set the hearing date and time for the authorisation of the composition with creditors as per article 180 of the Bankruptcy Law as 23 June 2020 at 11:00 am (CET), and (ii) acknowledged the completion of the voting process for the composition with creditors proposal, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote, which account for claims of roughly €3,017 million. Such percentage comprises the votes validly cast at the creditors' meeting on 9 April 2020 (58.32%) along with additional votes validly cast over the 20 following days (11.08%) in accordance with the provisions of article 178 of the Bankruptcy Law.

On 25 May 2020, in accordance with the terms of the composition plan and proposal presented to the Rome Court and approved by the creditors, the parent's directors resolved to set up a separate unit for the sole purpose of satisfying the parent's unsecured creditors by selling all the assets, rights and judicial relationships transferred to the separate unit and allocating the net proceeds from the sale of the assets to holders of the participating financial instruments that the parent will issue to unsecured creditors once the composition with creditors procedure has been definitively authorised.

The composition with creditors plan and proposal were approved by a 69.4% favourable vote at the creditors' meeting and provide that the unsecured creditors be satisfied via the allocation, within 120 days of the definitive authorisation of the proposal, of (i) 12.493 new ordinary Astaldi shares for each €100 of unsecured claim filed and (ii) one participating financial instrument for each €1 of unsecured claim filed that gives the creditor the right to receive the net proceeds on the sale of the assets transferred to the separate unit. No split participating financial instruments will be issued, no adjustments will be made and, therefore, any remainders will be eliminated. The participating financial instruments will not have a nominal amount. They will be placed in the Monte Titoli S.p.A. central securities depositary system for dematerialised securities and can be freely traded via authorised brokers on such central management system. The regulation for the dividend and voting rights of the participating financial instruments was approved by the parent's board of directors in compliance with the composition with creditors proposal and is available, inter alia, in the Investor Relations - Composition with Creditors section of the website www.astaldi.com, as part of the documentation attached to the composition with creditors proposal filed on 19 June as subsequently amended.

The management and sale of the non-core assets to satisfy the unsecured creditors holding the participating financial instruments is the sole and exclusive activity for which the separate unit was set up. The net proceeds from the sale of such assets, no matter the amount, will be exclusively allocated to the unsecured creditors holding the participating financial instruments. Following the sale of the non-core assets, there shall be no remaining asset or liability items to be allocated to Astaldi's core assets. Therefore, the separate unit will, by definition, break even. As per article 2447-quinquies.4 of the Italian Civil Code, Astaldi will not be held jointly liable for obligations undertaken in relation to the specific transaction for which the separate unit was set up, notwithstanding that, by law, Astaldi will only be held liable for any obligations deriving from unlawful acts and except where recharged to the separate unit should such unlawful act occur as part of the specific transaction.

The assets to be sold are the non-core assets of Astaldi and Astaldi Concessioni S.p.A. following the demerger approved on 22 January 2020, which became effective on 8 June 2020 when the demerger deed (stipulated in May 2020) was registered with the company registrar. The assets transferred to the separate unit include: (i) the main concessions - the Third Bosphorus Bridge (which has already been sold), the Gebze-Orhangazi-Izmir Motorway (GOI), the Etlik Integrated Health Campus in Ankara, Turkey, and the Arturo Merino Benitez International Airport and the West Metropolitan Hospital in Santiago de Chile -, (ii) the receivables due from IFE (the Venezuelan government) and work in progress in Venezuela, and (iii) the parent's head offices in Rome.

In order to ensure it meets its commitments and to finance Astaldi Concessioni S.p.A. so that it can fulfil its commitments (for the Etlik Integrated Health Campus in Ankara, Turkey and the Arturo Merino Benitez International Airport in Santiago, Chile), as per the composition with creditors proposal, Astaldi will provide the separate unit with a maximum of €75,000,000.00 (seventy-five million/00) in order to complete work in progress and an additional €2,000,000.00 (two million/00) to cover costs incurred to manage the separate unit.

In accordance with the terms of the composition proposal, the parent's board of directors appointed Claudio Sforza as the proxy in charge of managing and selling the non-core assets. His curriculum vitae is available in the Governance-Composition Bodies section of the website www.astaldi.com. Claudio Sforza will be granted power of attorney as per article 1704 and following articles of the Italian Civil Code, which is irrevocable as per article 1723 of the Italian Civil Code, as it is granted in the interests of the unsecured creditors holding participating financial instruments, except in the cases of removal for just cause in accordance with the law which will be listed in the power of attorney contract. Once it has been signed, the contract will be filed with the company registrar.

The parent's directors also approved the financial plan of the separate unit for the 2020-2023 period, during which time the asset disposal plan is expected to be completed, as per the composition proposal and within the terms defined therein to protect the interests of the unsecured creditors.

The board of directors' resolution with all its attachments are being filed with the company registrar as required by law.

Therefore, setting up the separate unit is a key step in implementing the composition with creditors proposal (with the hearing for the latter's approval set for 23 June 2020).

The spread of Covid–19 (the Coronavirus)

At the date of preparation of these consolidated financial statements, the Italian and other EU and non-EU governments have applied extraordinary measures to curb the spread of the Covid-19 virus (the Coronavirus), declared a pandemic by the World Health Organisation.

Statistics show that Italy was the worst hit in Europe - and one of the worst globally - by the spread of the virus. This exposed the parent to risks generated by the extraordinary measures applied by the Italian government to prevent and/or curb the spread of the Coronavirus involving, inter alia, the temporary closure of industrial plants and construction sites, as well as restrictions to the movement of people and means of transport. In addition, the global spread of the pandemic exposed the group to risks arising from the extraordinary measures applied by governments in other countries, both in Europe and beyond, where the group operates or has offices or sites.

Specifically, the Italian government issued Decree law no. 6 of 23 February 2020, containing "urgent measures to contain and manage the Covid-19 epidemiological emergency", subsequently integrated with three Prime Minister's decrees on 1 March, 4 March and 8 March 2020. These measures essentially set a *cordon sanitaire* around Lombardy (where the parent has operating offices) and 14 provinces, imposing strict measures, including restrictions on leaving and entering such areas except for justified reasons of work or necessity, or for health reasons. With the Prime Minister's decree of 9 March 2020, such measures were extended to the entire country. The following decree issued on 11 March also ruled that all commercial businesses close (with the exception of essential businesses) all over the country, excluding industrial plants which were, however, required to comply with health protection regulations. Subsequently, the decree of 22 March ruled that all production activities shut down, with the sole exclusion of the essential activities set out in a specific list attached to the decree. Then a decree issued on 10 April allowed some non-essential commercial activities around the country to reopen without prejudice to that set out in the previous decrees. Moreover, it authorised the production activities of companies needed to keep the production chain running, linked to the activities allowed as per the decree of 10 April. A further decree issued on 26 April authorised the reopening of a series of production and industrial activities (including construction) as long as health protection regulations are complied with. Restrictions were maintained on travelling within regions, unless for justified reasons of various nature. Further measures were subsequently adopted at national and regional level.

In order to tackle this emergency, the parent actuated a series of actions and safeguards to promptly protect the health of all group employees, monitor the situation at production sites, preserve the value generated by production activities as much as possible and support operating continuity, seriously put to the test by the restrictions on the movement of people and goods on a global scale imposed via measures approved in Italy and abroad.

Specifically, the parent set up a specific committee at the end of February. Chaired by senior management, its members include the heads of all head-office and peripheral operating structures along with the heads of the parent's main departments involved, in order to monitor the spread of the virus at Italian and foreign production units, supervise measures to contain the risk of infection, activate channels to liaise with the Italian embassies in the countries where the group operates, as well as coordinate actions to safeguard contracts with customers against the impact of the pandemic on production activities.

The situation in Italy and abroad is summarised below.

In Italy, Astaldi and its subsidiaries implemented due precautionary measures, also related to safety and securing the health of employees, in compliance with the Prime Minister's decrees, ministerial circulars, orders from the national civil protection service, along with recommendations issued by other local authorities following the progressive spread of the virus.

However, despite promptly implementing the health protocols defined in the general guidelines set out in the agreement reached between social partners and the government right from the onset of the pandemic, the parent has encountered growing problems in organising the work of the Italian production units, basically as manpower is not available due to the disease, the ban on movement between regions and lock-down restrictions progressively imposed by regional authorities (which put a stop to commuting, especially common among blue collar workers). As routine activities became impossible to guarantee in many production sites, a large number of customers decided to suspend works. Accordingly, starting in mid-March and once the sites had been brought up to safety standards, the parent implemented a series of actions to protect the employees and company value (using up accrued holidays and leave, implementing shock absorbers provided by the Italian government, introducing working from home). In April and May, the parent closed the Rome and Milan offices and accordingly reduced the working hours of the entire workforce by applying for the Covid-19 government-sponsored lay-off scheme, while simultaneously ruling that the remaining work be performed from home.

Even before closing down the production units, the parent had drafted protocols introducing a series of measures (control, distancing, personal protection, sanitisation of the workplace and work tools, health monitoring, managing emergencies following detection of Covid-19 symptoms) to guarantee the safety of work areas in preparation for the resumption of activities.

These protocols were fully implemented with the gradual recommencement of production activities at the various sites starting in May as soon as restrictions around the country began to be lifted. At the date of preparation of these consolidated financial statements, production activities had partially resumed in Italy. Finally, in order to offer further protection to employees, starting from 1 March and for the whole of 2020, the parent has taken out a specific insurance policy covering Covid-19 risks for its employees and their family units.

Beyond Italy, considering the rapid spread of the virus, extraordinary measures were progressively adopted in some of the countries where the group operates to restrict the circulation of goods and people, with the closure of plants and commercial and production activities. Similarly to Italy, such measures, together with those implemented by the group to protect employee health, have made it difficult for the group to continue its ordinary production activities. This led to the slowdown or, in some cases, the suspension of production activities, with additional problems (due to restrictions on air traffic) for personnel trying to return home from abroad or personnel that had been off-site when the pandemic blew up trying to return to production sites that have remained open. At the date of preparation of these consolidated financial statements, most operating activities abroad continue to face slowdowns or suspensions.

However, despite this extremely uncertain situation, mitigating actions (discussed with all customers) have successfully been implemented in the short term to neutralise the negative effects, most importantly financial stress, of Phase 2 of lock-down (reopening work sites); specifically:

- accelerating payment of slow-moving items (mostly claims and variation orders);
- recovery of higher costs incurred for the new protocols adopted to guarantee employee health and safety in the workplace;
- payment of all progress reports issued and work in progress at the beginning of the lock-down;
- rescheduling progress reports' issue dates and related payments;
- possibly obtaining advances and/or payments on account on contracts and/or projects and supplies to cover the considerable financial costs of resuming work and simultaneously maintaining the supplier/subcontractor system.

In light of the above, at the date of preparation of these consolidated financial statements, the group cannot exclude that a lasting critical situation and the measures taken in Italy, Europe and all over the world may impact 2020. Indeed, it is currently assessing the possible effects that the current Covid-19 emergency could have on performance forecasts. Moreover, since it is a constantly evolving situation, it is still impossible to make reliable predictions about its impacts on 2020 operations and results. However, based on the information currently available, the group's performance is more or less in line with the business plan, assuming that any negative effects on 2020 will presumably be reabsorbed in 2021.

Additional significant events

Astaldi on the short-list for the Edmonton LRT project in Canada – In May 2020, in a joint venture with Webuild (formerly Salini Impregilo), Astaldi was included on the short-list for the awarding of an additional rail project in Canada worth CAD1.7 billion (€1.15 billion). The project covers the construction of the Valley Line West Light Rail Transit (LRT) in Edmonton, the second section of the 27 km Valley Line, which will run between the west and south-east areas of the city. The new light rail infrastructure will run over 14 km with 14 stops and two elevated stations, two bridge crossings, connections to transit centres and a transfer point with two current lines of the LRT system. The project will be awarded by mid-October, with work set to begin in 2021 and be completed within six years.

New €356 million contract for Lot 5 of the Sibiu–Pitesti Motorway in Romania – In May 2020, the Astaldi Group signed a contract worth €356 million for the construction of over 30 km of the Sibiu-Pitesti Motorway, the most important section under construction in Romania. The contract was signed in the presence of the

Prime Minister and the Minister of Transport of the Romanian Government. It is an EPC[46] contract and covers the design and construction of Lot 5 of the Sibiu-Pitesti Motorway, from Km 92+600 to Km 122+950. The planned duration of the works is 60 months, 12 months of which for design and 48 months for construction. The contract is financed partly with EU funds (85%) and partly with the state budget (15%) and includes the adjustment of contract prices starting from the date of the submission of the bid. Moreover, an advance payment is envisaged in the contract, both at the start of the design phase and at the start of construction. The customer is CNAIR, the state company owned by the Romanian Ministry of Transport and Infrastructure.

Delivery of the works of mega lot 3 of the state road Jonica – In May 2020, the group delivered the works of mega lot 3 of the state road Jonica following the approval of the executive design on 9 March 2020.

Court hearing for the authorisation of the composition with creditors proposal – On 23 June 2020, the bankruptcy section of the Rome Court is scheduled to meet to authorise Astaldi's composition with creditors proposal and issue the relevant ruling.

42.3 Fees to the independent auditors, KPMG, and their network pursuant to article 149-duodecies of the Issuer regulation

The fees paid in 2017 to KPMG, which was engaged by the shareholders for the 2011-2019 statutory audit of the separate and consolidated financial statements on 18 April 2011, are summarised below:

	2019
A) Audit services	**900**
- Parent, Astaldi S.p.A. (*)	537
- Subsidiaries	363
B) Attestation services (**)	**638**
C) Other services	**143**
Total	**1,682**

(*) Fees including out-of-pocket expenses and CONSOB fees	537
(**) Parent, Astaldi S.p.A.	
of which:	
1) Agreed-upon procedures, signing of tax returns and other attestation procedures	638

Filippo Stinellis

Chief Executive Officer

Paolo Citterio

Manager in charge of financial reporting

[46] Engineering, Procurement and Construction.

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

Certification of the Consolidated Financial Statements pursuant to Article 154-bis of Legislative Decree No. 58/98 and Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999 and any subsequent amendments and additions

1. Taking into account the provisions contained in Article 154-bis, subsections 3 and 4 of Legislative Decree No. 58 of 24 February 1998, the undersigned Filippo Stinellis, in the capacity of Chief Executive Officer, and Paolo Citterio, in the capacity of Manager in charge of financial reporting of Astaldi S.p.A., hereby certify:
   - the appropriateness in relation to the company's characteristics and
   - the actual application of administrative and accounting procedures used to formulate the 2019 consolidated financial statements.

2. The administrative and accounting procedures used to formulate the consolidated financial statements at 31 December 2019 were formulated and their appropriateness assessed on the basis of provisions and methodologies defined by Astaldi S.p.A. in compliance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (so-called CO.S.O. Report) which represents a reference framework for internal audit systems generally accepted at an international level.

   There are no significant observations to be made in this regard.

3. This is also to certify that:

   3.1 The consolidated financial statements:

   a) were drafted in compliance with the applicable international financial reporting standards acknowledged within the European Community pursuant to (EC) Reg. No. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) match the ledgers and accounting entries;
   c) are suitable for providing a truthful and accurate representation of the financial position and results of operations of the issuer and of all the companies included in the consolidation scope.

   3.2 The management report contains a reliable analysis of the operating performance and result, as well as of the situation of Astaldi S.p.A. and of all the companies included in the consolidation scope, together with a description of the main risks and uncertainties it is exposed to.

Rome, 16 June 2020

Signed **Filippo Stinellis**
Chief Executive Officer

Signed **Paolo Citterio**
Manager in charge of financial reporting

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

Russia ● WHSD of St. Petersburg, Petrovsky Bridge

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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Astaldi S.p.A.

Report on the audit of the separate financial statements

Disclaimer of opinion

We have audited the separate financial statements of Astaldi S.p.A. (the "company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

Because of the effects of the uncertainties described in the "*Basis for disclaimer of opinion*" section of this report, we do not express an opinion on the separate financial statements of Astaldi S.p.A..

Basis for disclaimer of opinion

The separate financial statements at 31 December 2019 show a loss for the year and a deficit of €54 million and €1,491 million, respectively.

In the "Main risks and uncertainties – Going concern" section of the notes to the separate financial statements and the directors' report, the directors state that the company filed an application as per article 161.6 of the Bankruptcy Law on 28 September 2018, thus commencing a process to turn around itself based on an integrated going concern manoeuvre, as follows:

(i) Astaldi's continuation of activities in order to ensure its ability to continue as a going concern by directly managing the company;

(ii) a capital strengthening and refinancing manoeuvre, mainly via: (a) capital increases initially of €323.65 million with possible additional capital increases following the exercise of warrants and other share issues as a result of the conversion of unsecured claims presented subsequently, and (b) new financing granted and paid out for up to a maximum of €200 million by banks supporting the plan included in the composition with creditors proposal;

(iii) the sale of activities and assets excluded from the core assets scope and transferred to a separate unit set up in accordance with article 2447-bis of the Italian Civil Code to satisfy unsecured creditors.

Specifically, €225 million of the capital increases provided for in the composition with creditors proposal totalling €323.65 million will be reserved to Webuild S.p.A. (formerly Salini Impregilo S.p.A.) and paid for in cash. The remainder of €98.65 million will service the conversion into Astaldi shares of the total unsecured claims.

That being said, in the "Main risks and uncertainties – Going concern" section of the notes and directors' report, the directors disclose the significant uncertainties that could lead to material doubts as to the company's ability to continue as a going concern. These relate to:

— the Rome Court's issue of the authorisation for the composition with creditors;

— meeting the conditions precedent and other requirements of Webuild S.p.A.'s (formerly Salini Impregilo S.p.A..) binding offer described by the directors;

— implementing the capital strengthening and refinancing manoeuvre provided for in the composition with creditors proposal mentioned above;

— meeting the targets set out in the composition plan, which also depends on future, uncertain variables that cannot be controlled, e.g., variables that could affect (i) the amount and timing of new contracts, (ii) the timing of collecting additional fees for variations, price revisions, incentives and claims compared to the contractually agreed amounts and (iii) the amount and timing of collecting advances from customers, estimated based on the company's application for the benefits provided by urgent measures introduced to aid the liquidity of contractors under Decree law no. 34 of 19 May 2020 (the so-called "Relaunch Decree") issued following the Covid-19 emergency.

While acknowledging that overcoming such uncertainties depends only partly on variables and internal factors under management's control, the directors state that they assessed the reasonableness that all of the above circumstances could occur and, pending the positive definition and implementation of the composition with creditors procedure, the capital strengthening and refinancing manoeuvre and the related plan, they deemed it appropriate to prepare the separate financial statements under the going concern assumption.

The above shows that the company's ability to continue as a going concern is subject to many significant uncertainties with potential interactions and possible cumulative effects on the separate financial statements.

As a result of the above, the directors' use of the going concern basis of accounting was a key audit matter.

Our audit procedures included:

— discussing the assessment of the going concern assumption and any events and circumstances that, individually or as whole, may give rise to material doubts as to the company's ability to continue as a going concern with the company's directors;

— understanding the process adopted to prepare the composition plan and its subsequent updates;

- understanding and analysing, including by involving our own specialists, the cash flows presented in the composition plan and its main underlying assumptions;
- analysing the documentation relating to the composition with creditors proposal, including Webuild S.p.A.'s (formerly Salini Impregilo S.p.A.) offer and correspondence exchanged with this industrial investor, as well as the commitment letters setting out the commitments undertaken by the banks involved in the capital strengthening and refinancing manoeuvre provided for in the composition with creditors proposal;
- analysing the documents issued by and communications exchanged with the bodies dealing with the composition with creditors procedure (Rome Court, judicial commissioners and the expert);
- analysing the events after the reporting date to gather useful information for the assessment of the going concern assumption;
- assessing the appropriateness of the disclosures provided in the notes about the company's ability to continue as a going concern.

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the separate financial statements*" section of our report. We are independent of the company in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements.

Because of the matter described in this section, we have not been able to form an opinion on the company's separate financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the separate financial statements of the current year. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these matters.

In addition to that described in the "*Basis for disclaimer of opinion*" section, we have identified the following key audit matters to report herein.

Estimate of the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets

Notes to the separate financial statements: section "Accounting policies – paragraphs Impairment of other financial instruments and Use of estimates", note 21.1 "Other non-current assets" and note 37.4 "Credit risk"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2019 include trade receivables and contract assets totalling €52 million relating to work carried out in Venezuela and recognised as other non-current assets, net of impairment losses of €381 million.	Our audit procedures included: — analysing the accounting policies used by the directors to estimate the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets;

Key audit matter	Audit procedures addressing the key audit matter
Estimating the recoverable amount of such exposure, carried out by the directors including with the assistance of an external expert, entails a high uncertainty level due to Venezuela's complex situation, as described by the directors in the section "Accounting policies – paragraph Impairment of other financial instruments" of the notes to the separate financial statements. Therefore, we believe that the estimate of the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets is a key audit matter.	— analysing, including by involving our own specialists, the method and reasonableness of the assumptions used to estimate the recoverable amount through discussions with the directors and the relevant internal departments and checking the supporting documentation, including the opinion of the external expert engaged by the company; — analysing the events after the reporting date to gather useful information for the measurement of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets; — assessing the appropriateness of the disclosures provided in the notes about the estimate of the recoverable amount of trade receivables and contract assets relating to work carried out in Venezuela and recognised as other non-current assets.

Measurement of contract assets and liabilities and recognition of contract revenue

Notes to the separate financial statements: section "Accounting policies – paragraphs Contract revenue and Use of estimates", note 1 "Revenue from contracts with customers" and note 23 "Contract assets and liabilities, Costs capitalised to fulfil a contract"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2019 include contract assets of €691 million, contract liabilities of €330 million and contract revenue of €1,024 million recognised using the percentage of completion method based on incurred cost (cost to cost model). Measuring contract assets and liabilities and recognising contract revenue are based on the total forecast contract revenue and costs to complete construction contracts in progress and related estimated stage of completion. These estimates are affected by many factors, including: — claims for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed;	Our audit procedures included: — understanding the process for the measurement of contract assets and liabilities and recognition of contract revenue and the related IT environment and assessing the design and implementation of controls and procedures to assess the operating effectiveness of material controls. — For a sample of contracts: - analysing construction contracts in order to check that the significant factors have been appropriately considered by the directors; - checking the recognition of costs and their allocation to the contract work in progress by analysing supporting documentation;

Key audit matter	Audit procedures addressing the key audit matter
— disputes with customers for fines and compensation for damages; — the contract activities' long timeframe, size and engineering and operating complexity; — the risk profile of certain countries in which the work is carried out. Therefore, we believe that the measurement of contract assets and liabilities and the recognition of contract revenue are a key audit matter.	- visiting work sites; - analysing the reasonableness of the key assumptions underlying the calculation of contract budgets through discussions with contracts' project managers and controllers, stages of completion, correspondence with customers about claims for additional consideration, fines and compensation for damages and information set out in the technical and legal opinions issued by the experts engaged by the company; - performing substantive analytical procedures for the most significant discrepancies between actual and forecast figures at the reporting date and at the previous year end and discussing the outcome with the relevant internal departments; — analysing the events after the reporting date to gather useful information for the measurement of contract assets and liabilities and recognition of contract revenue; — assessing the appropriateness of the disclosures provided in the notes about contract assets, liabilities and revenue.

Recoverability of investments in subsidiaries, associates and joint ventures

Notes to the separate financial statements: section "Accounting policies – paragraphs Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets and Use of estimates", note 19.1 "Equity investments – Impairment testing"

Key audit matter	Audit procedures addressing the key audit matter
The separate financial statements at 31 December 2019 include investments of €513 million in subsidiaries, associates and joint ventures. They are measured using the equity method and, when there are indicators of impairment, they are tested for impairment, by discounting the cash flows that are expected to be generated by the investees using the dividend discount model to calculate their recoverable amount. Impairment testing entails a high level of judgement, in addition to the uncertainty	Our audit procedures included: — understanding the process adopted to prepare the impairment test approved by the company's board of directors; — analysing the reasonableness of the key assumptions used by the directors to determine the investments' recoverable amount and the related forecast cash flows, as well as the assumptions used by the expert engaged by the company to prepare the impairment test; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the

Key audit matter	Audit procedures addressing the key audit matter
inherent in any forecast, especially in relation to: — the expected cash flows, calculated by taking into account the general economic performance and that of the investees' sector, the actual cash flows generated by the investees in the last few years and the projected growth rates; — the financial parameters to be used to discount the above cash flows. Therefore, we believe that the recoverability of investments in subsidiaries, associates and joint ventures is a key audit matter.	accuracy of the estimation process adopted by the directors; — comparing the income and cash flows used for impairment testing to the flows forecast in the investees' plans and analysing any discrepancies for reasonableness; — involving experts of the KPMG network in the assessment of the reasonableness of the impairment testing model and related assumptions, including by means of a comparison with external data and information; — analysing the events after the reporting date to gather useful information for the measurement of investments in subsidiaries, associates and joint ventures; — assessing the appropriateness of the disclosures provided in the notes about the measurement of investments in subsidiaries, associates and joint ventures.

Responsibilities of the company's directors and board of statutory auditors ("Collegio Sindacale") for the separate financial statements

The directors are responsible for the preparation of separate financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the separate financial statements

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

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

— identify and assess the risks of material misstatement of the separate 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 conclusion. 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;

— evaluate the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern;

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

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 18 April 2011, the company's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2011 to 31 December 2019.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the company in conducting the statutory audit.

We confirm that this report is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Disclaimer of opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The company's directors are responsible for the preparation of a directors' report and a report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related separate financial statements and their compliance with the applicable law.

We have been engaged to perform the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the company's separate financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

Because of the significance of the matters described in the "*Basis for disclaimer of opinion*" section of our report on the audit of the separate financial statements, we are unable to express an opinion on the consistency of the directors' report and certain specific information presented in the report on corporate governance and ownership structure with the company's separate financial statements at 31 December 2019 or their compliance with the applicable law and to issue the statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity obtained through our audit.

Rome, 10 July 2020

KPMG S.p.A.

(signed on the original)

Marco Mele
Director of Audit

Separate Financial Statements of Astaldi S.p.A.

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

Peru ● *Cerro del Àguila* Hydroelectric Project

Contents

Separate financial statements of Astaldi S.p.A.

Statement of profit or loss

(in Euros)	note	2019	2018*
Revenue		1,037,942,739	676,524,084
of which: related parties		*190,882,324*	*149,491,656*
Fines for contract terminations		0	(85,927,102)
Total revenue from contracts with customers	1	**1,037,942,739**	**590,596,982**
Other operating revenue	2	86,959,601	81,748,393
of which: related parties		*10,799,452*	*15,923,924*
Total operating revenue		**1,124,902,340**	**672,345,375**
Purchase costs	3	(173,081,261)	(240,851,560)
Service costs	4	(688,175,503)	(910,068,518)
of which: related parties		*(171,369,377)*	*(206,222,885)*
Personnel expenses	5	(226,934,659)	(280,432,765)
Other operating costs	6	(16,637,842)	(59,281,768)
of which: related parties		*(27,578)*	*(4,727,728)*
Total operating costs		**(1,104,829,265)**	**(1,490,634,611)**
Change in costs capitalised to fulfil a contract		(124,800)	83,400
Share of profits (losses) from subsidiaries, joint ventures and associates	7	30,805,098	(58,646,866)
Gross operating profit (loss)		**50,753,373**	**(876,852,702)**
Amortisation, depreciation and impairment losses	8	(39,298,015)	(182,011,439)
Provisions	9	(20,590)	(309,678,469)
Capitalised internal costs		0	0
Operating profit (loss)		**11,434,768**	**(1,368,542,610)**
Financial income	10	65,745,318	120,464,707
of which: related parties		*28,785,244*	*52,867,486*
Financial expense	11	(97,569,297)	(260,577,551)
of which: related parties		*(13,098,441)*	*(8,241,693)*
Net financial expense		**(31,823,979)**	**(140,112,844)**
Pre-tax loss from continuing operations		**(20,389,211)**	**(1,508,655,454)**
Income taxes	12	(26,837,410)	89,307,264
LOSS FROM CONTINUING OPERATIONS		**(47,226,621)**	**(1,419,348,190)**
LOSS FROM DISCONTINUED OPERATIONS	13	**(6,530,576)**	**(458,953,611)**
of which: related parties		*116,787,552*	*48,517,175*
LOSS FOR THE YEAR		**(53,757,197)**	**(1,878,301,801)**
Loss per share			
Basic	14	(0.55)	(19.19)
Diluted	14	(0.55)	(19.19)
Loss per share from continuing operations			
Basic	14	(0.48)	(14.50)
Diluted	14	(0.48)	(14.50)

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the company's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

Statement of comprehensive income

(in Euros)	note	2019	2018*
Loss for the year (A)		**(53,757,197)**	**(1,878,301,801)**
Change in fair value of cash flow hedging derivatives		0	8,752,305
Exchange differences from translation of financial statements in foreign currencies		1,630,898	9,389,551
Change in fair value of financial assets measured at FVTOCI		4,962,167	1,051,952
Share of other comprehensive income (expense) of equity-accounted investees		(34,990,556)	35,019,699
Share of other comprehensive income (expense) of disposal groups		(16,531,075)	6,705,432
Tax effect		16,257,814	(1,162,272)
Other comprehensive income (expense), net of tax, that will be subsequently reclassified to profit or loss (B1)	28	**(28,670,752)**	**59,756,667**
Change in fair value of equity instruments measured at FVTOCI		(416,000)	(12,609,946)
Actuarial gains (losses) on defined benefit plans		11,927	(35,435)
Share of other comprehensive income (expense) of equity-accounted investees		2,430,000	(9,151,442)
Other comprehensive income (expense), net of tax, that will not be subsequently reclassified to profit or loss (B2)	28	**2,025,927**	**(21,796,823)**
Total other comprehensive income (expense), net of tax (B1)+(B2)=(B)		**(26,644,825)**	**37,959,844**
COMPREHENSIVE EXPENSE (A)+(B)		**(80,402,022)**	**(1,840,341,957)**

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the company's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

Statement of financial position
Assets

(in Euros)	note	31/12/2019	31/12/2018**
ASSETS			
Non-current assets			
Property, plant and equipment	15	71,983,661	137,442,552
Right-of-use assets	16	29,589,351	0
Investment property	17	127,321	134,987
Intangible assets	18	37,231,043	41,243,408
Equity investments	19	537,652,992	517,590,592
of which: equity-accounted investments		513,163,860	500,975,823
Non-current financial assets	20	63,141,830	32,626,900
of which: related parties		*33,610,522*	*17,834,236*
Other non-current assets	21	107,691,775	116,543,018
Deferred tax assets	12	271,705,510	273,122,454
Total non-current assets		**1,119,123,483**	**1,118,703,911**
Current assets			
Inventories	22	32,492,405	37,829,837
Contract assets	23	691,198,668	705,075,863
of which: related parties		*33,147,030*	*63,631,853*
Costs capitalised to fulfil a contract	23	1,355,194	1,591,794
Trade receivables	24	605,710,478	603,677,113
of which: related parties		*211,254,754*	*206,956,176*
Current financial assets	20	386,336,437	321,370,645
of which: related parties		*314,102,054*	*307,370,460*
Tax assets	25	39,005,026	52,305,191
Other current assets	21	399,396,931	439,083,046
of which: related parties		*149,353,656*	*147,401,291*
Cash and cash equivalents	26	241,134,095	145,561,238
Total current assets		**2,396,629,234**	**2,306,494,727**
Non-current assets held for sale	27	***345,674,084***	***248,247,280***
of which: related parties		*210,922,399*	*185,223,577*
Total assets		**3,861,426,801**	**3,673,445,918**

* * The company has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of financial position
Equity and liabilities

(in Euros)	note	31/12/2019	31/12/2018**
Equity (Deficit)	28		
Share capital		196,849,800	196,849,800
Treasury shares		(3,022,940)	(3,022,940)
Legal reserve		34,346,579	34,346,579
Extraordinary reserve		195,509,603	195,509,603
Losses carried forward		(1,902,339,908)	(24,038,105)
Other reserves		162,421,473	162,421,471
Other comprehensive expense		(153,178,080)	(110,275,441)
Deferred tax on other comprehensive expense		32,412,340	16,154,526
Total capital and reserves		**(1,437,001,133)**	**467,945,493**
Loss for the year		(53,757,197)	(1,878,301,801)
Total equity (deficit)		**(1,490,758,330)**	**(1,410,356,308)**
Non-current financial liabilities	29	179,059,420	20,808,908
of which: related parties		*1,710,597*	*1,289,904*
Employee benefits	31	4,764,675	4,428,118
Deferred tax liabilities	12	52,993,859	63,710,475
Other non-current liabilities	30	744,940	1,732,056
Total non-current liabilities		**237,562,894**	**90,679,557**
Contract liabilities	23	330,097,219	258,674,035
of which: related parties		*91,552,082*	*93,816,555*
Trade payables	32	1,192,719,198	1,222,194,720
of which: related parties		*357,529,263*	*343,208,137*
Current financial liabilities	29	2,909,330,253	2,653,719,478
of which: related parties		*155,990,459*	*157,570,001*
Tax liabilities	33	52,282,662	55,574,038
Provisions for risks and charges	34	129,446,579	444,191,441
Other contract liabilities	35	48,893,080	60,135,870
Other current liabilities	30	255,905,056	*298,633,087*
of which: related parties		*77,740,408*	*87,344,918*
Total current liabilities		**4,918,674,047**	**4,993,122,669**
Liabilities directly associated with non-current assets held for sale	27	***195,948,190***	***0***
of which: related parties		*13,733,343*	*0*
Total liabilities		**5,352,185,131**	**5,083,802,226**
Total deficit and liabilities		**3,861,426,801**	**3,673,445,918**

* * The company has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of changes in equity for the year ended 31 December 2019**

	Share capital	*Treasury shares*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation reserve*	*Actuarial reserve*	*Fair value reserve*	*Deferred taxes on OCI*	*Other reserves*	*Losses carried forward*	*Loss for the year*	*Equity (Deficit)*
Opening balance	**196,849,800**	**(3,022,940)**	**34,346,579**	**195,509,602**	**(43,476,867)**	**(60,763,926)**	**(484,900)**	**(5,549,748)**	**16,154,526**	**162,421,474**	**(24,038,108)**	**(1,878,301,801)**	**(1,410,356,309)**
Loss for 2019												(53,757,197)	**(53,757,197)**
Other comprehensive expense					(50,262,831)	(7,885,213)	11,927	15,233,478	16,257,814				**(26,644,825)**
COMPREHENSIVE EXPENSE	**0**	**0**	**0**	**0**	**(50,262,831)**	**(7,885,213)**	**11,927**	**15,233,478**	**16,257,814**	**0**	**0**	**(53,757,197)**	**(80,402,022)**
Owner transactions and other changes in equity:													
Allocation of the loss for the year											(1,878,301,801)	1,878,301,801	**0**
Closing balance	**196,849,800**	**(3,022,940)**	**34,346,579**	**195,509,602**	**(93,739,698)**	**(68,649,139)**	**(472,973)**	**9,683,730**	**32,412,340**	**162,421,474**	**(1,902,339,908)**	**(53,757,197)**	**(1,490,758,330)**

* * The company has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of changes in equity for the year ended 31 December 2018**

	Share capital	*Treasury shares*	*Legal reserve*	*Extraordinary reserve*	*Hedging reserve*	*Translation reserve*	*Actuarial reserve*	*Fair value reserve*	*Deferred taxes on OCI*	*Other reserves*	*Retained earnings (losses carried forward)*	*Loss for the year*	*Equity (Deficit)*
Opening balance	**196,849,800**	**(1,079,668)**	**33,162,987**	**294,446,072**	**(58,979,594)**	**(95,847,576)**	**(459,262)**		**18,302,250**	**156,711,748**	**74,685,147**	**(98,723,255)**	**519,068,649**
Effects of IFRS 15 FTA										(55,320,971)			**(55,320,971)**
Effects of IFRS 9 FTA								5,888,875	(985,452)	(38,629,501)			**(33,726,078)**
Balance at 1 January 2018 including FTA effect of new standards	**196,849,800**	**(1,079,668)**	**33,162,987**	**294,446,072**	**(58,979,594)**	**(95,847,576)**	**(459,262)**	**5,888,875**	**17,316,798**	**62,761,276**	**74,685,147**	**(98,723,255)**	**430,021,600**
Loss for 2018												(1,878,301,801)	**(1,878,301,801)**
Other comprehensive income					15,502,727	35,083,650	(25,638)	(11,438,623)	(1,162,272)				**37,959,844**
COMPREHENSIVE EXPENSE	**0**	**0**	**0**	**0**	**15,502,727**	**35,083,650**	**(25,638)**	**(11,438,623)**	**(1,162,272)**	**0**	**0**	**(1,878,301,801)**	**(1,840,341,957)**
Owner transactions and other changes in equity:													
Treasury shares		(28,000)		84,115						(92,067)			**(35,952)**
Dividends													**0**
Reserve as per article 27													**0**
Allocation of 2017 loss from continuing operations			1,183,592	(100,935,857)						99,752,265	(98,723,255)	98,723,255	**0**
Stock grant reserve													**0**
Other changes		(1,915,272)		1,915,272									**0**
Closing balance	**196,849,800**	**(3,022,940)**	**34,346,579**	**195,509,602**	**(43,476,867)**	**(60,763,926)**	**(484,900)**	**(5,549,748)**	**16,154,526**	**162,421,474**	**(24,038,108)**	**(1,878,301,801)**	**(1,410,356,308)**

* The company has applied IFRS 16 since 1 January 2019. As allowed by the transition method, the comparative figures have not been restated.

Statement of cash flows
Operating activities

	2019	2018*
Loss for the year	**(53,757,197)**	**(1,878,301,801)**
Income taxes	26,837,410	(82,119,194)
Pre-tax loss	**(26,919,787)**	**(1,960,420,995)**
Amortisation and depreciation	44,128,571	32,624,938
Impairment losses	(10,006,939)	337,551,288
Effects of equity accounting	(30,805,098)	60,408,056
Post-employment benefits and defined benefit plan costs	776,715	547,302
Stock grant plan costs	13,677	0
Accrual to provisions for risks and charges	20,590	400,093,663
Fair value losses (gains) following adoption of fair value measurement and other	239,512	(28,516,006)
Sub total	**4,367,028**	**802,709,241**
(Gain) loss on disposals	(849,151)	3,226,301
Net interest income and expense and dividends received (Covering of losses)	**(5,576,270)**	**65,322,446**
Sub total	**(6,425,421)**	**68,548,747**
Cash flows used in operating activities before changes in net working capital	**(28,978,180)**	**(1,089,163,007)**
Trade receivables	(33,758,552)	(214,712,899)
of which: related parties	*(4,248,579)*	*(20,986,485)*
Inventories	9,072,047	(12,044,742)
Contract assets	7,222,580	656,845,640
of which: related parties	*30,484,823*	*253,519,801*
Trade payables	67,101,478	16,839,054
of which: related parties	*23,850,410*	*(33,093,578)*
Provisions for risks and charges	(257,872,612)	(186,423)
Contract liabilities	80,921,415	(73,119,935)
of which: related parties	*(502,243)*	*4,546,092*
Costs capitalised to fulfil a contract	124,800	(245,541)
Other operating assets	2,247,029	5,925,031
of which: related parties	*(15,196,312)*	*46,744,248*
Other operating liabilities	(49,959,649)	199,225,646
of which: related parties	*(8,758,334)*	*62,373,318*
Payment of post-employment benefits and defined benefit plans	(306,345)	(439,668)
Sub total	**(175,207,809)**	**578,086,163**
Exchange differences on the translation of financial statements of foreign operations	(12,384,542)	16,202,471
Cash flows used in operating activities	**(216,570,530)**	**(494,874,373)**
Interest and dividends received	25,485,055	36,042,252
Interest paid	(20,894,348)	(70,994,794)
Taxes paid	(17,527,534)	(27,582,191)
A) Net cash flows used in operating activities	**(229,507,357)**	**(557,409,106)**
of which: net cash flows used by disposal groups	(2,340,093)	(41,967,320)

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the company's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

Statement of cash flows
Investing and financing activities

	2019	2018*
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in intangible assets	(2,543,209)	(475,993)
Investment in property, plant and equipment	16,299,178	21,677,761
Proceeds from the sale or reimbursement of property, plant and equipment	(6,153,917)	(3,831,915)
Change in financing of equity investments	(34,593,657)	(129,528,388)
of which: related parties	*(6,291,385)*	*(93,314,338)*
Sale (acquisition) of investments in subsidiaries, associates, joint ventures and other companies	(641,746)	28,755,251
Sale or purchase of securities	0	35,796
Change in other loan assets, net	(77,740,900)	25,963,484
of which: related parties	*(15,918,075)*	*(3,193,196)*
B) Cash flows used in investing activities	**(105,374,251)**	**(57,404,005)**
of which: net cash flows used by disposal groups	9,140,883	229,060
CASH FLOWS FROM FINANCING ACTIVITIES		
Net investment in treasury shares	0	56,115
Gain (loss) on the trading in treasury shares	0	(92,067)
Financing from parents	0	20,000,000
Redemptions and other net changes in bonds	130,220,833	0
Net use of credit facilities	323,494,594	359,244,346
Changes in other financial liabilities	4,788,284	1,935,403
of which: related parties	*(436,804)*	*27,940,231*
Payment of lease liabilities	(31,509,291)	(18,992,076)
Other changes	4,221,721	4,638,315
C) Cash flows generated by financing activities	**431,216,140**	**366,790,036**
of which: net cash flows generated (used) by disposal groups	(8440.667)	11,971,670
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	**96,334,533**	**(248,023,075)**
OPENING CASH AND CASH EQUIVALENTS	**145,561,238**	**393,584,533**
CLOSING CASH AND CASH EQUIVALENTS	**241,895,990**[1]	**145,561,238**

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the company's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

[1] Including bank deposits of €762 thousand of the non-current assets held for sale.

Notes to the separate financial statements of Astaldi S.p.A.

General information

Astaldi S.p.A. ("Astaldi" or the "company") is a company limited by shares with registered offices at Via Giulio Vincenzo Bona 65, Rome, listed on the Milan Stock Exchange since June 2002.

The company, which has been operating for over ninety years in Italy and abroad in the design and construction of large civil engineering works, is one of the most important companies in the international construction sector and is a leading general contractor and promoter of project finance initiatives in Italy.

The duration of the company is currently set until 31 December 2100.

At the date of preparation of these separate financial statements, Astaldi S.p.A. is not managed or coordinated by any of its shareholders as its board of directors is responsible for taking all and the most suitable decisions regarding its management in a fully independent manner.

The company's board of directors approved these separate financial statements during its meeting held on 16 June 2020.

As it holds significant controlling investments in other companies, the company also prepared consolidated financial statements which are published together with these separate financial statements.

Foreword

Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law

On 28 September 2018, Astaldi filed its application (no. 63/2018) with the bankruptcy section of the Rome Court for its composition with creditors procedure as per article 161.6 of the Bankruptcy Law[2] (the "composition with creditors procedure" or the "composition procedure") in order to present its proposal of composition with creditors on a going concern basis (the "composition proposal") pursuant to article 186-bis of the Bankruptcy Law.

On 17 October 2018, the Rome Court granted a 60-day period to allow the company to file its composition with creditors proposal, the related plan and the additional documentation required by article 161.2/3 of the Bankruptcy Law. The court concurrently appointed Stefano Ambrosini, Vincenzo Ioffredi and Francesco Rocchi as the judicial commissioners. The Rome Court also ordered the company file once a month *(i)* an updated report on its financial position, and *(ii)* a report on the status of the composition proposal and the composition plan, and its current operations, including financial, with a description of the key transactions performed, of a contractual, operating, industrial, financial or settlement nature of more than €500 thousand, specifying the cash-in-hand and the key changes (the company has regularly complied with this requirement during the procedure).

On 18 December 2018, the deadline for the presentation of the composition proposal in accordance with the application filed by the company pursuant to article 161.6 of the Bankruptcy Law was extended for another 60 days given the complexity of the activities to be performed as part of the composition plan and the procedure.

[2] Bankruptcy Law – Royal decree no. 267 of 16 March 1942 as subsequently amended.

Therefore, the deadline set for the presentation of the composition plan[3] and proposal in accordance with article 160 and subsequent articles of the Bankruptcy Law was 14 February 2019.

The "Main risks and uncertainties - Going concern" and the "Events after the reporting date – Composition with creditors on a going concern basis (updates after the reporting date)" sections provide information on the status of the ongoing proceedings.

Reference should be made to the directors' report for additional information on (i) the ongoing procedure; (ii) the other composition with creditors procedures involving certain subsidiaries, the most important of which is NBI S.p.A.; (iii) the reasons why the company applied for the composition with creditors procedure; and (iv) a description of the composition with creditors proposal presented to the Rome Court, which it accepted on 5 August 2019 and which was subsequently approved by the creditors with a majority vote in excess of 69%.

Main risks and uncertainties

Going concern

Due to the complicated situation of the company and the group detailed in the directors' report, management carried out a meticulous examination of their ability to continue as going concerns.

Specifically, when approving the draft financial statements at 31 December 2019 (which were only approved on 16 June 2020 due to the composition with creditors procedure commenced on 28 September 2018), the board of directors made all the assessments required to ascertain the company's ability to continue as a going concern, taking into consideration all the information available on predictable future events.

Astaldi filed an application as per article 161.6 of the Bankruptcy Law on 28 September 2018, thus commencing a process to turn around its group based on an integrated going concern manoeuvre over a period of five years (2019-2023), including four years after the date of authorisation of the composition with creditors proposal, as follows:

(i) Astaldi's continuation of activities in order to ensure its ability to continue as a going concern by directly managing the company;

(ii) a capital strengthening and refinancing manoeuvre, mainly via: (a) capital increases initially of €323.65 million with possible additional capital increases following the exercise of warrants and other share issues as a result of the conversion of unsecured claims presented subsequently, and (b) new financing granted and paid out for up to a maximum of €200 million by banks supporting the composition with creditors procedure;

(iii) the sale of activities and assets excluded from the core assets scope and transferred to a separate unit set up in accordance with article 2447-bis of the Italian Civil Code to satisfy unsecured creditors.

The above actions are part of an integrated manoeuvre under the composition with creditors proposal and are inextricably linked to one another. Therefore, the success of the entire manoeuvre depends on each individual transaction or event taking place.

In 2017 (see the 2017 Annual Report and Interim Financial Report at 31 March 2018 for further details), the company began to look for potential industrial investors in order to acquire new resources to meet the financial requirements for the continuity of its contracts and exploit possible synergies with operators in the same sector.

Though the transaction has not yet been finalised, it should be noted that Astaldi, IHI Corporation and IHI Infrastructure Systems Co, a subsidiary of IHI Corporation, entered into an industrial strategic partnership agreement (the "**global partnership agreement**") on 15 May 2018 aimed at enhancing respective skills and strengths through synergies, including of a commercial nature. At the same time, Astaldi, its reference shareholders and IHI Corporation ("**IHI**") also signed an investment agreement (the "**investment agreement**"),

[3] The 2018-2023 business plan attached to the composition proposal.

under which IHI will acquire an interest in the company equal to approximately 18% of Astaldi's share capital and approximately 13% of its overall voting rights.

On 15 November 2018, Webuild S.p.A. (formerly Salini Impregilo S.p.A.) ("Webuild") issued a communication that, in short, set out its interest in acquiring an infrastructure construction business unit. On 13 February 2019, Webuild issued a binding offer, subsequently integrated on 28 March, 20 May, 18 June and 15 July 2019, proposing to acquire an investment in Astaldi as part of its restructuring process ("Webuild's binding offer"). On 14 February 2019, the company filed its composition with creditors proposal, prepared on the basis of Webuild's binding offer, together with the relevant documentation. Finally, on 19 June 2019, the company filed a brief replying to the request for clarifications received from the Rome Court, simultaneously filing an updated version of the composition with creditors proposal, the composition plan and the related report, followed by further integrations on 16 July, 20 July and 2 August 2019.

Specifically, the composition with creditors proposal provides for:

1. the company's continuation of its activities in order to ensure its ability to continue as a going concern by directly managing the business unit solely comprising Engineering, Procurement & Construction (EPC) activities, facility management and complex system management and certain minor concessions implicit in EPC activities;
2. a capital strengthening and refinancing manoeuvre, entailing:

a) a cash capital increase of €225 million reserved to Webuild, excluding a rights offering for the current shareholders, at an issue price of €0.23 each (twenty-three cents) per share;

b) a divisible capital increase of €98.65 million, excluding a rights offering for the current shareholders, to service the conversion into Astaldi shares of the total filed unsecured claims or potential unsecured claims, accrued in the provision for risks, that may be filed in the meantime, at a rate of 12.493 shares for each €100 of filed or potential unsecured claim against Astaldi (the equivalent of an issue price of €0.23 per share);

3. the issue - as per the financing agreements (cash and bonding facilities) underpinning the composition with creditors proposal - of warrants for Astaldi's lending banks (the "bonus warrants") to be exercised against payment at the terms and conditions set out in the regulation attached to Webuild's binding offer. The number of bonus warrants approved for issue shall be sufficient to allow Astaldi's lending banks to subscribe a number of ordinary Astaldi shares against consideration and during the established exercise window at a price of €0.23 per share for up to 5% of the share capital as it stands immediately after the two capital increases mentioned above;
4. Webuild's binding offer provides for a third possible divisible capital increase, excluding a rights offering for the current shareholders, of a maximum amount of €10 million to satisfy additional unsecured creditors, not included in the composition plan, that present claims subsequently, if the amounts claimed are higher than the accruals to the provision for the unsecured claims as per the plan with the right to receive 12.493 ordinary shares for each €100 of the filed or potential unsecured claim.

The impact of this possible capital increase is not included in the plan, but the possibility is provided for in order to clarify that any unsecured creditors not currently included in the plan will receive the same treatment as the other unsecured creditors. This complies with article 184 of the Bankruptcy Law as it enables all creditors existing before the application for the composition with creditors procedure is filed with the company register to be treated on like terms;

5. Webuild's binding offer also provides for the issue of anti-dilutive warrants to Webuild with the related possible issue of the company's ordinary shares to ensure that its investment in Astaldi will not be diluted should other unsecured creditors that are not provided for in the composition plan present a claim ("anti-dilutive warrants"). The anti-dilutive warrants may not reverse any dilution of investments of all future Astaldi shareholders due to the exercise of the bonus warrants (and resulting share issue) by the banks involved in granting the new credit facilities;

6. a first issue of pre-preferential bonds on 12 February 2019 for €75 million (the “Fortress bonds” or “bonds”) subscribed by Fortress and authorised by the court following the application presented by Astaldi as per article 182-quinquies.3 of the Bankruptcy Law;
7. actions taken by Webuild (via its wholly-owned newco Beyond S.r.l.) and illimity Bank S.p.A. to (i) repurchase the Fortress bonds (first issue), and (ii) subscribe an additional issue of the pre-preferential bonds for up to €125 million (second issue). €50 million was issued as part of the second issue on 2 December 2019 and €63.9 million on 10 February 2020, for a total bond issue of €188.9 million (first and second issues);
8. the granting of a revolving credit facility by banks for €200 million (“RCF 200”), to be used after the composition with creditors procedure is authorised and the Webuild capital increase is made, in order to fund Astaldi’s ordinary activities, including the full redemption (with funds from the credit facility) of any residual portion of the pre-preferential bonds set out in points 6 and 7. The RCF 200 is a pre-preferential facility provided as per the composition with creditors procedure as per articles 111 and 182-quater of the Bankruptcy Law;
9. the granting of bonding facilities for a total of €384 million as per article 182-quinquies.1 of the Bankruptcy Law, aimed at providing Astaldi with the resources needed to issue guarantees for projects in progress and/or on stand-by or pending award (the contract was signed with banks on 10 August 2019);
10. the sale of specific assets excluded from the core assets scope and which will be transferred to a separate unit as per article 2447-bis of the Italian Civil Code along with other assets/liabilities set out in the composition plan of 19 June 2019. The proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of participating financial instruments.

The main assets to be transferred to the separate unit set up as resolved by Astaldi’s board of directors on 24 May 2020 are:

a. Astaldi’s gross amount due from IC Içtas Inşaat Sanayi ve Ticaret A.Ş. (ICTAS) for the sale of its 20% investment in Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusun Ve Kuzey Marmana Otoyolu Yatirim Ve Isletme Anonim Sirketi (an SPE that holds the concession to build and operate the Third Bosphorus Bridge - the “Third Bosphorus Bridge operator”) (the “Third Bosphorus Bridge receivable” and with regard to the original investment, the “Third Bosphorus Bridge investment”) and the related shareholder loan. The deed of sale for the Third Bosphorus Bridge investment and the Third Bosphorus Bridge receivable, originally included in the composition proposal, was signed by Astaldi and ICTAS on 17 March 2020;

b. the shareholder loans and investments held directly by Astaldi in the operators of: *(i)* the Gebze-Orhangazi-Izmir Motorway in Turkey, and *(ii)* the Etlik Integrated Health Campus in Ankara, Turkey;

c. the shareholder loans and investments held indirectly by Astaldi, via Astaldi Concessioni S.p.A., in the operators of: *(i)* the Arturo Merino Benitez International Airport of Santiago, Chile, *(ii)* the West Metropolitan Hospital in Santiago, Chile and *(iii)* the Etlik Integrated Health Campus mentioned above;

d. amounts due from Instituto de Ferrocarriles del Estado (IFE) of Venezuela for the projects to build the Puerto Cabello-La Encrucijada and San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway line sections (the “Venezuelan financial assets”);

e. the building and appurtenance land in Via G.V. Bona 65, Rome, which houses the company’s current offices.

In accordance with the composition plan, as per the board of directors’ resolution of 24 May 2020, the company set up the separate unit as per article 2447-bis of the Italian Civil Code, which will include the investee Astaldi Concessioni S.p.A. which was, in turn, partially proportionately demerged, under notary public Salvatore Mariconda’s deed of 28 May 2020, in order to separate the non-core assets which remain with the demerged Astaldi Concessioni from the core assets to be transferred to a newco also fully controlled by Astaldi.

The composition with creditors proposal covers the settlement of the following claims at the reference date (28 September 2018) amounting to €3,598 million, including:

(i) pre-preferential claims totalling €67.8 million, mainly comprised of the fees of judicial commissioners and consultants involved in the procedure and provisions for pre-preferential claims;

(ii) preferential claims totalling €96.7 million, mainly (i) tax liabilities of €28.3 million, (ii) provisions for preferential claims (i.e., the provision for tax disputes) of €22.1 million, (iii) preferential trade payables (i.e., artisans and professionals) of €20.5 million, and (iv) payables to employees of €12.7 million;

(iii) unsecured claims totalling €3,433.5 million, mainly (i) bank loans and borrowings and payables to bondholders of €2,557.1 million, (ii) trade payables of €329.5 million, (iii) intragroup payables of €155.8 million, and (iv) provisions for unsecured claims totalling €378.6 million.

With regard to such total claims, the composition with creditors proposal provides that:

1. pre-preferential claims and management costs will be paid in full when due;
2. pre-preferential claims related to the loans agreed as per article 182-quinquies of the Bankruptcy Law will be settled in full;
3. preferential claims will be satisfied in full within one year of the authorisation of the composition with creditors procedure as per the moratorium under article 186-bis of the Bankruptcy Law;
4. unsecured claims (not broken down by class), including preferential claims downgraded to unsecured as per article 160.2 of the Bankruptcy Law, will be satisfied within 120 days of the authorisation date via:
   - new shares assigned to unsecured creditors at 12.493 new shares for each €100 of claim;
   - participating financial instruments that give creditors the right to receive the net proceeds on the sale of the assets transferred to the separate unit, in the ratio of one participating financial instrument for each euro of their unsecured claim;
5. the tax and social security liabilities will be settled within one year from the authorisation of the composition with creditors application at the terms and conditions set out in the proposal to settle such tax and social security liabilities as per article 182-ter of the Bankruptcy Law. This provides for, in short: (i) the full payment of the preferential tax/social security liabilities within 12 months from the authorisation date; (ii) the partial payment of any unsecured liabilities through the assignment of shares and participating financial instruments in the same ratio as that offered to the other unsecured creditors; and (iii) the complete elimination of the potential tax liability arising on the tax assessment (currently pending before the Campania Regional Tax Commission), without prejudice to that set out in point 3 above;
6. the subordinated claims will not be satisfied during the period of the composition plan.

The Rome Court accepted the company's application for the composition with creditors procedure on 5 August 2019 and set the date for the creditors' meeting before the delegated judge as 6 February 2020. On 27 November 2019, the court postponed the meeting to 26 March 2020 and then postponed it further to 9 April 2020 on 23 March 2020.

After reading the minutes of the creditors' meeting of 9 April and the information provided by the judicial commissioners on the definitive outcome of the vote held on 30 April 2020, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote, with its ruling of 4 May 2020, the court set the hearing date for the authorisation of the composition with creditors to be attended by the parties involved and the judicial commissioners as 23 June 2020.

Based on the above, the directors made extremely thorough evaluations on the going concern assumption, duly considering the specific stages of its overall application for composition with creditors. Specifically, the directors took into account all information available on predictable future events, considering all aspects characterised by significant uncertainty that could raise considerable doubts as to the ability of the company to continue as a going concern, as follows:

a. **Authorisation of the composition with creditors:** As mentioned earlier, the hearing date for the authorisation of the composition with creditors was set for 23 June 2020. Astaldi, the judicial commissioners, any dissenting creditors and any interested parties must present themselves at least ten days prior to the hearing date, as per article 180.2 of the Bankruptcy Law. The judicial commissioners shall file their reasoned opinion within the same date. Following the hearing and after assessing any objections and the reasoned opinion of the judicial commissioners, the court shall decide whether to issue its decree authorising the composition with creditors as per article 180 of the Bankruptcy Law.

b. **Conditions precedent of Webuild's binding offer:**

i) Definitive authorisation of the composition with creditors procedure by 31 March 2021, i.e., the Rome Court issuing a decree as per article 180 of the Bankruptcy Law authorising Astaldi's composition with creditors application that is definitive and no longer subject to claims. Specifically, the decree is considered definitive and no longer subject to claims:

- when it has been filed, if no objections are made; or
- if objections are made, within 30 days after the last of the following requirements has been fulfilled: (1) filing of the decree authorising the composition with creditors procedure with the Rome company registrar; (2) notification of the decree to the creditors as per articles 17 and 180 of the Bankruptcy Law without any appeals being made in the meantime as per article 183 of the Bankruptcy Law; or
- if objections are made, if the decree authorising the composition with creditors procedure is appealed as per article 183 of the Bankruptcy Law, and (i) the appeal as per article 183 of the Bankruptcy Law is discontinued by the claimant(s) (even after settlement) resulting in the decree becoming definitive when the claimant formally discontinues the claim, or (ii) when the Rome Court of Appeal rejects the claim.

i. *No events or circumstances arising before the definitive authorisation date* that (individually or together) could compromise the judicial, economic and/or financial feasibility conditions underlying the composition with creditors proposal and the composition plan prepared on the basis of Webuild's binding offer, as possibly amended or integrated as per article 162 of the Bankruptcy Law or subsequent amendments to the proposal and plan as per article 172.2 of the Bankruptcy Law, the content of which shall be agreed with Webuild.

In addition to the above conditions precedent, Webuild's binding offer also requires that:

- there are no significant changes to the amount and/or nature and composition of the claims for which proof was filed without Webuild's prior written notification of its continued interest in the transaction;
- the statement of financial position in Astaldi's first separate and consolidated financial statements approved after the definitive authorisation of the composition with creditors, which therefore reflects the debt-discharging effect of the composition with creditors procedure, is substantially in line with that set out in the composition plan,
- Astaldi's subsidiaries owning contracts listed in Webuild's binding offer terminate such contracts in a manner that ensures that their termination does not lead to payables, charges, liabilities or obligations for Astaldi to be borne outside the unsecured claims provided for as part of the composition (i.e., provided for in the related provision for risks in the plan attached to Webuild's binding offer);
- Astaldi continues as a going concern, i.e., it can continue performing its contracts and operations and, specifically, continue its existing contracts and projects which at the offer date are mostly suspended or, in any case, restricted due to Astaldi's financial difficulties.

c. **Capital strengthening and refinancing manoeuvre:** the implementation of the capital strengthening and refinancing manoeuvre under the composition with creditors proposal described earlier provides for, in short: capital increases reserved to Webuild and unsecured creditors; obtaining revolving credit facilities of €200 million from banks; and the sale of specific assets excluded from the core assets scope and which will be transferred to a separate unit as per article 2447-bis of the Italian Civil Code along with other assets/liabilities. The proceeds from the sale of these assets will be used to satisfy the unsecured creditors through the allocation of participating financial instruments.

d. **Meeting the targets set out in the composition plan:** effectively reaching the financial and performance targets that will confirm the turnaround of the company and the group under the provisions of the plan. They also depend on future, uncertain variables that cannot be controlled, e.g., variables that could affect (i) the amount and timing of new contracts, (ii) the timing of collecting additional fees for variations, price revisions, incentives and claims compared to the contractually agreed amounts, and (iii) the amount and timing of collecting advances from customers, estimated based on the company's application for the benefits provided by urgent measures introduced to aid the liquidity of contractors under Decree law no. 34 of 19 May 2020 (the so-called "Relaunch Decree") issued following the Covid-19 emergency.

In light of the above, the company's directors duly requested and obtained the information needed to assess the reasonableness that all of the above circumstances could occur, i.e., the significant uncertainties that could lead to material doubts as to the ability of the company to continue as a going concern. As a result, they deemed it appropriate to prepare the separate financial statements at 31 December 2019 under the going concern assumption.

Specifically, the directors based their conclusions on the following considerations, with reference to each of the elements of uncertainty listed above:

1. with regard to points a) and b):

   i. as mentioned earlier, the authorisation process of the composition with creditors procedure is at a very advanced stage. Indeed, with its decree issued on 5 August 2019, the Rome Court authorised the commencement of the procedure proposed by the company. The creditors' meeting was held on 9 April 2020. Then, after reading the minutes of the creditors' meeting and the information provided by the judicial commissioners on the definitive outcome of the vote held on 30 April 2020, whereby the proposal was approved by a majority of 69.40% of the creditors eligible to vote, with its ruling of 4 May 2020, the court set the hearing date for the authorisation of the composition with creditors to be attended by the parties involved and the judicial commissioners as 23 June 2020. Also based on the opinions of their external legal advisers, the company's directors believe that the objections presented to the Rome Court to date which will be discussed at the authorisation hearing set for 23 June 2020 will not jeopardise the success of the composition with creditors application as they are mostly focused on matters already analysed and assessed during the procedure even should such objections lead to claims to the Court of Appeal subsequent to the authorisation decree. Therefore, there is no reason to believe that the court will not authorise the composition with creditors application and that such authorisation would not be confirmed by the Court of Appeal in the event of any subsequent claims;

   ii. based on the analysis performed by the directors, at the date of approval of the draft separate financial statements, there have been no events or circumstances that (individually or together) could compromise the judicial, economic and/or financial feasibility conditions underlying the composition with creditors proposal and the composition plan prepared on the basis of Webuild's binding offer, or provisions such not to ensure that all the underlying assumptions of the offer are met;

2. with regard to point c), the company's directors deem it reasonable to assume that the capital strengthening and refinancing manoeuvre under the composition with creditors proposal will be successfully implemented once definitive authorisation of the composition with creditors procedure has been granted. The project includes capital increases reserved to Webuild and unsecured creditors and revolving credit facilities of €200 million from banks to enable the company's continuity. The directors' assumption is based on Webuild's binding offer as well as the commitments undertaken by

the banks involved in the manoeuvre and formalised in specific commitment letters attached to the offer. In addition, Webuild completed a capital increase of €600 million on 12 November 2019. This is key to Progetto Italia as one of the essential elements of the project is acquiring control of Astaldi once it has completed its capital strengthening and refinancing manoeuvre. Astaldi's planned capital increase is naturally also subject to other conditions outside of its control, such as the shareholders approving the transaction and CONSOB (the Italian commission for listed companies and the stock exchange) authorising the publication of the relevant prospectus to be issued for the capital increase. It seems reasonable to assume that the voting of Astaldi's shareholders will be in line with Webuild's binding offer as the majority shareholder has already made binding commitments on 14 February, 14 June and 16 July 2019 to vote in favour of the resolutions needed to implement the manoeuvre. With regard to the CONSOB authorisation, on the other hand, it seems reasonable to assume that it will be granted, also considering that: (i) the capital increase is imperative for the capital strengthening and refinancing manoeuvre; (ii) the latter has already been communicated to the market and CONSOB; (iii) the entire cash amount to be injected has already been guaranteed; (iv) the company documentation required by ruling legislation to obtain the authorisation is already being drafted and finalising and sharing it with CONSOB should not be an issue for the company;

3. finally, with regard to point d) relating to uncertainties linked to the composition plan, the plan was certified by a professional appointed under the composition with creditors procedure in their reports dated 14 February 2019, 19 June 2019 and 16 July 2020. Based on this fact and the respective checks carried out, the feasibility of the plan was also approved by the judicial commissioners appointed by the Rome Court who issued their report as per article 172 of the Bankruptcy Law on 10 February 2020. At their meeting held on 9 April 2020, the creditors also approved the plan with a large majority (69.40%). Finally, the directors carefully monitored and assessed all subsequent events without identifying any critical issues regarding the achievement of the plan targets, which is also impacted by the collection of slow-moving items and advances from customers as per the urgent measures introduced to aid liquidity under the Relaunch Decree issued following the Covid-19 emergency. The directors did not detect any critical issues further to the uncertainties mentioned previously.

In conclusion, though the actions described above entail significant uncertainties that could lead to material doubts as to the company's ability to continue as a going concern, the directors prepared the separate financial statements at 31 December 2019 under the going concern assumption. Based on the considerations listed above, they deem it reasonable to assume that the tough situation that the company is facing can be overcome by defining and implementing the composition with creditors procedure, the capital strengthening and refinancing manoeuvre and the related plan.

The existence and overcoming of such uncertainties depend only partly on variables and internal factors under management's control and depend on external factors that have been assessed using the criteria of reasonableness set out above.

Risks related to Covid-19 (the Coronavirus)

At the date of preparation of these separate financial statements, the Italian and other EU and non-EU governments have applied extraordinary measures to curb the spread of the Covid-19 virus (the Coronavirus), declared a pandemic by the World Health Organisation. See the "Events after the reporting date - The spread of Covid-19 (the Coronavirus)" section for more information.

Significant contractual events

ITALY // COURT OF AUDITORS PROCEEDINGS ON LINE C OF THE ROME METRO – With order no. 486/2019 published on 10 January 2019, the joint session of the Court of Cassation ruled the lack of jurisdiction of the Court of Auditors over the management of the general contractor Metro C S.c.p.A. ("Metro C") (including members of Astaldi senior management) for the first hearing pending before the Court of Auditors in relation to the variations introduced for Line C of the Rome Metro in the period from 2006 to 2010. Given that Metro C was not even summonsed for the second hearing on the events occurred after 2010 - and particularly the out-of-court agreement and the implementing act -, it is presumed that the general contractor and its management are definitively not subject to liability for the alleged damage to the state related to the construction of Line C of the Rome Metro.

ITALY // CRIMINAL PROCEEDINGS RELATED TO LINE C OF THE ROME METRO – With regard to the preliminary investigations for the out-of-court agreement between Roma Metropolitane and Metro C S.c.p.A., on 23 January 2019, an extension was requested for the preliminary investigations into the SPE, the general contractor Metro C (34.5% held by Astaldi), in relation to the crime as per Legislative decree no. 231/2001. Metro C adopted the model as per Legislative decree no. 231/2001 with board of directors' resolution of 20 December 2007. There are no proceedings as per Legislative decree no. 231/2001 against Astaldi.

ITALY // LINE C OF THE ROME METRO (AOSTA FACTOR VS METRO C SCPA) – In January 2013, Aosta Factoring ("AF") and Astaldi signed a recourse factoring framework agreement for future receivables that will derive from works on Line C of the Rome Metro. Astaldi is a shareholder of the SPE (as general contractor) Metro C S.c.p.a. set up to construct Line C of the Rome Metro for Roma Metropolitane S.r.l. (owned by the Rome municipal authorities). The SPE's shareholders are Astaldi, Vianini Lavori S.p.A., Consorzio Cooperative Costruzioni and Ansaldo STS S.p.A.. Under the factoring agreement, Astaldi assigned some invoices issued to Metro C for its share of the contractual fees due in line with its investment in the SPE. Metro C did not pay the factored invoices, despite AF's reminders, because, as per the applicable statutory provisions, its receivables cannot be factored. AF issued an enforcement notice to Metro C, which led to the latter's accounts being frozen, in order to collect the unpaid amounts. This was then suspended as agreements were reached between Metro C and AF. The above led to a legal dispute between the parties, which is currently pending. In order to claim for potential damage - yet to be checked and assessed - that could be incurred by Metro C and the partners due to the legal dispute with AF, Metro C decided to apply for arbitration against Astaldi. The arbitration board was appointed on 18 March 2020 but it is not known whether the relevant application has been filed. The board postponed the first hearing from 25 June 2020 to 14 September 2020. Therefore, though it prudently appeared before the arbitration board, the company cannot yet appraise Metro C's claims and does not know what to offer as its defence or what evidence will be presented by Metro C.

MEXICO // LAND TRANSPORT LOGISTICS HUB ("LTLH") AT MEXICO CITY AIRPORT – On 25 January 2019, the customer (Grupo Aeroportuario Ciudad México) terminated the contract early for reasons of public interest (inter alia, due to lack of funding). In the draft final bill the customer did not include any charge for the contractor, that, in turn, is quantifying the costs resulting from the termination of the contract to be subsequently discussed with the customer. Meetings are being held with the customer to reach an agreement on the percentage of completion of the works and the relevant consideration, in addition to the costs and charges resulting from the termination of the contract. To avoid the time limit for taking action expiring, a formal appeal for the payment of costs was presented to the local courts.

TURKEY // STANDSTILL AGREEMENT – Due to the fact that Turkey does not recognise the composition with creditors on a going concern basis procedure, thus excluding Turkish creditors from the protection guaranteed by such procedure, Astaldi commenced negotiations in 2019 with some Turkish banks that have claims with the Turkish branch (also related to commitments deriving from the guarantees issued in favour of the subsidiary Astur) in order to reach a standstill agreement on credit collection actions pending the sale of the investments in the SPEs awarded the contracts to construct and operate important public works in Turkey, under the understanding that the banks would receive full settlement of their claims when the sale is made. Under the standstill agreement, upon the sale of the first Turkish asset and collection of the related amount, the Turkish banks will receive full repayment of the principal and full payment of the interest expense calculated at the contractual (non-default) rate up to the date of repayment of the principal. The standstill agreement will expire at the earliest of: *(i)* the date when the sale price of the first Turkish asset (i.e., the Third Bosphorus Bridge operator) is collected and *(ii)* 18 months after the signing of the agreement. The banks that signed the agreement with Astaldi in September 2019 are T. Vakiflar Bankasi T.A.O., T.C. Ziraat Bankası A.Ş., Ziraat Katılım Bankası A.Ş and T. İş Bankası A.Ş.

CHILE // WEST METROPOLITAN HOSPITAL IN SANTIAGO (FORMERLY THE FELIX BULNES HOSPITAL) – The Chilean Ministry of Public Works awarded the contract for the construction, repair, maintenance and operation of the Felix Bulnes Hospital to Astaldi Concessioni which, in accordance with the terms of the tender, set up Sociedad Concesionaria Metropolitana De Salud S.A. ("SCMS" or the "operator"). The operator then entrusted the turnkey construction of the hospital to Astaldi's Chilean branch. However, right from the design stage, events and circumstances arose not attributable to the branch that impacted the work schedule, leading to higher costs and more time required to perform the project. On 4 December 2018, the operator issued Astaldi with a default notice (notificacion de incumplimiento) asking it to present a recovery plan. While challenging the validity of the notice, Astaldi presented a recovery plan for the completion of the project. On 2 January 2019, SCMS unduly terminated the construction contract. On the same date, the contractor challenged the termination and requested arbitration before the Santiago Chamber of Commerce, claiming that termination was unlawful and requesting return of the enforced guarantees (performance bond and advance payment bond), payment for the work performed and compensation for damage and lost profit. The proceedings are currently at a preliminary stage. Also based on the opinions of their external legal advisers, the directors deem the reasons for return of the enforced guarantees to be founded.

Basis of presentation and segment reporting

Astaldi S.p.A.'s separate financial statements as at and for the year ended 31 December 2019 have been prepared in accordance with the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), endorsed by the European Union pursuant to Regulation (EC) no. 1606/2002 and applicable at the reporting date. All the standards and interpretations referred to above are referred to herein as the "IFRS". Reference has also been made to the measures issued by CONSOB implementing article 9.3 of Legislative decree no. 38/2005.

The separate financial statements comprise:

1. a statement of profit or loss;
2. a statement of comprehensive income;
3. a statement of financial position;
4. a statement of cash flows;
5. a statement of changes in equity;
6. these notes.

The company has chosen to present the statement of comprehensive income in two separate statements as permitted under IAS 1.81. Therefore, it presents a statement showing items making up the profit (loss) for the year (statement of profit or loss) and a statement which adds the other comprehensive income (expense) to the profit (loss) for the year (statement of comprehensive income).

Moreover, captions are classified by nature in the statement of profit or loss. This classification reflects the management reporting model used by the company and, therefore, has been preferred to the presentation of captions according to their destination, as it provides information in a manner that better reflects the company's operations.

The statement of financial position classifies assets and liabilities as current or non-current, as allowed by paragraph 60 and following paragraphs of IAS 1.

The statement of cash flows breaks down the cash flows for the year by operating, investing and financing activities. Cash flows from the operating activities are shown using the indirect method.

The statement of changes in equity is drawn up in compliance with IAS 1, taking into account comprehensive income and expense.

Finally, the company applied a management approach to segment reporting, taking into account the elements that senior management uses for taking its strategic and operating decisions and defining the specific reportable segments. Segment reporting specifically refers to the various geographical segments in which the company operates and is prepared using the same accounting policies used for the separate financial statements. Reference should be made to note 37 for the presentation of segment reporting.

Preliminary considerations about the comparability of figures

Discontinued operations

As provided for by the 2018-2023 business plan approved by its board of directors on 13 February 2019 and filed with the Rome Court together with the application for composition with creditors procedure on 14 February 2019, Astaldi initiated an in-depth analysis of its order backlog in order to progressively curtail the intrinsic risk in individual projects.

In line with the business plan, the solution found was cutting back the company's presence in countries considered higher risk and choosing more economically and financially sustainable projects.

Specifically, the new business plan clearly defined the order backlog in countries where the company's industrial activities will be focused and, thus, the countries (mainly Central American countries and Russia, with respect to 2019) where the company will disengage from activities as they no longer meet revised commercial and business planning strategies.

In line with the business plan guidelines, Astaldi:

- reached an agreement to fully transfer its activities in progress in Russia to its partner ICTAS, as part of the sale of the Third Bosphorus Bridge operator agreed on 20 June 2019;
- suspended the operations of its Honduras branch after the local judicial authorities appointed an administrator on 25 May 2019 in order to sell the branch's assets to satisfy its creditors;
- in 2019, discontinued its business activities in the other geographical segments identified under the company's new business plan.

Based on the above and as the conditions set out in paragraph 32.a) and b) of IFRS 5 - Non-current assets held for sale and discontinued operations were deemed to have been met, the company's directors reclassified its revenue and costs related to those geographical segments in which it has discontinued its operations to the caption "Loss from discontinued operations" in the statement of profit or loss (loss of €6 million) as described in more detail in note 13.

In accordance with IFRS 5.34, the company restated the comparative figures in the statement of profit or loss and the statement of comprehensive income, reclassifying the revenue and costs for 2018 related to these geographical segments to the "Loss from discontinued operations". This did not affect the loss for 2018 or the deficit at 31 December 2018. More information is available in notes 13 and 27 and the statement of cash flows.

Basis of preparation

The separate financial statements have been prepared on a historical cost basis, except for the captions which, in accordance with the IFRS, are recognised at fair value, as described in the relevant accounting policy section.

All figures in the separate financial statements are shown in Euros, while those in the notes thereto are shown in thousands of Euros, unless stated otherwise. Consequently, there may be minor differences in the total amounts shown in some statements compared to the sum of the individual amounts comprising the total due to rounding.

As noted above, the separate financial statements have been prepared on a going concern basis.

Accounting policies

The main accounting policies adopted in the preparation of the separate financial statements at 31 December 2019 are summarised below.

Translation of foreign currency transactions and financial statements of foreign operations

Astaldi S.p.A.'s separate financial statements are drawn up in Euros, which is the functional and presentation currency.

Items are presented in the financial statements of the foreign operations in the currency of the primary economic environment in which they operate (functional currency). In particular, IAS 21.11 sets out the factors considered in determining whether the functional currency of a foreign operation is the same as that of the reporting entity. Specifically, the functional currency is the same when the activities of the foreign operation are carried out without a significant degree of autonomy, thus, de facto, as an extension of the reporting entity. Conversely, when the activities of the foreign operation are carried out with autonomy, its functional currency is that of the primary economic environment in which it operates.

In the case of a currency of a hyperinflationary economy as defined by IAS 29, the company applies the requirements of that standard.

In the individual financial statements, the items expressed in a currency other than the functional currency, whether monetary (cash and cash equivalents, assets and liabilities to be received or paid in a fixed or determinable number of units of currency) or non-monetary (inventories, property, plant and equipment, goodwill, other intangible assets, etc.) are initially recognised at the exchange rate enacted on the transaction date. They are subsequently translated into the functional currency using the closing rate and the resulting exchange differences are recognised in profit or loss.

After initial recognition, non-monetary items are translated at the transaction-date exchange rate, unless they are measured at fair value, in accordance with the relevant standards. In the latter case, the exchange differences are treated as fair value gains or losses on those items and may be either recognised in (i) profit or loss if related to investment property measured at fair value pursuant to IAS 40 or decreases in fair value in accordance with IAS 16, or (ii) equity if related to equity instruments classified as available for sale or as increases in fair value in accordance with IAS 16.

Translation of financial statements into the presentation currency

Foreign currency financial statements are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate;
- costs, revenue, income and expenses are translated at average exchange rates for the year or at the exchange rates at the dates of the transactions if these are significantly different to the average rates;
- equity items, excluding the profit or loss for the year, are translated at the historical exchange rate.
- The translation reserve includes both the exchange differences generated by the translation of income and expenses at a different rate from the closing rate and those generated by the translation of opening

equity at a different rate to the closing rate.

The following exchange rates were used to translate the results and financial position of foreign operations that have a functional currency other than the Euro:

Currency	Closing rate 31 December 2019	Average rate 2019	Closing rate 31 December 2018	Average rate 2018
Algerian dinar	133.8916	133.6757	135.4881	137.6525
New Bulgarian lev	1.9558	1.9558	1.9558	1.9558
Canadian dollar	1.4598	1.4855	1.5605	1.5294
Chilean peso	844.8600	786.8932	794.3700	756.9400
United Arab Emirates dirham	4.1257	4.1113	4.2050	4.3371
Indonesian rupiah	15,595.6000	15,835.2674	16,500.0000	16,803.2200
Moroccan dirham	10.7810	10.7658	10.9390	11.0820
Nicaraguan cordoba oro	38.0375	37.1597	37.2491	37.3355
Peruvian nuevo sol	3.7255	3.7364	3.8630	3.8793
Pound sterling	0.8508	0.8778	0.8945	0.8847
Polish zloty	4.2568	4.2976	4.3014	4.2615
Romanian new leu	4.7830	4.7453	4.6635	4.6540
Russian rouble	69.9563	72.4553	79.7153	74.0416
US dollar	1.1234	1.1195	1.1450	1.1810
New Turkish lira	6.6843	6.3578	6.0588	5.7077
Venezuelan bolivar soberano	52,308.3738	14,692.8600	729.8027	**n.a**

Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation and any impairment losses. The cost includes all expenses directly incurred in order to prepare the assets for use, as well as any future costs for dismantling and removal needed to restore the site to its original conditions.

Costs incurred for routine and/or cyclical maintenance and repairs are recognised directly in profit or loss when incurred. Costs for the extension, renovation or improvement of owned or leased assets are capitalised solely to the extent they meet the requirements for separate classification as an asset or portions of an asset. Borrowing costs are capitalised if they meet the requirements of IAS 23, i.e., when they are specifically related to loans received to purchase the individual assets.

The carrying amount of an asset is adjusted by depreciation on a straight-line basis, calculated in relation to the residual possibility of use based on its useful life. Assets cannot be depreciated according to the revenue they generate during their useful life.

Depreciation begins when the asset becomes available for use. The company has estimated the useful life of the various classes of assets as follows:

	Years
Buildings	20 - 33
Plant and machinery	5 - 10
Equipment	3 - 5
Other assets	5 - 8

Land, including land pertaining to buildings, is not depreciated.

Should the asset subject to depreciation be composed of distinctly identifiable parts, whose useful life differs significantly from that of the other parts forming the asset, depreciation is applied separately for each of the parts, applying the component approach.

Profits and losses from the sale of assets or groups of assets are calculated as the difference between the assets' fair value loss costs to sell and carrying amount.

Leased property, plant and equipment

IFRS 16 covers the recognition, measurement, presentation of and disclosures about leases and replaces IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - Incentives and SIC-27 - Evaluating the substance of transactions involving the legal form of a lease starting from 2019.

Specifically, IFRS 16 defines a lease as a contract that conveys the right to use an asset to the customer (the lessee) for a period of time in exchange for consideration.

The new standard provides for a single presentation model for lessees for both a finance or an operating lease, which is that an asset (right to use) and a liability (the obligation to make the payments contractually provided for) be recognised for any lease with a term of more that twelve months.

On the other hand, with reference to the financial statements of lessors, IFRS 16 does not introduce significant changes, maintaining the distinction between operating and finance leases.

IFRS 16 has also significantly incremented the disclosure requirements of IAS 17, but it specifies that the disclosures are to be provided only when it is helpful for users of financial statements.

At inception of a contract, Astaldi assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>As lessee</u>

The company has adopted a single model to recognise and measure all leases, except for short-term leases or leases for which the underlying asset is of low value. It recognises a lease liability and a right-of-use asset.

i) Right-of-use asset

The company recognises a right-of-use asset at the commencement date (the date on which the underlying asset is ready for use). It measures the right-of-use asset at cost, net of any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. The company depreciates the right-of-use asset on a straight-line basis from the commencement date to the end of the useful life of the underlying asset.

If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

Right-of-use assets are tested for impairment (more information is available in the section on the impairment of intangible assets).

ii) Lease liabilities

At the commencement date, the company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments comprise fixed payments (including in-substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be payable by the company under residual value guarantees. The lease payments also include the exercise price of a purchase option if the company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Variable lease payments that do not depend on an index or a rate are recognised as costs (unless they have been incurred to produce inventories) in the period in which the event or condition that generated the payment occurs.

At the commencement date, the company measures the lease liability at the present value of the lease payments that are not paid at that date using the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the carrying amount of the lease liability increases to reflect interest on the lease liability and reduces to reflect the lease payments made. In addition, the carrying amount of the lease liability is remeasured to reflect any reassessment or lease modification or any change in the lease term which revises the lease payments or a change in the assessment of an option to purchase the underlying asset or changes in future payments due to modification of the index or rate used to determine the payments.

iii) Short-term leases and leases of low-value assets

The company has applied the exemption for the recognition of short-term leases for machinery and equipment (i.e., leases with a term of twelve months or less at the commencement date that do not have a purchase option). It also applied the exemption for leases of low-value assets (office equipment). The related lease payments are expensed on a straight-line basis over the lease term.

As lessor

Lease contracts where the company is lessor and retains all the risks and rewards incidental to ownership of the asset are recognised as operating leases. The related lease income is recognised on a straight-line basis over the lease term under revenue in the statement of profit or loss given its operating nature. The initial direct costs are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. Lease payments that were not provided for are recognised as income in the period in which they accrue.

Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance from which future economic benefits are expected to flow to the company. They are recognised at acquisition and/or development cost, including directly attributable costs of preparing the asset for its intended use, net of accumulated amortisation (with the exception of assets with an indefinite useful life, whose carrying amount is tested for impairment pursuant to IAS 36) and any impairment losses. Amortisation is calculated from when the asset becomes available for use and is applied on a straight-line basis according to the remaining possibility of use, i.e., on the basis of its useful life. A rate taking its actual use into account is applied in the year in which the intangible asset is recognised for the first time.

Industrial patents and intellectual property rights are recognised at purchase cost net of amortisation and any accumulated impairment losses.

Amortisation is calculated starting from when the acquired rights are available for use and takes into account the assets’ useful life (2–5 years).

Licenses and similar rights are recognised at cost, net of amortisation and any accumulated impairment losses. Amortisation is calculated starting from when title thereto is acquired in relation to their useful life.

Rights for the use of infrastructure under concession are amortised over the concession term, with a pattern that reflects the way in which the economic benefits are expected to flow to the company. Amortisation is calculated from when the rights for the use of infrastructure under concession start to produce the related economic benefits.

The use of the revenue generated by individual assets cannot generally be used as a basis for calculating amortisation. This prohibition can only be overcome if one of the following conditions occurs:

a) *the intangible asset is expressed as a measurement of revenue:* use of the intangible asset depends on a fixed amount of revenue to be generated and not a set time period or a set volume of goods produced or sold;

b) *the company can show that the expected revenue and consumption of the economic benefits embodied in the intangible asset are closely interrelated:* in this case, the entity shall be able to clearly show that use of revenue to calculate amortisation of an intangible asset does not lead to significant differences from the other methods allowed by IAS 38.

Goodwill recognised as part of a business combination is allocated to each cash-generating unit identified and is recognised under intangible assets. It represents the positive difference between the cost incurred for the acquisition of a company or business unit and the net fair value of the acquired assets and liabilities of that company or business unit. The contingent assets and liabilities acquired and identifiable are recognised at their fair value at the acquisition date. On the other hand, any negative difference is immediately recognised in profit or loss. After initial recognition, goodwill is not amortised, but may be tested for impairment.

It is tested for impairment annually or more frequently if specific events or changes in circumstances indicate that it may be impaired, in accordance with IAS 36 - Impairment of assets.

Business combinations

Business combinations are recognised in accordance with IFRS 3. Specifically, they are recognised using the acquisition method, whereby the consideration transferred is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the acquirer. The costs directly attributable to the acquisition are recognised in profit or loss. The consideration transferred is allocated by recognising the acquiree’s identifiable assets, liabilities and contingent liabilities at their acquisition-date fair value. Any excess between the acquisition-date fair value of the consideration transferred and the net fair value of the acquiree’s identifiable assets and liabilities is recognised as goodwill. If the difference is negative, it is recognised in profit or loss.

If the fair value of the assets, liabilities and contingent liabilities can only be calculated on a provisional basis, the business combination is recognised by using these provisional amounts. Any adjustments deriving from the completion of the measurement process are recognised within twelve months of the acquisition date, restating the corresponding figures.

Business combinations carried out in 2019

No business combinations were carried out in 2019.

Investment property

Investment property is recognised as an asset when it is held to earn rentals or for capital appreciation, provided that the cost of the asset can be measured reliably and it is probable that the relevant future economic benefits will flow to the company.

Investment property is measured at purchase or construction cost, increased by any transaction costs, net of accumulated depreciation and any accumulated impairment losses.

Its useful life is between 20 and 33 years.

It is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Impairment of equity investments, property, plant and equipment, goodwill and other intangible assets

Intangible assets with an indefinite useful life and intangible assets under development with a finite useful life are tested for impairment at least annually.

At each reporting date, the company checks that no events or changes in circumstances took place indicating that property, plant and equipment and intangible assets (other than those with an indefinite useful life or under development) may have been impaired.

In addition to the provisions of IAS 36, at each reporting date, the company's directors assess whether there is any objective evidence that its investments in subsidiaries, joint ventures and associates are impaired.

Where necessary, when the recoverable amount of individual assets cannot be determined, the company tests the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units") for impairment.

The impairment test is carried out by comparing the asset's (or group of assets') carrying amount to its recoverable amount[4]. Should the carrying amount be higher than the recoverable amount, the asset is impaired and the impairment loss is recognised in profit or loss. Should the reasons for a previously-recognised impairment loss cease to exist, the impairment loss is reversed to the extent of the asset's carrying amount. Any reversal of impairment loss is recognised in profit or loss. Conversely, impairment losses on goodwill or an intangible asset with an indefinite useful life are never reversed.

Pursuant to the provisions of the Bank of Italy/CONSOB/ISVAP Joint Document no. 4 of 3 March 2010, the company has a dedicated procedure (compliant with the requirements of IAS 36) for impairment testing. The company's board of directors approved this procedure in its meeting of 4 June 2020 (separately and prior to approval of the separate financial statements) after the control and risks committee had examined it.

The following table shows the results of the impairment tests:

Asset	Ref.	CGU	Description	Impairment indicators	Business segment	Carrying amount (€m)	Rate	Method
Investments in associates and joint ventures (IAS 28)	Note 19	Otoyol Yatirim Ve Isletme A.S.	Concession for the Gebze - Orhangazi – Izmir Motorway	External sources	Concessions	366.5	Ke 9.86%	DDM
Investments in associates and joint ventures (IAS 28)	Note 19	Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS	Concession for the Etlik Integrated Health Campus	Internal and external sources	Concessions	4.3	Ke 11.86%	DDM
Contractual right (IAS 38)	Note 18	Quadrilatero industrial complex	Maxi lot 2 of the Quadrilatero Marche-Umbria road system	Internal sources	Construction	16.2	WACC 8.05%	UDCF
Contractual right (IAS 38)	Note 18	Infraflegrea project	Cumana and Monte Sant'Angelo (Naples) railway line	Internal sources	Construction	23.6	WACC 8.05%	UDCF

As is customary, the company's management utilised the services of an independent expert to perform the impairment tests.

Pursuant to the provisions of IAS 36, the tests were performed in accordance with the company's procedures approved pursuant to the Bank of Italy/CONSOB/ISVAP Joint Document no. 4 of 3 March 2010 and article 7.C.2 of the New Code of Conduct for Listed Companies.

The results of the impairment tests and assumptions applied to carry out the individual tests are detailed later on in these notes.

[4] The recoverable amount is defined as the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use.

Impairment of other financial instruments

Adoption of IFRS 9 - Financial instruments has drastically changed the methods used to calculate and recognise impairment losses on financial assets, as it has replaced the IAS 39 incurred loss model with a forward-looking expected credit loss (ECL) model.

Under the new standard, regardless of any existing or contingent trigger event, an entity shall recognise the expected credit losses calculated using the ECL model on all financial assets (except those measured at FVTPL).

The company introduced an impairment model for its trade receivables and contract assets, which make up most of its credit exposure, based on the simplified approach allowed by IFRS 9 for these types of financial assets. Specifically, it split these financial assets into clusters that reflect the assets' nature, customer credit rating and geographical segment. Based on the information collected, it then calculated the reference parameters (PD[5], LGD[6] and EAD[7]) for each cluster to calculate the lifetime expected credit losses. It tested exposures related to customers with a less than adequate credit rating (speculative grade, non-investment grade and high yield) and significant payment delays (over 12 months) individually for impairment using the parameters identified from time to time. The company tested the other financial assets for impairment using the generalised approach provided for by IFRS 9, allocating the assets to various stages and estimating the expected credit loss using the PD, LGD and EAD risk parameters.

Impairment of amounts due from the Venezuelan government

Astaldi has three railway projects in Venezuela with Instituto de Ferrocarriles del Estado. At 31 December 2019, the company's total exposure (the "exposure") amounts to €433 million and relates to contracts entered into as part of an intergovernmental agreement (the "intergovernmental agreement") between Italy and Venezuela, which provides additional protection to the measures that can be taken by resorting to local courts. Despite this and starting from 2017, the company prudently impaired its exposure by €381 million given the delays in collecting payments and the country's current and expected conditions. As a result, the recoverable amount of the company's exposure amounts to approximately €52 million.

Valuation techniques

The company estimated the expected credit losses on the Venezuelan assets in line with IFRS 9 considering all the information that was reasonably available at the date of approval of these separate financial statements. Specifically, management tested the exposure's recoverable amount using market benchmarks given the country's economic and social context and the difficulties in making reliable estimates about expected cash flows.

Therefore, the company calculated the exposure by reference to the fair value of benchmarks deemed pertinent for the estimate, considering specifically:

-market returns and prices of the Venezuelan government bonds in the period prior to the reference date;

-market value of the spread of the credit default swaps (CDS), with the Venezuelan government's default as the underlying;

-recovery rate of the Venezuelan government bonds based on the mean of the related bonds' market prices at the reference date;

-recovery rates observed with reference to sovereign debt default events that have occurred from 1983 to 2019.

5 PD: Probability of Default.

6 LGD: Loss Given Default.

7 EAD: Exposure At Default.

Conclusions

Based on the technical analyses performed (including with the assistance of an independent expert), management confirmed the financial assets' recoverable amount to be €52 million, as determined at 31 December 2018.

Investments in subsidiaries, associates and joint ventures

Following the adoption of the amendments introduced by Regulation (EU) no. 2015/2441 to IAS 27 - Separate financial statements, the company exercised the option to use the equity method to account for investments in subsidiaries, associates and joint ventures, i.e., in order to (i) present any gains or losses on its investment in such companies in the separate financial statements, and (ii) ensure that the income and costs related to such investments match. Finally, the share of profits from such equity-accounted investees, along with the relevant accruals to the provision for risks on equity investments, is recognised as part of the operating loss in the statement of profit or loss for the year. This method was deemed to most reliably present the company's business model as such investees, which are independent legal entities set up solely to best ensure achievement of the company's financial objectives, fully refer to Astaldi's core operations.

Equity method

Upon initial recognition with the equity method, the equity investments are recognised at purchase cost. Any difference between the cost of the investment and the company's share of the net fair value of the investee's identifiable assets and liabilities, calculated on the basis of IFRS 3 - Business Combinations, is accounted for as follows:

a) <u>cost of investment higher than the company's share of the net fair value of the individual assets and liabilities acquired</u>: this is usually goodwill, which in accordance with IAS 28.32, is not recognised separately but is included in the carrying amount of the investment;
b) <u>cost of investment lower than the company's share of the net fair value of the individual assets and liabilities:</u> this is included as income in the determination of the investor's share of the investee's profit or loss in the year in which the investment is acquired.

Appropriate adjustments to the carrying amount of the investment are subsequently made in order to account for: *(i)* the investor's share of the investee's profit or loss after acquisition, and *(ii)* the company's share of the investee's other comprehensive income. Any dividends distributed by the investee reduce the carrying amount of the investment.
The company's share of any profits arising from transactions with equity-accounted investees and not yet realised with third parties are eliminated, while losses are not eliminated since they show an actual decrease in the fair value of the assets sold.

Change in investments in equity-accounted investees

The company applies the guidance on step acquisitions provided by IFRS 3 - Business combinations when accounting for transactions related to obtaining a controlling interest in a prior associate or joint venture. Management believes that obtaining a controlling interest in an investee is to be considered a significant economic event pursuant to IFRS. Therefore, as per IFRS 3, at the date control is achieved, the company remeasures the fair value of previously-held interests and recognises any gain or loss recognised in profit or loss.
Consistently, when the opposite occurs, i.e., the company losses control over an investee, while still maintaining significant influence or joint control, it applies IFRS 10 - Consolidated financial statements in recognising the residual portion at fair value.

Investments in other companies

Non-controlling interests (usually those where the investment percentage is less than 20%) are measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Indicators that cost might not be representative of fair value include:

a) a significant change in the performance of the investee compared with budgets, plans or milestones;

b) changes in expectation that the investee's technical product milestones will be achieved;

c) a significant change in the market for the investee's equity or its products or potential products;

d) a significant change in the global economy or the economic environment in which the investee operates;

e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market;

f) internal matters of the investee such as fraud, commercial disputes, litigation, changes in management or strategy;

g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity), or by transfers of equity instruments between third parties.

Management also decided to avail of the option provided for by paragraph 5.7.5 of IFRS 9 - Financial instruments to designate some [8]non-controlling interests as financial assets at fair value through other comprehensive income[9]. In this case, any dividends distributed shall be recognised in profit or loss while changes in fair value shall be presented in other comprehensive income without subsequently being recognised in profit or loss.

Interests in joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control, i.e., when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Under IFRS 11, they are measured differently depending on whether they are:

- JOINT OPERATIONS (JO): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement;

- JOINT VENTURES (JV): a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Under IFRS 11, an entity shall determine if it is involved in a JO or a JV by considering its rights and obligations arising from the arrangement. It assesses its rights and obligations, considering substance over form.

As regards JO, since the parties to the arrangement share rights to the assets and take on the obligations for the liabilities arising from the arrangement, IFRS 11 requires that each joint operator recognise, in its own financial statements, its share of the assets, liabilities, costs and revenue of the JO.

Applying the new option introduced by IAS 27 - Separate financial statements, the company recognises JVs in the separate financial statements using the equity method.

Judgements and assumptions used in classifying joint arrangements

The joint operations (JO) in which the company is involved are usually "transparent" vehicles, which do not entail the segregation of the vehicle's assets from those of the venturers. However, a very limited number of joint arrangements structured through a separate vehicle (five[10]) required checking whether the related contractual arrangements attributed the SPEs' rights and obligations directly to the venturers. Based on the analyses carried out and the opinions of highly reputable advisors, management believes that the arrangements give the venturers (and hence the company) title to the assets and obligations for the liabilities

[8] The measurement method for equity investments was selected on a case-by-case basis as allowed by the new standard.
[9] Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.
[10] Mostly relating to the consortium companies that entail the recharging of costs provided for by the Italian Civil Code.

of the SPE and that, therefore, the joint arrangements qualify as joint operations pursuant to IFRS 11.

Inventories

Inventories are recognised at the lower of cost and net realisable value. The carrying amount of inventories is calculated using the weighted average cost formula applied to groups of similar assets. The cost includes all costs incurred in bringing the inventories to the location and condition to be used in the production process.

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Contract consideration accrued on construction contracts in progress is measured using the cost to cost method (paragraphs B14-B19 of IFRS 15, input methods), considering the contract budget. The company regularly updates the assumptions underlying the contract budget to reflect the most reasonable estimate of the accrued contract consideration and the contract output in the separate financial statements.

Revenue from contracts with customers is recognised when control of the goods and services is transferred to the customer for an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Contract revenue comprises the initial amount of revenue agreed in the contract and variable elements (variations in contract work, price reviews, incentive payments, claims and penalties). Variable elements are estimated to be the expected or most probable amount. Variable consideration is recognised only to the extent that it is highly probable that a significant reversal in the amount of the cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.
In this respect, consideration has been given to the following:

- specific legislation regarding public works and international legislation;
- contractual clauses;
- the progress of negotiations with the customer and likelihood that these negotiations will have a positive outcome;
- when necessary due to the complexity of specific situations, technical-legal studies also conducted with external consultants, to confirm that the valuations made are reliable.

Contract costs comprise:

- all costs that relate directly to the specific contract, costs that are attributable to contract activity in general and can be allocated to the contract and such other costs as are specifically chargeable to the customer under the terms of the contract.

Contract costs also include:

- pre-operating costs, i.e., the costs incurred during the initial phase of the contract prior to the start of construction activity (design costs, work site installation costs, etc.), as well as
- post-operating costs incurred after completion of the contract (site dismantlement, return of equipment and/or machinery to the base, insurance, etc.).

If the completion of a contract is expected to generate a loss, this is entirely recognised in the year in which it is reasonably foreseeable in accordance with IAS 37 - Provisions, contingent liabilities and contingent assets.

When the outcome of a construction contract cannot be estimated reliably, contract work in progress is recognised on the basis of the contract costs incurred that it is probable will be recoverable, without recognising any profit or loss.

When favourable or unfavourable events attributable to present situations at the reporting date occur after the reporting date, the carrying amounts are adjusted to reflect the related effects.

With respect to the presentation of financial statements captions related to construction contracts in progress, in accordance with IFRS 15.105-107, the company presents:

(i) the unconditional right to consideration related to work performed (invoices issued or to be issued) as a trade receivable;

(ii) the consideration due by the customer for contract work performed net of progress payments and advances (i.e., financial milestones that have not yet been certified) as a contract asset. This caption also includes the additional consideration due to contract variations (work variations and claims) being negotiated with the customers;

(iii) the company's obligation to transfer goods or services to a customer for which it has received advances and progress payments as a contract liability;

(iv) the estimate of the variable consideration that the company expects to pay to customers for higher costs and damages due to termination of the contract for the part exceeding the amounts due from customers for work performed and not yet paid for as other contract liabilities.

Loans and receivables and other financial assets

The company classifies financial assets considering (i) the contractual characteristics of the cash flows of the financial asset (SPPI test), and (ii) the business model for managing the financial assets.

As a result, financial assets may be classified in the following categories:
- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (AC)

A financial asset is measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes trade receivables, other operating receivables included in other current and non-current assets and part of the loan assets included in current and non-current financial assets.

Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The company classified part of its subordinated loans (semi-equity) given to the concession SPEs in this category after analysing the business model it intends to use to manage such loans.

Financial assets at fair value through profit or loss (FVTPL)

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

This category includes financial instruments whose contractual cash flows are not solely the payment of principal and interest on the principal amount outstanding.

Derivatives

Derivatives are assets and liabilities measured at fair value. There are three type of hedging relationships:

• **fair value hedge**: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment;

• **cash flow hedge**: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction, and could affect profit or loss;

• **hedge of a net investment in a foreign operation**.

A hedging relationship qualifies for hedge accounting if the following criteria are met:

(i) there is an economic relationship between the hedged item and the hedging instrument such to offset value changes and this offset ability

is not dominated by the counterparty's credit risk; (ii) the hedge ratio is consistent with the risk management objectives, as part of a risk management strategy which includes the appropriate rebalancing measures.

The company uses derivatives as part of its **hedging strategies to offset the risk of changes in expected cash flows** related to contractually defined or highly probable transactions (cash flow hedges) such as, currency forwards and interest rate swaps to hedge currency risk and interest rate risks, respectively.

Derivatives are initially recognised at the transaction-date fair value. They are subsequently remeasured (at least at every reporting date). Specifically, the effective portion of fair value gains or losses on derivatives designated as cash flow hedges and qualified as such is recognised in a caption of the statement of comprehensive income (the hedging reserve), which is subsequently reclassified to profit or loss when the hedged item affects profit or loss. The ineffective portion of fair value gains or losses is immediately recognised in profit or loss. If hedge accounting is discontinued for a cash flow hedge, the amount accumulated in the hedging reserve remains in the hedging reserve if the hedged future cash flows are still expected to occur until the future cash flows occur. Subsequently, in proportion to the hedged cash flows that occur, any amount still accumulated in the hedging reserve is gradually recognised in profit or loss. If the hedged cash flows are no longer expected to occur, the amount accumulated in the hedging reserve is immediately reclassified to profit or loss.

Fair value measurement

IFRS 13 defines fair value as a market-based measurement, not an entity-specific measurement. It is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When a price for an identical asset or liability is not observable, the company measures fair value using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Single or multiple valuation techniques may be appropriate. If multiple valuation techniques are used to measure fair value, the results are assessed considering the reasonableness of the range of values indicated by those results.

The most commonly used valuation techniques are as follows:

- **market approach:** a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities;
- **cost approach:** a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset; and

- **income approach:** a valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount.

Based on the observability of the inputs used as part of the valuation technique applied, the assets and liabilities recognised at fair value in the separate financial statements are measured and classified using the fair value hierarchy established by IFRS 13:

- **level 1 inputs**: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **level 2 inputs**: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- **level 3 inputs**: unobservable inputs for the asset or liability.

The fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to the cash flows from the financial asset expire;
- the company retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows fully and on time to one or more recipients;
- the company transfers the contractual rights to receive the cash flows of the financial asset and: (a) transfers substantially all the risks and rewards of ownership of the financial asset, or (b) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but transfers control of the financial asset.

If the company transfers the contractual rights to receive the cash flows of the financial asset and neither transfers nor retains substantially all the risks and rewards of ownership or retains control of the financial asset, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset. When the company’s continuing involvement takes the form of guaranteeing the transferred asset, the extent of its continuing involvement is the lower of the initial carrying amount of the asset and the maximum amount of the consideration received that the company could be required to repay.

The company derecognises a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged or cancelled or expires. If an existing financial liability is exchanged with another of the same lender with substantially different terms or the terms of an existing financial liability are substantially modified, the exchange or modification is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the original and new financial liabilities is recognised in profit or loss. In the case of modifications and exchanges of financial liabilities that do not entail their derecognition, IFRS 9 requires that their carrying amount be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liabilities’ original effective interest rate. Any resulting gain or loss shall be immediately recognised in profit or loss.

Cash and cash equivalents

These include cash, bank deposits or other amounts with other financial institutions available for day-to-day transactions, postal current accounts and other cash equivalents, as well as investments with terms expiring within three months of the acquisition date. Cash and cash equivalents are recognised at fair value, which normally equals their nominal amount.

Assets held for sale and discontinued operations

Non-current assets or disposal groups[11] are classified as held for sale if their carrying amount will be recovered mainly through their sale rather than continuing use.

This condition is considered to be met when the sale is highly probable and the asset or disposal group is available for immediate sale in its current conditions.

Non-current assets held for sale and disposal groups are recognised in the statement of financial position separately from the company's other assets and liabilities. Immediately before being classified as held for sale, they are measured on the basis of the specific IFRS applicable to each asset and liability. They are subsequently recognised at the lower of their carrying amount and fair value less costs to sell. Any losses are immediately recognised in profit or loss. Subsequently, non-current assets held for sale are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell. If an equity-accounted investment, or a portion thereof, is classified as held for sale, equity accounting is discontinued for the entire investment or for the portion classified as held for sale. Any portions of investments that are not classified as held for sale continue to be measured using the equity method up to the completion of the disposal plan. Any difference between the carrying amount and fair value less costs to sell of non-current assets held for sale is recognised as an impairment loss in profit or loss. Any gains for subsequent increases in fair value are recognised to the extent of the previously recognised impairment losses, including those recognised before the asset is classified as held for sale.

Non-current assets and disposal groups classified as held for sale constitute a discontinued operation if they (i) represent a separate major line of business or geographical area of operations, (ii) are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or (iii) are a subsidiary acquired exclusively with a view to resale.

The post-tax profits or losses of discontinued operations and any post-tax gains/losses realised on disposal are presented separately in a specific caption of the statement of profit or loss. The prior year corresponding figures are presented accordingly.

Non-current assets to be abandoned

IFRS 5.13 states that an entity shall not classify as held for sale a non-current asset (or disposal group) that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use.
However, if the disposal group to be abandoned (i) represents a separate major line of business or geographical area of operations, or (ii) is a subsidiary acquired exclusively with a view to resale, the entity shall present the results and cash flows of the disposal group as discontinued operations at the date on which it ceases to be used.

Equity

Share capital
The share capital comprises the company's subscribed and paid up share capital. Costs strictly related to share issues are recognised as a reduction in share capital if they are directly attributable to the capital transaction.

[11] A disposal group is a group of assets and directly associated liabilities to be disposed of, by sale or otherwise, together as a group in a single transaction.

Treasury shares

Treasury shares, including those held to service the incentive plans, are measured at cost and deducted from equity. Profits or losses arising from the sale or cancellation are recognised in equity.

Retained earnings (losses carried forward)

These include the portion of previous years' profits or losses not distributed or allocated to reserves (in the case of profits) or not covered (in the case of losses).

Other reserves

These are reserves deriving from first-time application of the IFRS and other equity-related reserves (such as the stock grant reserve).

Other comprehensive income

Other comprehensive income includes items recognised directly in equity reserves in compliance with the IFRS provisions about their origin and changes.

The statement of comprehensive income captions of these separate financial statements are presented by nature in two categories:

(i) Those that will not be subsequently reclassified to profit or loss:

- actuarial gains and losses on defined benefit plans (IAS 19);
- gains and losses on changes in equity instruments classified as FVTOCI (IFRS 9);

(ii) Those that will be subsequently reclassified to profit or loss when certain conditions are met in accordance with IFRS:

- exchange differences arising on the translation of the financial statements of foreign operations with functional currencies that differ from the Euro (IAS 21);
- gains and losses on changes in financial assets classified as FVTOCI (IFRS 9);
- the effective portion of gains and losses on hedging instruments (IFRS 9).

Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs and are subsequently measured at amortised cost.

Any difference between the amount received (net of transaction costs) and the nominal amount of the liability is recognised in profit or loss by applying the effective interest method.

Financial liabilities are classified as current liabilities, unless the company has the contractual right to extinguish its obligations after one year of the reporting date.

The company has not designated any financial liabilities at fair value through profit or loss.

Convertible bonds

Convertible bonds are generally financial instruments comprising a liability and an equity component. At the date of issue, the fair value of the liability is estimated using the current market interest rate for similar non-convertible bonds. The difference between the net proceeds from the issue and the fair value of the liability, which represents the implicit option to convert the bonds into company shares, is recognised in equity.

On the other hand, convertible bonds offering the issuer the choice between repayment through ordinary shares or, alternatively, in cash (cash settlement option) are classified as hybrid financial instruments.

In this case, the host bond is measured at amortised cost while the embedded derivative, representing the conversion option, is measured at fair value through profit or loss.

Trade payables and other financial liabilities

Trade payables due within the normal commercial terms are not discounted and are recognised at cost (identified by their nominal amount).

Income taxes

Current income taxes

Current taxes for the current and previous years are recognised at the amount expected to be paid to the taxation authorities. Tax rates and tax laws used to calculate the liability are those substantially enacted at the reporting date in the individual countries where the company operates.

Deferred taxes

Deferred taxes are calculated by applying the liability method to the taxable or deductible temporary differences between the carrying amount of assets and liabilities and their tax base.

Deferred tax liabilities are recognised on all taxable temporary differences, except when:

- they arise from the initial recognition of goodwill or an asset or liability in a transaction which is not a business combination and that at the time of the transaction affects neither accounting profit or loss nor taxable profit (tax loss);
- they refer to taxable temporary differences associated with investments in subsidiaries, associates and joint ventures and the timing of their reversal can be controlled and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences and tax losses carried forward, to the extent to which it is probable that the company will earn sufficient future taxable profits offsetting them, except when a deferred tax asset arises from the initial recognition of an asset or liability in a transaction which is not a business combination that at the time of the transaction affects neither accounting profit or loss nor taxable profit (tax loss).

The carrying amount of deferred tax assets is remeasured at each reporting date and reduced if it is no longer probable that the company will earn sufficient future taxable profits to offset the entire or part of the asset. Unrecognised deferred tax assets are reassessed on an annual basis at the reporting date and are recognised to the extent that it has become probable that the company will earn sufficient taxable profit against which the deferred tax assets may be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to be applicable in the year when the assets will be realised or the liabilities will be settled, based on tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legal right to set off current tax assets against current tax liabilities and the deferred taxes refer to the same taxable entity and the same taxation authority.

Current and deferred taxes relating to items recognised directly in equity are recognised in equity too rather than in profit or loss.

Employee benefits

Termination benefits

Termination benefits consist of benefits due to employees following the company’s decision to terminate an employee’s employment before their retirement date and the employee’s decision to accept voluntary redundancy in exchange for those benefits.

The company recognises these benefits as liabilities and an expense at the earlier of (i) the date when the entity can no longer withdraw the offer of such benefits; and (ii) the date when the entity recognises restructuring costs within the scope of IAS 37, which implies payment of the termination benefits due. These liabilities are measured according to the nature of the benefit. In particular, if the benefits are an enhancement of other post-employment benefits due to employees, the liability is measured in accordance with paragraphs 50 to 60 of IAS 19 - Post-employment benefits. On the other hand, the measurement criteria used to measure termination benefits differ depending on when they will be paid:

- if the company expects to pay the full amount of the benefits within 12 months of the reporting date, the criteria applicable to short-term employee benefits apply (IAS 19.9-25);
- if the company does not expect to pay the full amount of the benefits within 12 months of the reporting date, the criteria applicable to other long-term employee benefits apply (IAS 19.153-158).

Post-employment benefits

Liabilities for guaranteed employee benefits paid when or after employment is terminated through defined benefit plans are recognised in the period in which the employee vests the right to receive them, consistently with the service required to obtain the benefits. They are calculated on the basis of actuarial assumptions and stated net of any advances paid. Independent actuaries measure the liability using the projected unit credit method.

The following income and expense are recognised as personnel expenses in the statement of profit or loss:

- current service cost reflecting the actuarial estimates of benefits due to employees for their service in the reporting period;
- net interest cost, which is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement; and
- the full amount of costs and income arising from changes to the defined benefit plans ("past service cost or income"), which are recognised in the period when the changes occur.

Furthermore, any actuarial gains and losses on the defined benefit liability are fully recognised in the year when they arise as other comprehensive income (OCI) in the statement of comprehensive income.

Liabilities for guaranteed employee benefits paid when or after employment is terminated through defined contribution plans are recognised at the amount vested at the reporting date.

Liabilities for other employee benefits are recognised at the amount vested at the reporting date, including by using actuarial assumptions in the case of long-term benefits.

Share-based payment plan

The company has adopted an incentive plan for senior management (CEO with delegated financial management powers and general managers), which assigns them the company's shares free of charge upon attainment of specific financial objectives.

The stock grant plan is an equity-settled share-based payment that falls within the scope of IFRS 2.

The plan cost is recognised over the vesting period and is calculated with reference to the fair value of the options assigned to the senior management at the grant date, thereby reflecting the market conditions existing on that date.

At each reporting date, the assumptions about the number of options expected to vest are verified. The current cost is recognised in profit or loss under personnel expenses with a balancing entry recognised in an equity reserve.

Provisions for risks and charges

The provisions for risks and charges are recognised when the company has a present (legal or constructive) obligation arising as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation or to transfer it to third parties at the reporting date. Where the effect of the time value of money is material, the provision is discounted using a pre-tax discount rate that reflects current market assessments. Where discounting is used, the increase in the provision due to the passage of time is recognised as interest expense.

Other operating revenue

Other operating revenue includes revenue not directly related to the company's core business, i.e., that is not earned on contracts with customers, such as, for example:

- revenue from the sale of goods or rendering of services to suppliers and subcontractors;
- revenue from operating leases recognised on an accruals basis over the lease term;
- gains on sales of non-core assets.

Government grants

Government grants are recognised at fair value, when there is reasonable assurance that such grants will be received and the company will comply with the conditions attaching to them. Grants related to costs are recognised as revenue on a systematic basis over the years in which the company recognises the related costs which the grants are intended to compensate. Grants related to assets are recognised at fair value as a decrease in the carrying amount of the related asset. If related to assets not yet available for use or under construction, the portion of the grant exceeding the related asset is presented as deferred income.

Financial expense

Interest is recognised on an accruals basis using the effective interest method, by applying the interest rate that makes all cash inflows and outflows (including premiums, discounts, commissions, etc.) related to such transaction financially equivalent. If they meet the relevant conditions, borrowing costs are capitalised in accordance with IAS 23.

Dividends

Dividends are recognised when the shareholders become entitled to receive the payment that normally arises with the related resolution taken by the shareholders. Dividends are recognised as a liability when their distribution is approved by the shareholders, with a balancing entry in equity.

Expenses

Expenses are recognised on an accruals basis, assuming the company's ability to continue as a going concern.

Earnings per share

Basic earnings per share are calculated by dividing the profit or loss attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are calculated by adjusting the above profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding to account for the effect of all potential ordinary shares with a dilutive effect.

Use of estimates

IFRS financial reporting requires the formulation of estimates and assumptions affecting the carrying amounts of assets and liabilities and the disclosures on contingent assets and liabilities.

In accordance with Bank of Italy/CONSOB/ISVAP Joint Document no. 2 of 6 February 2009, the estimates are based on the most recent information available to management at the time of preparing these separate financial statements, the reliability of which is, therefore, unprejudiced. Estimates are used, inter alia, to perform impairment tests and recognise the loss allowance, discounting of loans and receivables based on their estimated collection times, contract revenue, amortisation and depreciation, impairment losses on assets, employee benefits, taxes, other accruals and provisions.

Actual results may differ from these estimates. Estimates and assumptions are periodically reviewed and the effects of any changes are recognised in profit or loss when the change is made.

Specifically, taking into account the company's specific sector, which involves payment of an advance when the individual contracts are assigned, contract profits or losses systematically recognised in profit or loss may differ from those originally estimated. Such estimates may be influenced by numerous factors, including the following:

- claims for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed;
- disputes with customers for fines and compensation for damages;
- the long timeframe and engineering and operating complexity of construction contracts in progress;
- the risk profile of certain countries in which the construction contracts are carried out.

Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2019

The EU regulations effective as of 1 January 2019 are summarised below.

Commission Regulation (EU) no. 2017/1986 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Adoption of IFRS 16 - Leases
IFRS 16 has replaced IAS 17 - Leases, IFRIC 4 - Determining whether an arrangement contains a lease, SIC-15 - Operating leases - incentives and SIC-17 - Evaluating the substance of transactions involving the legal form of a lease. It establishes the guidelines for the recognition, measurement, presentation and disclosure of lease contracts and requires that a lessee recognise most of the lease in its financial statements.

The accounting of leases from the lessor's standpoint is substantially unchanged from that provided in IAS 17. Therefore, IFRS 16 does not affect how Astaldi accounts for leases in which it is the lessor.

With respect to the recognition of leases in which Astaldi is the lessee, starting from the last quarter of 2017, the company commenced assessing all contracts that are potentially affected by the new standard. At the same time, management considered it opportune to launch a project for the identification of the potential impact of the adoption of the new standard in terms of updating the currently used systems, processes and procedures.

With respect to the main assumptions made at the date of initial application, Astaldi availed of the following practical expedients:

- (i) recognition of the cumulative effect of the initial application of the new standard as an adjustment to opening equity at 1 January 2019, without restating the comparative figures for the corresponding period (modified retrospective approach);
- (ii) for contracts classified as operating leases under the previous standards, recognition of a right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- (iii) at the date of initial recognition, recognition of lease contracts with a term of less than one year at 1 January 2019 as short-term leases;
- (iv) for leases that were classified as finance leases applying IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application shall be the carrying amount of the lease asset and lease liability immediately before that date measured applying IAS 17.

At initial application of the standard, the company adopted a single lessee accounting model for the recognition and measurement of its leases, except for short-term leases and leases of low-value assets. It recognises a lease liability and a right-of-use asset. Under the full retrospective approach, the company applied IFRS 16 at the date of initial application as if it had already been applied at the commencement date of the existing leases.

The weighted average incremental borrowing cost applied to the lease liabilities presented in the statement of financial position at the date of initial application is provided below for the main countries where the company operates:

Maturity (years)	Italy	Romania	Poland	Sweden	Turkey	USA	Chile
1	13.75%	12.65%	12.69%	10.79%	22.86%	9.28%	14.34%
2	13.75%	15.48%	15.43%	13.59%	24.34%	12.13%	16.93%
3	13.75%	15.47%	15.33%	13.52%	23.58%	11.78%	16.75%
After 3	13.75%	15.85%	15.51%	13.88%	21.62%	12.10%	17.03%

Given Italy's financial situation, the company applied the threshold rates established for similar financial transactions by Bank of Italy in accordance with Law no. 108/96.

With respect to the effect of the application of IFRS 16 to leases classified as operating leases under IAS 17 on the company's net financial debt as per these separate financial statements, lease liabilities increased by €15,395 thousand at the date of initial application.

Commission Regulation (EU) no. 2018/498 of 22 March 2018, published in Official Journal L 82 of 26 March 2018; Amendments to IFRS 9 Financial instruments - Prepayment features with negative compensation

The amendments clarify how financial assets with prepayment features are to be classified under IFRS 9.

Application of these amendments has not had any significant effects on the company's separate financial statements.

Commission Regulation (EU) 2018/1595 of 23 October 2018, published in Official Journal L 265 of 24 October 2018: IFRIC 23 - Uncertainty over income tax treatments

This interpretation, effective for annual periods beginning on or after 1 January 2019, clarifies how to apply the recognition and measurement criteria of IAS 12 when there is uncertainty[1] over income tax treatments. Specifically, it provides that an entity shall recognise a current or deferred tax asset or liability when it is uncertain whether the taxation authority will accept a treatment deemed uncertain.

If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall recognise the income taxes consistently with the tax treatment used or planned to be used in its income tax filings.

If the entity concludes it is not probable that the taxation authority will accept a particular tax treatment, the entity shall reflect the effect of uncertainty in determining the current and deferred tax assets and liabilities by using either of the following methods, depending on which method the entity expects to better predict the resolution of the uncertainty:

a) the most likely amount - the single most likely amount in a range of possible outcomes;

b) the expected value - the sum of the probability-weighted amounts in a range of possible outcomes.

The interpretation establishes that an entity shall reassess a judgement or estimate if the facts and circumstances on which the judgement or estimate was based change or as a result of new information that affects the judgement or estimate. For example, a change in facts and circumstances might change an entity's conclusions about the acceptability of a tax treatment or the entity's estimate of the effect of uncertainty, or both. Adoption of IFRIC 23 has not had any significant effects on the measurement of the separate financial statements captions.

[1] Uncertainties may relate to (i) the calculation of the taxable profit (tax loss), (ii) tax bases, (iii) unused tax losses, (iv) unused tax credits, or (v) tax rates.

Commission Regulation (EU) no. 2019/237 of 8 February 2019, published in Official Journal L 39 of 11 February 2019: Long-term interests in associates and joint ventures (Amendments to IAS 28)

The amendments clarify how the provisions of IFRS 9 on impairment are to be applied to long-term interests in associates and joint ventures.
Adoption of the new amendments, effective from 1 January 2019, has not had any significant effects on the measurement of the separate financial statements captions.

Commission Regulation (EU) no. 2019/402 of 13 March 2019, published in Official Journal L 72 of 14 March 2019: Plan amendment, curtailment or settlement (Amendments to IAS 19)

The amendments, effective for annual periods beginning on or after 1 January 2019, require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

Adoption of the amendments has not had any significant effects on the measurement of the separate financial statements captions.

Commission Regulation (EU) no. 2019/412 of 14 March 2019, published in Official Journal L 73 of 15 March 2019: Annual improvements to IFRS Standards (2015-2017 cycle), which include amendments to IAS 12 - Income taxes, IAS 23 - Borrowing costs, IFRS 3 - Business combinations and IFRS 11 - Joint arrangements

The amendments introduced by the 2015-2017 cycle provide clarifications or formal changes to existing standards:

- IFRS 3 - Business combinations, the amendments clarify that when an entity obtains control of a business that is a joint operation (JO), the provisions of IFRS 3 for step acquisitions are applied. Specifically, as provided for by this standard, at the acquisition date, the entity recalculates its entire investment previously held in the JO at fair value.

- IFRS 11 - Joint arrangements, the amendments clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 - Income taxes, the amendments clarify that the income tax consequences of dividends are directly related to past transactions or events that generated distributable profits. Therefore, these tax effects shall be recognised in profit or loss or other comprehensive income or equity depending on where the entity initially recognises these past transactions or events;

- IAS 23 - Borrowing costs, the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Application of these amendments has not had any significant effects on the company's separate financial statements.

Endorsed standards and interpretations not adopted early by the company

The standards and interpretations endorsed by EU Regulations but not adopted early by the company are summarised below:

Commission Regulation (EU) no. 2019/2075 of 6 December 2019, published in Official Journal L 316 of 6 December 2019: adoption of the amendments to references in the conceptual framework in International Financial Reporting Standards. The objective of the amendments is to update existing

references in several standards and interpretations to previous frameworks with references to the revised conceptual framework.

Specifically, on 29 March 2018, the IASB published the revised Conceptual Framework for Financial Reporting. The main changes of a technical and presentation nature compared to the 2010 version include a new section on measurement, better definitions and guidance in particular on the definition of a liability as well as clarifications about important concepts such as stewardship, prudence and measurement uncertainty.

The company will apply these amendments starting from 1 January 2020.

Commission Regulation (EU) no. 2020/551 of 21 April 2020, published in Official journal L 127 of 22 April 2020: adoption of "Definition of a business (Amendments to IFRS 3)"

The amendments to IFRS 3 - Business combinations are designed to clarify the definition of a business. The company will apply them starting from 1 January 2020.

Notes to the separate financial statements

1 Revenue from contracts with customers: €1,037,943 thousand (€590,597 thousand)

1.1 Revenue: €1,037,943 thousand (€676,524 thousand)

Revenue for 2019 amounts to €1,037,943 thousand, up by €361,419 thousand on the previous year. It may be analysed as follows:

	2019	2018	Variation
Contract revenue	1,023,571	662,393	361,178
Concessions - Commercial services under arrangement	14,372	14,137	235
Change in inventories, buildings and plant under construction	0	(6)	6
Total	**1,037,943**	**676,524**	**361,419**

Contract revenue is that arising from works performed and accepted by customers, including the portion of uncompleted long-term works carried out during the year. This caption showed a net overall increase of €361,178 thousand, mainly due to the rise in production volumes of some contracts in progress chiefly in Italy and Europe.

Concessions – Commercial services under arrangement include the revenue from operation services for the four Tuscan hospitals.

A breakdown of revenue by geographical segment is as follows:

	2019	%	2018	%	Variation
Italy	358,094	34.50%	163,695	24.20%	194,399
Europe	409,099	39.41%	261,801	38.70%	147,298
Americas	256,166	24.68%	248,431	36.72%	7,735
Africa	8,869	0.85%	375	0.06%	8,494
Asia	5,715	0.55%	2,222	0.33%	3,493
Total	**1,037,943**	**100.00%**	**676,524**	**100.00%**	**361,419**

Domestic production benefited from the positive contribution of works on Line 4 of the Milan Metro, the Brenner Base Tunnel and the NATO base in Sigonella, in addition to the commencement of recently acquired railway contracts (the Naples-Cancello and Apice-Hirpinia lots of the high speed Naples–Bari railway line and the Bicocca-Catenanuova railway line).

Compared with the previous year, European production benefited from the greater contribution of contracts in Sweden (Haga Station and Kvarnberget Rock Tunnel) and Romania (Curtici-Simeria railway line) due to their positive performances.

Production in the Americas segment grew slightly thanks to the positive contribution of contract work in progress in Chile (the Chuquicamata mining projects related to Contract CC13 and El Teniente mine).

Note 39 - Segment reporting pursuant to IFRS 8 provides more information about this caption.

1.1.2 Revenue by business segment

The following table shows a breakdown of revenue by business segment (construction and O&M), along with a further breakdown by sub-segment:

	2019	%	2018	%	Variation
Transport infrastructure	839,004	80.83%	421,239	62.27%	417,766
- Railways and metros	*458,768*	*44.20%*	*346,208*	*51.17%*	*112,560*
- Roads and motorways	*253,595*	*24.43%*	*(29,183)*	*-4.31%*	*282,778*
- Ports and airports	*126,641*	*12.20%*	*104,214*	*15.40%*	*22,427*
Hydraulic plants and energy production	5,919	0.57%	5,968	0.88%	(49)
Civil and industrial construction	32,225	3.10%	127,328	18.82%	(95,102)
Mining projects	146,422	14.11%	107,853	15.94%	38,569
Construction	**1,023,571**	**98.62%**	**662,387**	**97.91%**	**361,184**
Operation & maintenance	**14,372**	**1.38%**	**14,137**	**2.09%**	**235**
Operating revenue	**1,037,943**	**100.00%**	**676,524**	**100.00%**	**361,419**

The breakdown of revenue by business segment for 2019 shows a rise in revenue from the construction segment mainly thanks to the increase in (i) the transport infrastructure sub-segment (due to higher volumes recorded in railway contracts in Romania and Italy), and (ii) the industrial plants sub-segment (due to the positive contribution of the plants built for Chuquicamata Contract CC13 and plant engineering works on Line 5 of the Bucharest Metro). These increases were partially offset by lower revenue from the civil and industrial construction sub-segment.

Transport infrastructure
Revenue from the transport infrastructure sub-segment amounts to €839,004 thousand, up €417,766 thousand on 2018 (€421,239 thousand). This increase was principally due to higher volumes from its sub-segments: (i) **railways and metros**, mainly deriving from railway contracts in Romania (lots 2A, 2B and 3 of the Curtici-Simeria railway line) and the contribution of the high speed Naples-Bari and Palermo-Catania railway lines, the construction of Line 4 of the Milan Metro and the Brenner Base Railway Tunnel in Italy; and (ii) **roads and motorways**, chiefly attributable to works on the Braila Bridge over the Danube. This sub-segment had been impacted in 2018 by the one-off negative effects of the partial recognition of variable consideration following the final accounting of the works on the Third Bosphorus Bridge in Turkey.

Hydraulic plants and energy production
Revenue from the hydraulic plants and energy production sub-segment amounts to €5,919 thousand in 2019, down €49 thousand on 2018 (€5,968 thousand). The main contributor to this item was the construction of waste-to-energy plants in Poland.

Civil and industrial construction
Revenue from the civil and industrial construction sub-segment amounts to €32,225 thousand in 2019, down €95,102 thousand on 2018 (€127,328 thousand), above all due to the termination of activities on the West Metropolitan Hospital in Santiago de Chile.

Industrial plants[12]

Revenue from the industrial plants sub-segment amounts to €146,422 thousand in 2019, up €38,569 thousand on 2018 (€107,853 thousand), mainly due to the relaunch of contracts for mining projects in Chile (Chuquicamata Mine) and higher production volumes in Romania (plant engineering on Line 5 of the Bucharest Metro).

Operation & maintenance

Revenue from the operation & maintenance segment amounts to €14,372 thousand in 2019, up €235 thousand on 2018 (€14,137 thousand). It was mostly earned in the healthcare sector (the four Tuscan Hospitals in Italy).

Finally, like the other sector operators, the company complies with its performance obligations over time by mainly developing contract projects for complex activities that are part of the design, construction and operation of public infrastructure and large civil engineering works.
At 31 December 2019, the combined amount of contractual consideration of construction contracts in progress allocated to performance obligations not yet satisfied is €5.2 billion (of which €1.2 billion after 2022). The company will recognise these amounts in revenue of future years in line with available forecasts.

1.2 Fines for contract terminations: €0 (-€85,927 thousand)

Fines for contract terminations of -€85,927 thousand in 2018 (nil balance in 2019) related to estimated probable liabilities for the reimbursement to customers of the greater costs and damage incurred due to the termination (that has already taken place or is expected to take place) of certain contracts in Europe and Central and South America. Reference should be made to the notes to the separate financial statements at 31 December 2018 for more information.

2 Other operating revenue: €86,960 thousand (€81,748 thousand)

Other revenue of €86,960 thousand includes items not directly related to the company’s core business but accessory thereto.

	2019	2018	Variation
Revenue from the sale of goods	1,040	1,942	(902)
Services - third parties	41,690	53,957	(12,267)
Services - management of joint projects	671	559	112
Leases and rent	2,325	2,112	213
Gains on sales	4,800	815	3,985
Other	36,434	22,363	14,071
Total	**86,960**	**81,748**	**5,212**

The decrease in services - third parties is mainly due to lower revenue recognised in Turkey during the year. Indeed, in 2018, this segment had benefited from the performance of certain activities ancillary to the construction of works on behalf of suppliers and subcontractors as part of the Etlik Integrated Health Campus. contract.

“Other” mainly includes *(i)* prior year income related to the updating of prior years’ estimates (€32,005 thousand), and *(ii)* compensation from third parties (insurance companies and sub-contractors) for higher costs incurred by the company in previous years for the performance of contracts in the construction segment in Italy and Poland (€1,992 thousand).

[12] Also includes revenue from mining projects.

3 Purchase costs: €173,081 thousand (€240,852 thousand)

Purchases of and changes in raw materials and consumables amount to €173,081 thousand for the year, a decrease of €67,771 thousand on the previous year.

	2019	2018	Variation
Purchase costs	172,411	243,554	(71,143)
Change in raw materials, consumables and supplies	670	(2,702)	3,372
Total	**173,081**	**240,852**	**(67,771)**

The following table shows a breakdown of purchase costs by geographical segment:

	2019	%	2018	%	Variation
Italy	51,332	29.66%	53,967	22.41%	(2,635)
Europe	86,426	49.93%	134,674	55.92%	(48,248)
Americas	33,098	19.12%	49,342	20.49%	(16,244)
Africa	510	0.29%	2,387	0.99%	(1,877)
Asia	1,715	0.99%	482	0.20%	1,233
Total	**173,081**	**100.00%**	**240,852**	**100.00%**	**(67,771)**

The lower purchase costs incurred abroad is mainly due to some projects that the company exited after the contracts had been terminated (i.e., Dęblin–Lublin Railway Line no. 7 in Poland and the Felix Bulnes Hospital in Chile) or the temporary reduction of industrial activities due to the review of the relevant projects (the Etlik Integrated Health Campus in Turkey).

4 Service costs: €688,176 thousand (€910,069 thousand)

Service costs decreased by €221,893 thousand to €688,176 thousand in 2019. They may be analysed as follows:

	2019	2018	Variation
Consortium costs	168,968	144,800	24,168
Subcontracts and other services	374,920	578,304	(203,384)
Technical, administrative and legal consultancy	85,481	108,212	(22,731)
Directors' and statutory auditors' fees	2,408	2,656	(248)
Utilities	4,710	6,332	(1,622)
Business trips and travel	2,255	3,703	(1,448)
Insurance	12,012	11,673	339
Leases and other costs	19,750	35,642	(15,892)
Lease and building management costs	7,206	8,392	(1,186)
Maintenance on third party assets	193	343	(150)
Other	10,273	10,012	261
Total	**688,176**	**910,069**	**(221,893)**

Technical, administrative and legal consultancy costs include a one-off component, with a resulting impact on gross operating profit, for the advisory services provided for the composition with creditors procedure, including legal costs, amounting to €30,644 thousand.

The consortium costs incurred to carry out contracts with other construction companies increased by €24,168 thousand on the previous year. The rise is mainly due to higher costs incurred to construct the Brenner Base Tunnel (Lot "Mules 2-3").

Subcontracts and other services fell by -€203,384 thousand over the previous year and are broken down as follows by geographical segment:

	2019	%	2018	%	Variation
Italy	68,058	18.15%	93,609	16.19%	(25,551)
Europe	218,675	58.33%	339,763	58.75%	(121,088)
Americas	83,347	22.23%	138,965	24.03%	(55,618)
Africa	1,826	0.49%	4,880	0.84%	(3,054)
Asia	3,014	0.80%	1,087	0.19%	1,927
Total	**374,920**	**100.00%**	**578,304**	**100.00%**	**(203,384)**

The decrease in Italy is chiefly attributable to: *(i)* the slowdown of construction works on maxi lot 2 of the Quadrilatero Marche-Umbria road system and the container terminal at Taranto Port, and *(ii)* the termination of activities on the Nieddu Dam.

The decrease in Europe is related to (i) the temporary slowdown of industrial activities on the Etlik Integrated Health Campus in Turkey due to negotiations underway to redefine certain contractual terms of the project, in addition to (ii) lower production volumes in Poland (Dęblin–Lublin Railway Line no. 7 and Line II of the Warsaw Metro). These effects were partially offset by the larger contribution for the year of the railway contracts in Romania and road works in Sweden.

In the Americas, there was a lower use of sub-contractors on mining projects in Chile (the Chuquicamata Mine). Following the contract terminations in the last quarter of 2018, the company defined new contracts with the customer CODELCO with a fully revised format regarding the scope of work and the times and amounts involved.

5 Personnel expenses: €226,935 thousand (€280,433 thousand)

This caption may be analysed as follows:

	2019	2018	Variation
Wages and salaries	174,927	213,651	(38,724)
Social security contributions	22,947	25,052	(2,105)
Other costs	28,270	41,187	(12,917)
Other post-employment benefits	777	543	234
Cost of share-based payments	14	0	14
Total	**226,935**	**280,433**	**(53,498)**

In addition to the overall slowdown in production activities, the decrease in 2019 compared to 2018 is also due to the actions taken by the company to adapt its organisational structure to its new operating situation following the composition with creditors procedure. Moreover, this was one of the key requirements underpinning the composition with creditors plan approved in 2019.

Other personnel expenses mainly comprise costs incurred for bed and board and the transfer of personnel.

	2019	%	2018	%	Variation
Italy	65,787	28.99%	75,091	26.78%	(9,304)
Europe	48,640	21.43%	64,496	23.00%	(15,856)
Americas	109,079	48.07%	133,963	47.77%	(24,884)
Africa	2,431	1.07%	6,206	2.21%	(3,775)
Asia	998	0.44%	677	0.24%	321
Total	**226,935**	**100.00%**	**280,433**	**100.00%**	**(53,498)**

The table above shows an overall drop in personnel expenses due to the actions taken by the company to boost efficiency and, more generally, the review of the order backlog following the commencement of the composition with creditors procedure.

5.1 Average number of employees

The average number of employees by category is as follows:

	2019	2018	Variation
Managers	144	204	(60)
Junior managers	137	181	(44)
White collars	1,887	2,736	(849)
Blue collars	3,642	5,407	(1,765
Average number of employees	**5,810**	**8,528**	**(2,718)**

The average number of employees was 5,810 in 2019. On a combined basis, the workforce decreased by roughly 32% compared to the previous year and most employees continued to be based outside Italy, as a result of the significant revenue generated abroad and a larger number of contracts requiring the direct involvement of Astaldi employees.

5.2 Senior management incentive plans

There are no incentive plans in place in 2019 and, therefore, no related costs are recognised in these separate financial statements.

The previous incentive plan, as per the 2016-2018 stock grant plan approved by the shareholders on 20 April 2016, and the success fee/MBO plan were both suspended by the board of directors' resolution of 12 November 2018 in light of the ongoing worsening of the company's financial difficulties.

Specifically, the board resolved to:

- suspend the assignment of stock grants under the 2013-2016 incentive plan;
- suspend the assignment of stock grants under the 2016-2018 incentive plan;
- suspend the MBO medium-term incentive plan for the chairman, tied to the task of implementing the disposal plan for certain assets under concession.

6 Other operating costs: €16,638 thousand (€59,282 thousand)

The other operating costs decreased by €42,644 thousand to €16,638 thousand. They are made up as follows:

	2019	2018	Variation
Prior year expense and fair value losses	3,126	7,035	(3,909)
Taxes and duties	2,434	6,874	(4,440)
Other administrative and sundry costs	11,078	45,373	(34,295)
Total	**16,638**	**59,282**	**(42,644)**

Other administrative and sundry costs mainly include: *(i)* the losses realised on the sale of plant and equipment, mostly as part of contracts that are no longer active (€3,950 thousand); and *(ii)* ordinary administration costs (stationery, photocopies, visas, etc.) (€2,902 thousand). The decrease is chiefly due to one-off costs incurred for fines for non-payment (ascribable to the commencement of the composition with creditors procedure) of the company's taxes in Italy (€9,875 thousand) and impairment losses on certain credit-impaired exposures in Italy (€16,866 thousand).

The decrease in taxes and duties (principally due to government concession fees and customs duties) is mostly attributable to contracts in Turkey which are nearing completion.

7 Share of profits (losses) from subsidiaries, joint ventures and associates: €30,805 thousand (-€58,647 thousand)

This caption may be analysed as follows:

	2019	2018	Variation
Subsidiaries	(6,541)	(113,741)	107,200
Associates	38,057	48,504	(10,447)
Joint ventures	(711)	5,423	(6,134)
Total	**30,805**	**(58,647)**	**90,620**

Specifically, the 2019 balance (€30,805 thousand) mostly relates to the profit recognised by Otoyol Yatirim Ve Isletme A.S. (the Gebze-Orhangazi-Izmir Motorway in Turkey, €40,174 thousand), partially offset by losses recorded during the year by the subsidiaries Astaldi Concessioni S.p.A. (-€4,500 thousand) and Astur Construction and Trade A.S. (€3,237 thousand). The variation on the previous year is mainly due to the one-off effects of the company's financial difficulties in 2018 which led to the termination of some contracts[13] related to the subsidiaries Astaldi Canada Inc, Astaldi Construction Corporation and NBI S.p.A.. In addition, the concessions segment saw the termination of the La Punilla multi-purpose dam contract.

For more information on the individual components of this item for 2019, reference should be made to Annex 3 "Information on changes in equity investments".

8 Amortisation, depreciation and impairment losses: €39,298 thousand (€182,011 thousand)

Amortisation, depreciation and impairment losses decreased by €142,713 thousand to €39,298 thousand. They may be analysed as follows:

	2019	2018	Variation
Amortisation	6,556	6,480	76
Depreciation	12,422	20,205	(7,783)
Depreciation of right-of-use assets	25,151	0	25,151
Other impairment losses on non-current assets	(6,484)	114,554	(121,038)
Impairment losses on loans and receivables	1,653	40,772	(39,119)
Total amortisation, depreciation and impairment losses	**39,298**	**182,011**	**(142,713)**

Amortisation is substantially in line with 2018 and mainly refers to the contractual rights acquired to develop works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€1,177 thousand) and the Infraflegrea project[14] (€4,009 thousand).

The €7,783 thousand decrease in depreciation is mainly due to the completion of the Warsaw Metro contract.

Depreciation of right-of-use assets, which showed a nil balance in 2018, comprises depreciation of leased

[13] Reference should be made to the notes to the separate financial statements at 31 December 2018 for more information.

[14] Cumana railway and the Monte Sant'Angelo railway connector in Naples.

assets as per the new standard IFRS 16. It mainly refers to (i) core assets (plant, machinery and equipment) used to develop projects in progress in Italy and Chile, as well as (ii) buildings that will house the local offices of foreign branches.

Other impairment losses on non-current assets refer to: (i) investments in the SPE Ankara Etlik Hastane A.S. (€1,080 thousand) and Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu (€3,147 thousand); and (ii) contractual rights for the Cumana railway (€2,478 thousand) following the outcome of the impairment test[15].

In 2018, this caption included the one-off effect of the impairment loss on the investment held in the Third Bosphorus Bridge operator (€105,599 thousand).

The decrease in impairment losses is mostly due to the one-off effects in 2018 chiefly related to the Venezuelan financial assets and the shareholder loan granted to the Third Bosphorus Bridge operator in Turkey.

Likewise, other impairment losses on non-current assets were impacted in 2018 by the impairment loss recognised on the company's investment in the Third Bosphorus Bridge operator.

9 Provisions: €21 thousand (€309,678 thousand)

This caption may be analysed as follows:

	2019	2018	Variation
Accruals to the provision for onerous contracts	21	114,290	(114,269)
Accruals to the provision for equity investments	0	178,808	(178,808)
Accruals to the provision for legal disputes	0	16,580	(16,580)
Total	**21**	**309,678**	**(309,658)**

The considerable decrease in 2019 is due to the one-off effects in 2018 mostly related to the commencement of the composition with creditors procedure. Reference should be made to the notes to the separate financial statements at 31 December 2018 for more information.

10 Financial income: €65,745 thousand (€120,465 thousand)

This caption may be analysed as follows:

	2019	2018	Variation
Income from other investees	(220)	0	(220)
Income from financial transactions with banks	500	1,812	(1,312)
Commissions on sureties	6,446	14,554	(8,108)
Income on counter-guarantees	0	3,738	(3,738)
Exchange gains	20,515	31,933	(11,418)
Financial income on leases	509	98	411
Fair value gains on derivatives	2,600	3,116	(516)
Fair value gains on the derivative embedded in convertible bonds	0	95	(95)
Other financial income	35,395	65,119	(29,724)
Total	**65,745**	**120,465**	**(54,720)**

Other financial income mainly includes: *(i)* accrued interest on amounts due from customers for contracts in progress in Italy and abroad (€8,482 thousand), *(ii)* interest on loans granted to investees (€24,582 thousand), and *(iii)* fair value gains on subordinated loans (€2,125 thousand). The decrease on the previous year is principally due to:

[15] Reference should be made to notes 17, 18 and 27 for more information.

- the change in the fair value of subordinated loans, especially the semi-equity loan granted to the Third Bosphorus Bridge operator;
- interest recognised in 2018 following the definitive recognition of amounts due for previous railway contracts in Romania (Railway section 2, 3/4, Lot 2).

There was also a decrease in commissions on sureties (€8,108 thousand) which the company charges for specific counter-guarantees given on behalf of investees. In particular, in 2018, this caption had benefited from the commissions on contractually provided-for performance bonds and advance payment bonds charged to the SPEs that are performing the Moscow-St. Petersburg M-11 Motorway contract and the Muskrat Falls hydroelectric project in Canada.

The decrease in exchange gains is mainly due to fluctuations of the Turkish lira.

11 Financial expense: €97,569 thousand (€260,578 thousand)

This caption may be analysed as follows:

	2019	2018	Variation
Interest on bonds	11,308	57,507	(46,199)
Commissions on sureties	24,459	33,393	(8,934)
Expense on financial transactions with banks	4,518	57,640	(53,122)
Exchange losses	24,963	50,039	(25,076)
Fair value losses on derivatives	4,180	14,630	(10,450)
Financial expense on leases	3,038	1,089	1,949
Interest on payment extensions for trade payables	9,326	15,409	(6,083)
Non-recourse factoring of receivables	280	353	(73)
Interest on intragroup financing	2,157	5,257	(3,100)
Other financial expense	13,340	25,261	(11,921)
Total	**97,569**	**260,578**	**(163,009)**

There was smaller interest on bonds and smaller bank fees and charges due to the lack of borrowing costs on unsecured borrowings given commencement of the composition with creditors procedure. Indeed, the Bankruptcy Law provides that loans and borrowings do not accrue interest from the date of presentation of the related application as per article 161 of the Bankruptcy Law. As a result, the financial expense recognised in 2019 was mostly incurred on the interim financing, the use of which was specifically authorised by the Rome Court in accordance with article 182-quinquies of the Bankruptcy Law. More information is provided in the note to financial liabilities.

Commissions on sureties decreased by €8,934 thousand due to the reduction of operating activities in certain foreign areas (specifically, Poland, Algeria and Canada) as a result of the reorganisation of the order backlog following the commencement of the composition with creditors procedure.

Fair value losses on derivatives fell due to the one-off effects of events in 2018 when, as per the provisions of the Bankruptcy Law, interest no longer accrued on unsecured loans and borrowings and, therefore, there was no longer an economic relationship between the hedged loan and the hedging instrument. Accordingly, the company reclassified the related amounts accumulated in the hedging reserve to profit or loss when it filed the application as per article 161 of the Bankruptcy Law.

The decrease in exchange losses (€25,076 thousand) is mainly due to fluctuations of the Turkish lira.

Other financial expense mainly refers to items recognised in 2018 in relation to commissions on loans and other credit facilities charged by banks and other financial institutions (€10,292 thousand).

12 Income taxes: €26,837 thousand (-€89,307 thousand)

Income taxes may be broken down as follows:

	2019	2018	Variation
Current income taxes (*)	25,496	21,894	3,602
Deferred income taxes (*)	(5,698)	(142,076)	136,378
IRAP, current	160	51	109
IRAP, deferred	(3,820)	(4,046)	(226)
Prior year and other taxes	10,699	34,870	(24,171)
Total	**26,837**	**(89,307)**	**116,144**

Deferred tax assets and liabilities amounting to €271,706 thousand and €52,994 thousand, respectively, are broken down as follows:

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
Statement of financial position	***IRES***	***IRAP***	***IRES***	***IRAP***
a) Deferred tax assets, deriving from:	**277,067**	**3,820**	**270,158**	**4,046**
- provisions for risks, taxed and costs deductible in following years	24,777		26,168	4,046
- provision for taxed default interest risks	(953)		1	0
- exchange differences	13,722		14,922	0
- tax losses	102,412		91,419	0
- IFRS 9 and IFRS 15	23,143		23,577	0
- interest expense as per art. 96 and other minor	113,316		113,388	0
- other minor	651		683	
b) Deferred tax liabilities, deriving from:	**(62,175)**		**(64,792)**	**0**
- buildings recognised at fair value as deemed cost	(3,807)		(3,807)	0
- taxable portion of dividends	(62)		(62)	0
- default interest to be received	(5,998)		(5,998)	0
- foreign components taxable in following years	(52,732)		(55,350)	0
- other + hedging reserve	424		424	0
c) Deferred tax assets, net (a + b)	**214,892**	**3,820**	**205,366**	**4,046**
d) Deferred taxes for the year taken to profit or loss	**(5,698)**	**(3,820)**	**(142,076)**	**(4,046)**

The recoverability of the deferred tax assets recognised in the separate financial statements is reliably attributable to the forecasts implicit in and deriving from the plan underpinning the composition with creditors procedure.

The following is a reconciliation, solely for IRES purposes, between the actual tax (current and deferred) and theoretical tax resulting from the application of tax rates ruling in Italy (equal to 24%) to pre-tax profit (loss):

	2019	%	2018	%
Pre-tax profit	**26,076**		1,960,421	
Theoretical tax	(6,258)	24.00%	(470,501)	24.00%
Net effect of permanent increases (decreases)	(12,004)	46.03%	150,992	(7.70%)
Net effect of deferred and current taxes of foreign operations and other adjustments	34,857	(133.68%)	226,121	(11.53%)
Prior year and other taxes	9,855	(41.03%)	4,785	(0.24%)
IRAP (current and deferred)	386	(1.48%)	(703)	0.04%
Taxes recognised in the separate financial statements (current and deferred)	**26,837**	**(106.16%)**	(89,307)	4.56%

13 Loss from discontinued operations: €6,531 thousand (€458,954 thousand)

As already described in the “Preliminary considerations about the comparability of figures” section of these notes and in line with the guidelines of the business plan, the company has classified revenue and costs attributable to discontinued operations in this caption.

The following table shows a breakdown of the revenue and costs of discontinued operations:

	2019	2018	Variation
Revenue from sales and services	120,719	45,427	75,292
Other revenue	32,091	23,531	8,560
Interest income	127	1,741	(1,614)
Other financial income	17,653	15,286	2,367
Total	**170,590**	**85,985**	**84,605**

	2019	2018	Variation
Operating costs	122,388	147,043	(24,655)
Personnel expenses	30,515	48,565	(18,050)
Commissions and other financial expense	13,809	33,828	(20,019)
Interest on loans	2,296	4,349	(2,053)
Provisions and impairment losses	4,662	269,837	(265,175)
Other sundry operating costs	2,605	34,129	(31,524)
Income taxes of discontinued operations	844	7,188	(6,344)
Total	**177,119**	**544,939**	**(367,820)**

Revenue from sales and services: €120,719 thousand (€22,371 thousand)

Revenue from sales and services mainly refers to Russia (€112,851 thousand), specifically the Moscow-St. Petersburg M-11 Motorway contract. Revenue and costs related to Russia were classified under discontinued operations as a result of the agreement signed on 20 June 2019 with the company’s partner ICTAS as part of the company’s exit from the country and the simultaneous sale of its investment in the Third Bosphorus Bridge operator in Turkey. This transaction was finalised in March 2020 following the Rome Court’s authorisation on 21 November 2019.

Operating costs: €122,388 thousand (€147,043 thousand)

Operating costs mostly related to Russia (€107,023 thousand) and, specifically, service costs (mainly sub-contracts) and costs to purchase raw materials.

Provisions and impairment losses: €4,662 thousand (€269,837 thousand)

This caption, which has an immaterial balance in 2019, included (i) impairment losses on Venezuelan financial assets (€151 million); (ii) the accrual to the provision for equity investments related to the Russian joint venture Ic Içtaş Astaldi Ica Inşaat A.S. (€51 million); and (iii) the accrual to the provision for onerous contracts related to the Moscow-St. Petersburg M-11 Motorway contract (€17.7 million) in the previous year.

In accordance with IFRS 5 - Non-current assets held for sale and discontinued operations, the company reclassified the above-mentioned revenue and costs for 2018 to discontinued operations.

14 Loss per share: -€0.55 (-€19.19)

The basic loss per share is calculated as follows:

		2019	2018
Numerator (€'000)			
Loss from continuing operations attributable to the ordinary shareholders of the company	**(a)**	(47,227)	(1,419,348)
Loss attributable to the ordinary shareholders of the company	**(b)**	(53,757)	(1,878,302)
Denominator (in units)			
Weighted average shares (ordinary)		98,424,900	98,424,900
Weighted average treasury shares		(551,834)	(551,834)
Weighted average shares used to calculate basic loss per share	**(c)**	**97,873,066**	**97,873,066**
Basic loss per share - (€)	**(b)/(c)**	**(0.55)**	**(19.19)**
Basic loss per share from continuing operations - (€)	**(a)/(c)**	**(0.48)**	**(14.50)**

At the date of preparation of these separate financial statements, a potential increase in the number of outstanding ordinary shares compared to the financial instruments issued by the company would not have a dilutive effect.

15 Property, plant and equipment: €71,984 thousand (€137,443 thousand)

The following table shows the opening and closing balances and variations of the year:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machinery	Assets under const. and payments on account	Total
Balance at 31 December 2018, net of depreciation (1)	30,676	57,829	21,049	21,985	5,904	137,443
Additions from acquisitions	43	430	802	923	0	2,198
Gross amount	**30,719**	**58,259**	**21,851**	**22,908**	**5,904**	**139,641**
Depreciation	(1,073)	(5,455)	(1,807)	(4,079)	0	(12,414)
Disposals	0	(11,288)	(1,015)	(1,433)	0	(13,736)
Reclassifications and transfers	(96)	(22,682)	(13,093)	(1,297)	(3,921)	(41,089)
Net exchange losses	(2)	(319)	(61)	(34)	(3)	(419)
Change in consolidation scope and other changes	0	0	0	0	0	0
Balance at 31 December 2019, net of depreciation (2)	**29,548**	**18,516**	**5,875**	**16,065**	**1,980**	**71,984**
(1) of which:						
Historical cost	45,391	145,928	87,272	71,802	5,904	356,297
Acc. depreciation	(14,715)	(88,099)	(66,223)	(49,824)	0	(218,862)
Carrying amount	**30,676**	**57,829**	**21,049**	**21,985**	**5,904**	**137,443**
(2) of which:						
Historical cost	45,345	64,208	42,607	57,957	1,980	212,088
Acc. depreciation	(15,798)	(45,692)	(36,733)	(41,892)	0	(140,115)
Carrying amount	**29,548**	**18,516**	**5,874**	**16,065**	**1,980**	**71,976**

The more significant changes relate to:

- additions from acquisitions, totalling €2,198 thousand, principally relating to investments made for recently acquired projects in Italy (high speed/high capacity Bicocca-Catenanuova railway line);
- depreciation for the year of €12,414 thousand;
- disposals of €13,736 thousand principally relating to the assets of contracts nearing completion in Poland and Turkey;
- reclassifications and transfers mainly regarding (i) assets under finance lease (€30.7 million at 31 December 2018) included under right-of-use assets at 31 December 2019, and (ii) core assets related to Honduras and Russia (€15.6 million at 31 December 2018) classified as discontinued operations at 31 December 2019 as detailed in note 27.

16 Right-of-use assets: €29,589 thousand (€0)

Right-of-use assets, which showed a nil balance at 31 December 2018, comprise leased assets as per the new standard IFRS 16. The caption mainly refers to (i) core assets (plant, machinery and equipment) used to develop projects in progress in Italy and Chile, as well as (ii) buildings that will house the local offices of foreign branches.

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/2019
Historical cost	4,688	22,543	32,168	2,721	62,119
Acc. Depreciation	(2,397)	(9,499)	(19,408)	(1,226)	(32,530)
Total	**2,291**	**13,044**	**12,759**	**1,495**	**29,589**

17 Investment property: €127 thousand (€135 thousand)

Investment property of €127 thousand includes buildings and land held for investment purposes. Though basically unchanged on the previous year end, the decrease is due to ordinary depreciation (€8 thousand). The caption is not measured at fair value as the indicators are not wholly reliable and the investment is immaterial.

18 Intangible assets: €37,231 thousand (€41,243 thousand)

The following table shows changes in this caption:

	31/12/2018	Amortisation	Impairment gains under profit or loss	Changes in consolidation scope and other changes	31/12/2019
Historical cost	77,436	0	2,478	(515)	**79,399**
Acc. Amortisation	(36,193)	(6,556)	0	580	**(42,169)**
Carrying amount	**41,243**	**(6,556)**	**2,478**	**65**	**37,231**

At 31 December 2019, the caption mainly comprises contractual rights acquired from third parties to perform works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€10,981 thousand) and the Infraflegrea project (€23,579 thousand).

The decrease is mainly due to (i) impairment gains on contractual rights for the Infraflegrea project (€2,478 thousand), and (ii) ordinary amortisation (€6,556 thousand).

Finally, taking into account the indicators of impairment[16] on the contractual rights for maxi lot 2 of the Quadrilatero Marche-Umbria road system and the Infraflegrea project, management prudently tested the related investments for impairment.

Specifically, the company estimated value in use by discounting the operating cash flows (using the UDCF method) calculated on the basis of the projections based on reasonable and sustainable assumptions reflecting company management’s best estimates. The cash flows of each year have been suitably discounted (mid-year convention) at a WACC rate of 8.05%.

Impairment test results

Quadrilatero Marche-Umbria road system

The impairment test did not show the need to recognise an impairment loss on these intangible assets. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would confirm the recoverability of investments. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would not affect their recoverability.

Infraflegrea project

As is its usual practice, the company performed a separate impairment test on the recoverability of investments in the Cumana Railway and Monte Sant’Angelo contracts. To this end, though these contracts are part of the Infraflegrea project, they are two separate cash-generating units which are separately monitored for management reporting purposes.

The impairment test on the contractual rights for the **Monte Sant’Angelo** contract confirmed the full recoverability of the investment. Accordingly, the company recognised an impairment gain to cancel out the impairment loss recognised in 2018 (€2,478 thousand).

Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would confirm the recoverability of investments. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would not affect their recoverability.

The impairment test on the contractual rights for the **Cumana Railway** did not identify the need to recognise an impairment loss on these intangible assets. The sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would confirm the recoverability of the investments. Similarly, an assumed decrease of 10% in the annual gross operating profit on a linear basis in all years covered by the plan would not affect their recoverability.

Finally, the caption does not include leased assets.

[16] Internal information about delays in the performance of works and the financial performance of the contract.

19 Equity investments: €537,653 thousand (€517,591 thousand)

Equity investments net of impairment losses amount to €537,653 thousand, up €20,062 thousand on 31 December 2018.

	31/12/2019	31/12/2018	Variation
Equity-accounted investments	513,164	502,056	(89,372)
Impairment losses on equity investments	0	(1,080)	1,080
Non-controlling interests	24,489	16,615	108,354
Total	**537,653**	**517,591**	**20,062**

The increase is chiefly due to:

- the equity loans granted to SPV Linea M4 S.p.A. (€3,643 thousand);
- the equity contributions made to Astaldi Concessioni S.p.A. (€10,814 thousand) ascribable to the enforcement of certain guarantees (equity contribution and other financial guarantees) issued by the company on behalf of the investee and the relevant subsidiaries;
- the sale of shares held in Otoyol Yatirim Ve Isletme AS (approximately 0.72% of the SPE's share capital) to the company's Turkish partner Gocay (€14,093 thousand).

The carrying amounts of the equity investments are shown net of the capital proceeds to be paid in for shares and/or quotas subscribed, like at 31 December 2018.

For more information on changes in equity investments, reference should be made to the annex "Information on changes in equity investments".

19.1 Impairment testing

Given the existence of indicators of impairment, the company tested the carrying amount of the following equity investments for impairment:

Company name	Project	Indicators of impairment	Contract stage	Investment %	Ke[17]	Valuation method
Otoyol Yatirim Ve Isletme A.S.	Gebze-Orhangazi-Izmir Motorway	External sources[18]	Construction	18.14%	9.86%	DDM
Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS	Etlik Integrated Health Campus	Internal and external sources[19]	Construction	5.00%	11.86%	DDM

With reference, in particular, to the valuation technique applied for impairment testing purposes to the investees listed in the table, the individual recoverable amount of the related investments was calculated using the "Dividend Discount Model" (DDM), whereby each investee's value was calculated by discounting the flows of future dividends expected from their operations. In order to apply this method, the company used the investees' business plans prepared by their relevant bodies, projected over the residual life of the individual concessions.

Impairment test results

[17] Calculated based on market values.

[18] External indicators on the deterioration of the macro-economic situation in Turkey.

[19] Internal information about delays in the scheduled investments and external indicators of (i) the deterioration of the macro-economic situation in Turkey, and (ii) the decrease in cash flows due to the Turkish lira's depreciation.

Otoyol Yatirim Ve Isletme A.S.

The impairment test did not show the need to recognise an impairment loss on the equity investment. Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 10% in the dividend flows on a linear basis in all years covered by the plan would confirm the recoverability of the carrying amount of the investment.

Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS

With regard to this concession project which includes the construction of a healthcare facility that will be one of the largest in Europe, the investee has commenced negotiations with its lenders about the further availability of borrowings that could be affected by the non-compliance with construction progress and ongoing variations. The critical issues mostly relate to the non-compliance with the contractually-established completion date for the construction work, as well as the financial and currency crisis that affected the Turkish lira in August 2018 and commencement of the composition with creditors procedure by Astaldi in September 2018 (Astaldi is a major player in the joint venture set up for this project). The banks' initial decision to block the use of funds led to subsequent defaults for the non-payment of interest during the construction phase. After an initial deadlock, the negotiations with the banks resumed in the mutual interests of all the parties involved (the Ministry for Health, the lenders and the companies). The effects of such disruptions were reflected in the SPEs' reporting packages at 31 December 2019 and, accordingly, in the carrying amount[20] of the relevant investment in these separate financial statements (€4,305 thousand[21]). The investee's financial plan used in preparing the impairment test took into account the expected outcome of the negotiations with the customer and the lenders, given the very advanced state of the negotiations underway which the directors expect to complete very shortly. The impairment test confirmed the full recoverability of the investment. Accordingly, the company recognised an impairment gain to cancel out the impairment loss recognised in 2018 (-€1,080 thousand).
Furthermore, the sensitivity analysis showed that a reasonable change in the financial parameters used to calculate the discount rate (+100 bps) would substantially confirm the headroom. Similarly, an assumed decrease of 10% in the dividend flows on a linear basis in all years covered by the plan would confirm the recoverability of the carrying amount of the investments.

19.2 Non-controlling interests

The company decided to avail of the option as per paragraph 5.7.5 of IFRS 9 - Financial instruments to designate some non-controlling interests (i.e., investments in concession SPEs) as assets at FVTOCI[22], in order to take into account the fact that the valuation of such investments, related to projects developed over a long period of time, can be influenced by external elements[23] - mainly temporary in nature - that do not entail a definitive increase/decrease in equity. Management deemed that recognising these effects in profit or loss would thus impact the proper presentation of the company's income and expense as they only refer to a temporary accounting presentation. The following table provides a summary of the key figures of the main investments recognised at FVTOCI:

Company name	Fair value	Cost	Variation	Investment %	Ke[24]	Valuation method
SPV Linea M4 S.p.A.	21,895	26,962	(5,067)	9.63%	7.69%	DDM

20 Financial assets

[20] Using the equity accounting method.

[21] €6,617 thousand at 31 December 2018 including the impairment loss of €1,080 thousand.

[22] Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

[23] Variations in exchange rates and discount rates.

[24] Calculated based on market values.

20.1 Non-current financial assets: €63,142 thousand (€32,627 thousand)

The following table gives a breakdown of non-current financial assets:

	31/12/2019	31/12/2018	Variation
Non-current loan assets	34,912	19,811	15,101
Other financial assets - investees	18,759	170	18,589
Other financial assets - third parties	1,024	0	1,024
Lease payments receivable	8,461	12,660	(4,199)
Loss allowances	(14)	(14)	0
Total	**63,142**	**32,627**	**30,515**

Non-current loan assets mainly relate to the subordinated loans (semi-equity) granted to the SPEs in the concessions segment.

The amounts granted to the main investees are summarised below:

	31/12/2019	31/12/2018	Variation
Ankara Etlik Hastane A.S.	5,930	4,581	1,349
Metro 5 S.p.A.	1,828	1,728	100
Otoyol Yatirim Ve Isletme A.S.	461	423	38
SA.T. S.p.A.	0	102	(102)
SPV Linea M4 S.p.A.	26,694	12,977	13,717
Total	**34,912**	**19,811**	**15,101**

The changes for the year mainly relate to the following: (i) the additional amounts granted during 2019 to the SPEs Ankara Etlik (€770 thousand) and SPV Linea M4 S.p.A. (€10,621 thousand), in addition to (ii) the change in the fair value of such financial instruments.

Other financial assets - investees increased chiefly due to financing granted to the subsidiaries (i) Astaldi Concessioni S.p.A. in order to provide it with the funding necessary to capitalise the SPEs Ankara Etlik Hastane A.S. and Sociedad Concesionaria Nuevo Pudahuel S.A. (€9,606 thousand), and (ii) Astaldi Canada Enterprises Inc. to support the development of business activities in Canada (€5,566 thousand).

The lease payments receivable relate to the contract with the associate Brennero Tunnel Construction S.c.a.r.l. for the lease of a TBM needed to bore the Brenner Base Tunnel (€8,461 thousand).

For more information on other financial assets - investees, reference should be made to the annex hereto on related party transactions.

20.2 Current financial assets: €386,336 thousand (€321,371 thousand)

Current financial assets increased by €74,133 thousand to €386,336 thousand and are made up as follows:

	31/12/2019	43465	Variation
Current loan assets	407,114	332,982	74,132
Impairment losses on financial assets	(17,098)	(7,932)	(9,166)
Loss allowances	(3,679)	(3,680)	1
Total	**386,336**	321,371	64,965

The rise in current loan assets is mainly related to: (i) the temporary short-term investment of liquidity related to the joint venture for the Apice-Hirpinia section of the high capacity/high speed Naples-Bari railway line (€47.1 million); (ii) the reclassification of lease payments receivable related to the contract with the associate Brennero Tunnel Construction S.c.a.r.l. to current assets (€4.2 million); and (iii) interest accrued on loans progressively granted to the subsidiaries Astaldi Concessioni S.p.A. and Astaldi Canada Inc (totalling roughly

€14 million). Impairment losses on current loan assets refer to credit-impaired exposures with the subsidiaries (i) Seac S.p.a.r.l. in liquidation (€4.5 million) and (ii) NBI S.p.A. (€2.3 thousand), in addition to the impairment loss on the amounts due from Astaldi Canada Inc (€9.3 million).

21 Other assets

21.1 Other non-current assets: €107,692 thousand (€116,543 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Indirect taxes	6,929	16,358	(9,429)
Direct taxes	6,732	24,217	(17,485)
Tax assets	**13,661**	**40,575**	**(26,914)**
Guarantee deposits	35,119	10,546	24,573
Prepaid insurance premiums	3,628	6,372	(2,744)
Prepaid surety commissions	1,187	2,669	(1,482)
Other prepayments	2,041	3,497	(1,456)
Amounts due from social security institutions	25	25	0
Other sundry loans and receivables	52,031	52,859	(828)
Other assets	**94,031**	**75,968**	**18,063**
Total	**107,692**	**116,543**	**(8,851)**

The decrease in direct taxes is mainly due to the utilisation of withholding taxes applied progressively in Turkey to offset certain tax liabilities in the current year (specifically for the Gebze-Orhangazi-Izmir Motorway). Specifically, the local tax regime provides that taxes on long-term contracts shall only be definitively paid after the related contracts have been completed, which is when the customer issues the taking over certificate.

The decrease in indirect tax assets is principally due to the reclassification of tax assets related to Honduras to non-current assets held for sale and the collection[25] of certain credits in Turkey.

Guarantee deposits rose €24,573 thousand on the previous year end due to increases in Chile for Contract C13 and the El Teniente contract in Chuquicamata.

Other sundry loans and receivables include receivables (€34,703 thousand) and contract work in progress (€17,244 thousand) of the Venezuelan railway projects, net of the related loss allowances.

Considering the country’s persisting serious political, economic and social crisis, management prudently recognised a recoverable amount of €52 million[26] for such assets, recording an additional impairment loss of roughly €152 million on their nominal amount (€433.1 million) in 2018.

21.2 Other current assets: €399,397 thousand (€439,083 thousand)

Other current assets decreased by €39,686 thousand to €399,397 thousand.

[25] Offsetting other taxes due.

[26] See the “Impairment of other financial instruments” section for more information on the criteria adopted to calculate the recoverable amount of such financial assets.

	31/12/2019	31/12/2018	Variation
Receivables for the sale of goods and/or services	276,133	265,930	10,203
Advances to suppliers and subcontractors	89,545	142,692	(53,147)
Amounts due from personnel	740	878	(138)
Amounts due from social security institutions	1,225	889	336
Credit notes from suppliers	15,210	14,642	568
Prepaid insurance premiums	6,418	4,749	1,669
Prepaid surety commissions	2,161	3,000	(839)
Other prepayments	958	1,091	(133)
Other sundry loans and receivables	11,833	10,062	1,771
Allowance for contract losses to complete	(4,826)	(4,850)	24
Total	**399,397**	**439,083**	**(39,686)**

Receivables for the sale of goods and/or services of €276,133 thousand mainly relate to:

- activities ancillary to the construction of works (leases of machinery and equipment, sales of goods and provisions of services) provided to suppliers and subcontractors of the construction segment (€104,625 thousand);
- receivables of €171,507 thousand from subsidiaries, associates and joint ventures for (i) industrial, administrative, procurement and engineering services, and *(ii)* commissions for guarantees given by the company to obtain the performance and advance payment bonds required by the individual contracts.

A breakdown of this item by geographical segment is as follows:

	31/12/2019	%	31/12/2018	%	Variation
Italy	165,884	60.07%	137,689	51.78%	28,195
Europe	76,819	27.82%	93,474	35.15%	(16,655)
Americas	26,026	9.43%	27,058	10.17%	(1,032)
Africa	7,031	2.55%	7,520	2.83%	(489)
Asia	373	0.14%	189	0.07%	184
Total	**276,133**	**100.00%**	**265,930**	**100.00%**	**10,203**

Advances to suppliers and subcontractors decreased by €53,147 thousand, especially with regard to Chile. At the date of the commencement of the judicial reorganisation procedure in Chile, amounts due from and to suppliers and subcontractors were offset in accordance with local legislation.

22 Inventories: €32,492 thousand (€37,830 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Raw materials, consumables and supplies	35,155	47,035	(11,880)
Allowance for inventory write-downs	(8,867)	(13,485)	4,618
Finished goods	425	0	425
Goods and materials in transit	5,779	4,280	1,499
Total	**32,492**	**37,830**	**(5,338)**

The next table gives a breakdown of inventories by geographical segment:

	31/12/2019	%	31/12/2018	%	Variation
Italy	3,615	11.13%	4,634	12.25%	(1,019)
Europe	23,193	71.38%	26,229	69.33%	(3,036)
Americas	5,429	16.71%	6,650	17.58%	(1,221)
Africa	255	0.78%	317	0.84%	(62)
Total	**32,492**	**100.00%**	**37,830**	**100.00%**	**(5,338)**

The decrease in inventories is principally due to the reclassification of inventories related to Russia and Honduras to non-current assets held for sale during the year.

The allowance for inventory write-downs relates to some countries in the Americas where the company has decided to discontinue its operations. To calculate the write-downs, the company used the realisable amount of such assets estimated considering (i) the economic situation in such countries, and (ii) its intention to discontinue its operations in such countries.

23 Contract assets: €691,199 thousand (€705,080 thousand) Contract liabilities: €330,097 thousand (€258,674 thousand) Costs capitalised to fulfil a contract €1,335 thousand (€1,592 thousand)

These captions may be analysed as follows:

	31/12/2019	31/12/2018	Variation
CURRENT ASSETS			
Contract work in progress	11,733,872	12,915,571	(1,181,699)
Progress payments	(10,931,711)	(12,138,891)	1,207,180
Fines for contract terminations	(38,774)	(39,484)	709
Amounts due from customers	**763,386**	**737,196**	**26,190**
Contractual advances	(71,353)	(31,261)	(40,092)
Loss allowances	(834)	(855)	21
Contract assets	**691,199**	**705,080**	**(13,881)**
Costs capitalised to fulfil a contract	1,355	1,592	(237)
Total current assets	**692,554**	**706,672**	**(14,118)**
CURRENT LIABILITIES			
Contract work in progress	4,761,858	3,626,778	1,135,080
Progress payments	(4,827,014)	(3,660,142)	(1,166,873)
Contractual advances	(264,941)	(225,311)	(39,631)
Contract liabilities	**(330,097)**	**(258,674)**	**(71,423)**

Net contract work in progress[27], recognised separately under contract assets and contract liabilities, remains more or less unchanged on the previous year end due to: (i) an increase (approximately €49 million) mainly due to the development of industrial activities performed in partnership in Italy (the Brenner Base Tunnel and the high speed/high capacity Bicocca-Catenanuova Railway Line) and Romania (lots 2A, 2B and 3 of the Curtici-Simeria Railway Line), and (ii) a more than proportionate contraction (roughly €55 million) following the reclassification of work in progress in Russia and Honduras to discontinued operations (approximately €15 million) and, for the residual amount, the completion of some contracts in Turkey (the Gebze-Orhangazi-

[27] Contract work in progress less progress payments from customers.

Izmir Motorway) and Poland (Lot A of the S-2 Warsaw Southern Bypass).

Contractual advances rose by roughly €80 million due to the advances received on recently acquired railway contracts in Italy (the Naples-Cancello and Apice-Hirpinia lots of the high capacity/high speed Naples-Bari railway line and the Bicocca-Catenanuova lot of the Palermo-Catania railway line) and Romania (the Braila Bridge over the Danube).

24 Trade receivables: €605,710 thousand (€603,677 thousand)

Trade receivables increased by approximately €2,033 thousand and are made up as follows:

	31/12/2019	31/12/2018	Variation
Customers	456,221	443,868	12,353
Investees	184,439	195,232	(10,793)
Loss allowances	(34,949)	(35,422)	473
Total	**605,710**	**603,677**	**2,033**

The next table gives a breakdown of the caption by geographical segment:

	31/12/2019	%	31/12/2018	%	Variation
Italy	445,152	73.49%	279,388	46.28%	165,764
Europe	133,529	22.05%	272,928	45.21%	(139,399)
Americas	26,328	4.35%	41,425	6.86%	(15,097)
Africa	527	0.09%	9,870	1.64%	(9,343)
Asia	174	0.03%	66	0.01%	108
Total	**605,710**	**100.00%**	**603,677**	**100.00%**	**2,033**

Based on the table above:

- the increase in Italy is chiefly linked to the development of some contracts performed in partnership (Line 4 of the Milan Metro and the Apice-Hirpinia railway contracts);
- the decrease in Europe is mostly attributable to: (i) the collection of amounts due for the Bucharest Constanta railway project in Romania (approximately €71 million plus interest) in 2019 following the arbitration award in the company’s favour; (ii) the temporary slowdown of activities in progress in Turkey on the Etlik Integrated Health Campus; in addition to (iii) the reclassification of amounts due in Russia to non-current assets held for sale;
- the decrease in Africa is related to the considerable slowdown of industrial activities on Algerian railway contracts.

25 Tax assets: €39,005 thousand (€52,305 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Indirect tax assets	35,757	49,033	(13,276)
Direct tax assets	3,446	3,470	(24)
Loss allowances	(198)	(198)	0
Total	**39,005**	**52,305**	**(13,300)**

Indirect tax assets decreased by €13,276 thousand on the previous year end due to their normal use to reduce the current taxes due in relation to the development of projects in Romania and Turkey.

26 Cash and cash equivalents: €241,134 thousand (€145,561 thousand)

This caption increased by €95,573 thousand over 31 December 2018 as follows:

	31/12/2019	31/12/2018	Variation
Bank and post office accounts	240,957	145,301	95,656
Cash-in-hand and cash equivalents	177	260	(83)
Total	**241,134**	**145,561**	**95,573**

A breakdown of this caption by geographical segment is as follows:

	31/12/2019	%	31/12/2018	%	Variation
Italy	127,343	52.81%	48,236	33.14%	79,107
Europe	92,675	38.43%	73,494	50.49%	19,181
Americas	15,291	6.34%	16,944	11.64%	(1,653)
Africa	1,826	0.76%	2,470	1.70%	(644)
Asia	3,999	1.66%	4,417	3.03%	(418)
Total	**241,134**	**100.00%**	**145,561**	**100.00%**	**95,573**

27 Non-current assets held for sale and liabilities directly associated with non-current assets held for sale: €149,726 thousand (€248,247 thousand)

Non-current assets held for sale and liabilities directly associated with non-current assets held for sale may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Property, plant and equipment	8,882	0	8,882
Equity investments measured at cost	64,593	63,024	1,569
Non-current financial assets measured at fair value	194,689	185,224	9,465
Other non-current assets	3,929	0	3,929
Deferred tax assets	31	0	31
Inventories	884	0	884
Contract work in progress	6,659	0	6,659
Trade receivables	33,351	0	33,351
Current equity investments measured at cost	590	0	590
Current financial assets measured at fair value	356	0	356
Tax assets	1,533	0	1,533
Other current assets	29,415	0	29,415
Cash and cash equivalents	762	0	762
Total non-current assets held for sale	**345,674**	**248,247**	**97,427**

	31/12/2019	31/12/2018	Variation
Liabilities directly associated with non-current assets held for sale	(1)	0	(1)
Non-current financial liabilities	(4,485)	0	(4,485)
Employee benefits	(122)	0	(122)
Provisions for risks and charges	(56,893)	0	(56,893)
Deferred tax liabilities	0	0	0
Other non-current liabilities	0	0	0
Progress payments from customers	(9,498)	0	(9,498)
Trade payables	(96,577)	0	(96,577)
Current financial liabilities	(22,555)	0	(22,555)
Other current financial liabilities	(31)	0	(31)
Tax liabilities	(2,408)	0	(2,408)
Other current liabilities	(3,379)	0	(3,379)
Total liabilities directly associated with non-current assets held for sale	**(195,948)**	**0**	**(195,948)**

This caption principally comprises:

- the 20% interest (including the shareholder loan) in the **Third Bosphorus Bridge** SPE Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu amounting to **€259,415 thousand** (31 December 2018: €246,803 thousand).

  With regard to such investment, after launching an extensive invitation to bid in 2017, in August 2018 the company received an initial binding offer from a consortium of Chinese investors (the "Chinese consortium") in 2017 and a subsequent bid in April 2018 for the acquisition of the entire share capital and shareholder loan of the SPE Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu, holder of the concession to operate the "Third Bosphorus Bridge" - "Odayeri-Paşaköy motorway section (Third Bosphorus Bridge included)". As the SPE's majority shareholder Ic Ictas Sanayi ve Ticaret A.Ş ("ICTAS") exercised its call option, Astaldi held further negotiations with ICTAS which led to a binding offer, received on 1 August 2018, for the acquisition of the entire investment (including the shareholder loan). In August 2018, Turkey's political and economic difficulties transmuted into a serious crisis which led, inter alia, to another strong depreciation of the currency and, accordingly, extended the times initially forecast for the sale for reasons not attributable to the company and that could not, moreover, have been foreseen.

  After additional negotiations, the company signed an agreement with ICTAS in June 2019 - authorised by the Rome Court on 21 November 2019 - for the sale of its entire investment in addition to the subordinated loan for a total of USD315 million. Under such agreement, the two parties defined, inter alia, their partnership for the joint venture projects carried out via special purpose entities. The transaction price will be paid in one instalment if ICTAS completes the sale of a majority investment in the operator to the Chinese consortium or, should no agreement be reached with the Chinese consortium, in annual instalments, along with interest, by the fourth quarter of 2023.

  Guarantees for exact and timely payment by ICTAS in the latter case comprise the transfer of the amounts due and falling due from the Third Bosphorus Bridge operator to repay the shareholder loan and the right to receive dividends along with the issue of five promissory notes (to an escrow agent) to be enforced if the payments are not made within the set deadlines.

  As required by IFRS 5, at the date of preparation of these separate financial statements, the investment has been measured at the lower of its carrying amount and fair value less costs to sell. The latter has been measured considering the terms of the agreement. An impairment gain of €3,147 thousand was recognised in 2019 to partially reverse the impairment loss recognised in the previous year in order to reflect the time value effects on the payment terms of the transaction price;
- **the deficit related to Russia (€103,682 thousand)**: in line with the guidelines of the business plan, the company agreed to fully transfer its activities in progress in Russia to its partner ICTAS as part of the agreement dated 20 June 2019. As required by IFRS 5, at the date of preparation of these separate

financial statements, the assets have been measured at the lower of their carrying amount and fair value less costs to sell. The latter has been measured considering the terms of the agreement;

- **the deficit related to Honduras (€5,874 thousand)**: the representatives of the Honduras branch have notified the company that relationships with creditors have rapidly deteriorated, most of all with the country's leading banks. Following the application presented by certain creditors and in accordance with local laws, including criminal laws, the company's representatives presented a formal statement to the local court about the company's assets in the country in the last few months. According to its local legal advisers, due to the inexistence of local insolvency legislation, the tool usually used in Honduras is "fideicomiso" where a third party trusted by both the debtor and creditors is appointed to sell the assets. This type of "voluntary" liquidation - officially proposed by the lending banks - is incompatible with Astaldi's composition with creditors procedure and, therefore, cannot be pursued. As the company could not satisfy the creditors' requests, the latter commenced enforcement actions on the company's assets in Honduras. The judicial authorities appointed an administrator on 25 May 2019 with full powers over the branch's assets (while Astaldi's representatives were denied any powers of disposal), to manage and preserve them, in order to sell the assets to satisfy its creditors. In light of the above and considering that the industrial activities in progress in the country were interrupted upon the appointment of the administrator, management classified the assets and liabilities of the Honduras branch under liabilities directly associated with non-current assets held for sale as such amount will only be recovered when the assets are sold to satisfy the creditors. As required by IFRS 5, at the date of preparation of these separate financial statements, the assets have been measured at the lower of their carrying amount and fair value less costs to sell. The latter has been measured considering the market analyses performed on equivalent assets which did not indicate the need to recognise any impairment losses further to those recognised in 2018.

28 Equity (Deficit): -€1,490,758 thousand (-€1,410,356 thousand)

28.1 Share capital: €196,850 thousand (€196,850 thousand)

The company's subscribed and fully paid-in share capital consists of 98,424,900 ordinary shares with a nominal amount of €2 and a total of €196,850 thousand.

In accordance with article 127-quinquies of Legislative decree no. 58 of 24 February 1998 (the Consolidated Finance Act), the company introduced a loyalty share mechanism allowing more than one voting right per share in 2015. In 2017, in compliance with the applicable legislation and the specific provisions of the company's by-laws, some of FIN. AST. S.r.l.'s and other non-controlling investors' shares became loyalty shares.

At the reporting date, according to the shareholders' register and other related information (which is mandatory by law - article 120 of Legislative decree no. 58/98), the company's shareholders with investments of more than 3% are as follows:

DIRECT SHAREHOLDER	No. of shares	Investment %	Number of voting rights	% of voting rights
Fin.Ast S.r.l.[28]	51,933,462	52.764%	103,761,429	69.054%
FMR LLC	3,931,000	3.994%	3,931,000	2.616%
Total shareholders with a significant investment	**55,864,462**	**56.758%**	**107,692,429**	**71.670%**
Treasury shares	553,834	0.563%	553,834*	0.368%
Market	42,006,604	42.679%	42,006,604	27.962%
Total	**98,424,900**	**100.000%**	**150,252,867**	**100.000%**

*Pursuant to article 2357-ter.3 of the Italian Civil Code, the voting rights attached to treasury shares are suspended.

At the reporting date, outstanding shares number 97,885,066, unchanged compared to 31 December 2018.

[28] Finetupar International S.A. was merged into FIN. AST. S.r.l. on 24 July 2019.

28.2 Other financial instruments giving the right to subscribe newly issued shares

At the date of preparation of separate financial statements, there are no financial instruments giving the right to subscribe newly issued shares. To this end, following the company's presentation of the composition with creditors proposal, the equity-linked bonds of €140 million due in 2024 are included among the overall unsecured liabilities that shall be satisfied within the terms and conditions of such proposal.

28.3 Treasury shares: €3,023 thousand (€3,023 thousand)

The company holds 553,834 treasury shares, equal to 0.563% of its share capital, with a carrying amount of €3,023 thousand at the reporting date.

28.4 Reserves: €1,630,828 thousand (€274,119 thousand)

The following table shows the reserves:

	31/12/2019	31/12/2018	Variation
Legal reserve	34,347	34,347	0
Extraordinary reserve	195,510	195,510	0
Losses carried forward	(1,902,340)	(24,038)	(1,878,302)
Other reserves	162,421	162,421	0
Other comprehensive expense	(153,178)	(110,275)	(42,903)
Deferred tax on other comprehensive expense	32,412	16,155	16,257
Total	**(1,630,828)**	**274,119**	**(1,904,947)**

The most significant changes in the reserves include:

- the carry forward of the 2018 loss;
- the increase in other comprehensive expense (€26,646 thousand net of the related tax), mostly due to the fair value losses recognised in the hedging reserve[29] of the SPE operating the Ankara Etlik Integrated Health Campus in Turkey. The relevant borrowing costs (set at a fixed rate via the hedges) will be offset in future years by profits earned on the project. Therefore, this decrease in equity is just a temporary accounting presentation of the recognition of hedging derivatives at fair value.

Other reserves may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Stock grant reserve	2,407	2,407	0
IFRS FTA reserve	(159,207)	(159,207)	0
Reserve for treasury shares	2,213	2,213	0
Goodwill	11,000	11,000	0
Reserve as per article 6.2 of Legislative decree no. 38/2005	265,291	265,291	0
Reserve as per article 6 of Legislative decree no. 38/2005	43,913	43,913	0
Other	(3,196)	(3,196)	0
Total	**162,421**	**162,421**	**0**

The stock grant reserve includes the value of the shares assigned to employees but not yet delivered, calculated in line with the current regulation and related actuarial appraisals.
The IFRS FTA reserve comprises all the adjustments made in the opening statement of financial position of the first set of financial statements prepared pursuant to the IFRS and the amount recognised after subsequent endorsements of new standards compared to the FTA.
The reserve for trading in treasury shares shows the gains and losses arising from the buyback plan.

[29] Partially recognised via the equity accounting of the investment in the subsidiary Astaldi Concessioni.

Goodwill was recognised following the merger of Italstrade S.p.A., a key player in the construction sector, occurred in subsequent years (2001-2006). It comprises the difference between the carrying amount of the investment and the company's share of the acquiree's net assets.
The reserve as per article 6.2 of Legislative decree no. 38/2005 and the reserve as per article 6.3 of Legislative decree no. 38/2005 comprise the effects of the application of revised IAS 27 (2015).
The company exercised the option provided for by such standard to use the equity method to account for investments in subsidiaries, associates and joint ventures. The adoption of such standard affected the company's ability to distribute profits and reserves. Specifically, under article 6 of Legislative decree no. 38/2005, an entity cannot distribute profits for the year to the extent of the post-tax gains recognised in profit or loss arising from equity accounting. Therefore, such gains are allocated to a specific unavailable reserve (reserve as per article 6.2 of Legislative decree no. 38/2005). Such unavailable reserve is reduced over time by realised gains or impairment losses (reserve as per article 6.3 of Legislative decree no. 38/2005).
The reserve as per article 6.3 of Legislative decree no. 38/2005 comprises the realised gains or impairment losses (reserve as per article 6.3 of Legislative decree no. 38/2005).
The caption "Other" includes small items related to the measurement of investments in certain companies using the equity method

28.5 Availability of the reserves as per article 2427.7-bis of the Italian Civil Code

The following table breaks down the availability of the reserves as per article 2427.7-bis of the Italian Civil Code:

	31/12/2019	Possibility of use*	Available portion
Share capital	196,850		
Treasury shares	(3,023)		
Reserves:			
• Legal reserve	34,347	B	34,347
• Extraordinary reserve	195,510	A,B,C	195,510
• Goodwill	11,000	A,B,C	11,000
• Reserves for changes in reporting standards	(84,523)		
• Stock grant reserve	2,407		
• Losses recognised directly in equity	(982)		
• Other comprehensive expense	(120,766)		
• Losses carried forward	(1,977,025)		
• Reserve as per article 6.2 of Legislative decree no. 38/2005	265,291	B	265,291
• Reserve as per article 6.3 of Legislative decree no. 38/2005	43,913	A,B,C	43,913
Total	**(1,437,001)**		

* A: for capital increase – B: to cover losses – C: dividends

29 Financial liabilities

29.1 Non-current financial liabilities: €179,059 thousand (€20,809 thousand)*

This caption increased by €158,250 thousand and may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Unsecured senior bonds	130,572	0	130,572
Bonds - nominal amount	**130,572**	**0**	**130,572**
Total bonds	**130,572**	**0**	**130,572**
Bank loans	8,065	0	8,065
Lease liabilities	9,384	19,107	(9,723)
Bank loans and borrowings and lease liabilities - nominal amount	**17,449**	**19,107**	**(1,658)**
Total bank loans and borrowings and lease liabilities	**17,449**	**19,107**	**(1,658)**
Loans and borrowings from other financial backers	29,201	0	29,201
Subsidiaries	1,832	0	1,832
Associates, joint ventures and other investees	5	1,702	(1,697)
Total	**179,059**	**20,809**	**158,250**

(*) Included in net financial debt for €177,222 thousand (31 December 2018: €19,107 thousand).

The increase in non-current financial debt compared to the previous year end is chiefly due to the issue of the bonds as the first part of the urgent interim financing which are pre-preferential bonds pursuant to article 182-quinquies.3 of the Bankruptcy Law originally subscribed by the US-based fund Fortress in February 2019 for €75 million. Such bonds were subsequently taken over by Beyond S.r.l. (fully owned by WeBuild S.p.A., formerly Salini Impregilo S.p.A.) in October 2019 and were then increased to €190 million on 27 November 2019 with illimity Bank becoming one of the bondholders (by subscribing €50 million in December 2019)[30].

See note 29.2 Current financial liabilities for information on finance leases.

29.2 Current financial liabilities: €2,909,330 thousand (€2,653,719 thousand)

This caption increased by €255,611 thousand on the previous year end and may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Accrued interest on bonds	908,031	907,068	963
Issue and placement fees	(585)	0	(585)
Total bonds	**907,446**	**907,068**	**378**
Current portion of bank loans	1,768,421	1,505,232	263,189
Current portion of non-current loans	1	9,968	(9,967)
Current portion of collateralised loans	2,784	2,784	0
Lease liabilities	22,286	17,634	4,652
Bank loans and borrowings and lease liabilities - nominal amount	**1,793,492**	**1,535,618**	**257,874**
Accrued interest on bank loans	13,895	16,195	(2,300)
Hedging derivatives	7,115	8,060	(945)
Total bank loans and borrowings and lease liabilities	**1,814,502**	**1,559,873**	**254,629**
Loans and borrowings from other financial backers	56,202	56,726	(524)
Subsidiaries	57,044	56,214	830
Other investees	0	82	(82)
Intragroup cash pooling current account	74,136	73,756	380
Total	**2,909,330**	**2,653,719**	**255,611**

(*) Included in net financial debt for €2,847,232 thousand (31 December 2018: €2,588,566 thousand)

Bonds

[30] Beyond subscribed the remaining bonds (€63.9 million) in February 2020.

This caption refers to the two bond issues placed by the company; specifically:

- equity-linked bonds of €140,000 thousand [ISIN code XS1634544248] issued on 14 June 2017 and due on 21 June 2024; denominated in Euro, lot €100,000, traded on the Vienna Stock Exchange at a fixed interest rate of 4.750% payable in quarterly instalments with the final payment due on 21 September 2018;
- senior unsecured bonds of €750,000 thousand [ISIN code XS1000393899], of which €500,000 thousand issued on 4 December 2013 integrated by €100,000 thousand on 9 December 2013 (Tap I) and by €150,000 thousand on 14 February 2014 (Tap II); due on 1 December 2020, denominated in Euro, lot €100,000, traded on the Luxembourg Stock Exchange at a fixed interest rate of 7.125% payable in six-monthly instalments with the final payment due on 1 June 2018;
- interest payable of €131 thousand on the equity-linked bonds accruing on 28 September 2018;
- interest payable of €16,936 thousand on the senior unsecured bonds accruing on 28 September 2018.

Based on market prices observed on 31 December 2019, the fair value of the equity-linked and unsecured senior bonds is €20,021 thousand and €117,720 thousand, respectively.

Accordingly, the total fair value of bond issues at 31 December 2019 is €137,741 thousand.

Bank loans and borrowings and lease liabilities

The following table shows the company's main loans and borrowings at the reporting date (current portion):

Type of loan	Type	Company	Outstanding 31/12/2019
Bilateral - Cariparma	Committed	Astaldi S.p.A.	50,000
Bilateral - BNP Paribas	Committed	Astaldi S.p.A.	45,000
Bilateral - Banca Popolare dell'Emilia Romagna_bis	Committed	Astaldi S.p.A.	25,000
Bilateral - Banca Ubae	Committed	Astaldi S.p.A.	25,000
Bilateral - Credito Valtellinese	Committed	Astaldi S.p.A.	20,000
Bilateral - ICBC	Committed	Astaldi S.p.A.	10,000
Bilateral - Factorit	Committed	Astaldi S.p.A.	8,327
Bilateral - Banca del Mezzogiorno	Committed	Astaldi S.p.A.	6,580
Bilateral - Banca Popolare dell'Emilia Romagna	Committed	Astaldi S.p.A.	5,000
Bilateral - Banca Popolare di Spoleto	Committed	Astaldi S.p.A.	5,000
Bilateral - BPM loan	Committed	Astaldi S.p.A.	2,784
Bilateral - Banca Carige	Committed	Astaldi S.p.A.	1,478
Syndicate - RCF €500 million	Committed	Astaldi S.p.A.	500,000
Syndicate - RCF €120 million	Committed	Astaldi S.p.A.	120,000
Syndicate - Cacib_Bbva	Committed	Astaldi S.p.A.	15,000
Unicredit S.p.A.	Uncommitted	Astaldi S.p.A.	45,000
Intesa SanPaolo S.p.A.	Uncommitted	Astaldi S.p.A.	38,000
Enforcements of guarantees			404,011
Other borrowings			445,026
Total bank loans and borrowings			**1,771,206**
Finance leases			22,286
Total bank loans and borrowings and lease liabilities (*)			**1,793,492**

(*) Does not include accruals and hedging derivatives

Most of the loans refer to the composition with creditors liabilities which remained unchanged on the previous year end.

The main changes during the year refer to:

- enforcements of €223.8 million as described later on;
- the €2.1 million increase in liabilities with Turkish banks due to interest accrued on overdue facilities (in this regard, as Turkey does not recognise the Italian composition with creditors procedure, specific standstill agreements were signed with Turkish banks in September 2019 in order to prevent any actions against Astaldi's assets in Turkey) (more information is provided in the "Significant contractual events" section);
- the €16 million decrease in liabilities with Honduran banks following the sale of some local assets which were used by the local liquidator to settle existing debts (in this regard, as Honduras does not recognise the Italian composition with creditors procedure, a liquidator was appointed by the local court to manage/settle the branch's debts);
- the increase in deferred income due to accruals on the pre-preferential bonds described in paragraph 29.1;
- the reclassification of liabilities related to Russia to liabilities directly associated with non-current assets held for sale (approximately €19 million).

Enforcements of guarantees

The following table provides a summary of the enforced guarantees which the guarantor and/or counter-guarantor had paid out at the reporting date:

€m **Country**	Advance payment bonds	Performance bonds	Maintenance bonds	Equity contributions	Other financial guarantees	**Total**
Canada	56.2	66.7	-	-	-	123.0
Chile	0.2	0.1	-	10.8	-	11.1
Georgia	12.1	12.0	-	-	-	24.1
Honduras	4.9	9.8	-	-	-	14.7
Italy	12.2	3.4	-	-	-	15.5
Nicaragua	5.4	2.8	-	-	0.2	8.4
Poland	-	4.7	0.03	-	-	4.8
USA	-	-	-	-	22.3	22.3
	90.9	**99.5**	**0.03**	**10.8**	**22.5**	**223.8**

The enforced guarantees which the guarantor and/or counter-guarantor paid out at the reporting date amount to €223,788 thousand.

They mainly related to: (i) the Muskrat Falls project in Canada (€123 milion); (ii) Zemo Osiauri-Chumateleti section, Lot 2 of the E-60 Motorway in Georgia (€24.1 milion); (iii) Lot I-II of the Arenal Hydroelectric Project in Honduras (€14.7 milion); (iv) the Genoa-Voltri railway junction in Italy (€15.5 milion); (v) the Santiago Airport in Chile (€11.1 milion); (vi) Lots I and II of the Mejoramiento del Camino El Comejen-Waslala project in Nicaragua (€8.3 milion); (vii) the Wekiva Parkway in the US (€22.3 milion); and (viii) the Warsaw Metro (€3.7 milion), the Poznam-Wroclav S5 Expressway (€1 milion) and the Passenger Terminal at Krakow Airport (€0.03 milion) in Poland (€4.8 milion in total).

Lease liabilities

Lease liabilities amount to €31,670 thousand at 31 December 2019. The following table shows a breakdown of payments to be received after year end by due date:

Leases as per IFRS 16	31/12/2019 Present value
Within one year	22,286
Between one and within five years	9,384
Total	**31,670**

Leases as per IAS 17	31/12/2018 Present value
Within one year	17,634
Between one and within five years	19,107
Total	**36,741**

Loans and borrowings from other financial backers

Loans and borrowings from other financial backers, basically unchanged on the previous year end, include a reduction (roughly €9 million) due to the reclassification of liabilities related to Russia to liabilities directly associated with non-current assets held for sale and an identical increase for the shareholder loan received by the joint venture performing the works on the Ogra Campia Turzi project in Romania (approximately €9 million).

29.3 Net financial debt

The following table shows the company’s net financial debt and a breakdown of its main components as required by CONSOB communication no. DEM/6064293 of 28 July 2006 which is based on the European Securities and Markets Authority’s (ESMA, former CESR) recommendation of 10 February 2005.

			31/12/2019	31/12/2018
A	Cash		241,134	145,561
C	**Cash and cash equivalents**	**(A+B)**	**241,134**	**145,561**
	Current loan assets		128,683	73,092
	of which: related parties		*68,417*	*69,458*
D	**Current loan assets**		**128,683**	**73,092**
E	Current portion of bank loans and borrowings		(1,478,799)	(1,404,909)
F	Current portion of bonds		(907,446)	(907,068)
	of which: related parties		*(6,689)*	(7,600)
G	Current portion of non-current debt		(2,784)	(12,752)
H	Other current loans and borrowings		(458,203)	(263,837)
	of which: related parties		*(94,317)*	*(93,756)*
J	**Current financial debt**	**(E+F+G+H+I)**	**(2,847,232)**	**(2,588,566)**
K	**Net current financial debt**	**(J+D+C)**	**(2,477,415)**	**(2,369,913)**
L	Non-current bank loans and borrowings		(8,065)	0
M	*Bonds*		*(130,572)*	0
N	Other non-current financial liabilities		(38,585)	(19,107)
P	**Non-current financial debt**	**(L+M+N+O)**	(177,222)	(19,107)
Q	Net financial debt from continuing operations	(K+P)	**(2,654,637)**	**(2,389,020)**
R	**Net financial position of disposal groups**		**173,485**	**185,224**
	of which: related parties		*194,689*	*185,224*
S	**Net financial debt**	**(Q+R)**	**(2,481,152)**	**(2,203,797)**
	Non-current loan assets		27,146	12,646
	Subordinated loans		34,912	19,811
	of which: related parties		*6,391*	*5,004*
T	**Non-current loan assets**		**62,059**	**32,457**
U	**Total net financial debt**	**(S+T)**	**(2,419,094)**	**(2,171,340)**

Total net financial debt includes the net financial debt (line S of the above table), calculated as recommended by the ESMA in its recommendation of 10 February 2005, and the non-current loan assets.

Lastly, the net financial debt at the reporting date and previous year end does not include hedging derivatives as they do not qualify as financial items given their nature.

29.4 Compliance with covenants and negative pledges

The presentation of the application for the composition with creditors procedure qualified as a significant event as per the company's loan contracts and bond regulations and, in some cases, triggered activation of the acceleration clause. Furthermore, under the specific provisions of the Bankruptcy Law (articles 55 and 169), Astaldi's financial liabilities are in any case considered due upon presentation of the application, regardless of the relevant contractual terms.
With regard to the bonds issued on 12 February 2019 (*Euro 75,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*) of €75 million, subsequently increased and modified to €190 million on 27 November 2019 (*up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*), though they do not provide for financial covenants, they do include a negative pledge clause and a limitation to the assumption of further indebtedness, except in the case of some specific exceptions under the relevant bond regulation. Furthermore, the use of the proceeds deriving from such bonds is allowed solely within the limits set out in the authorisation issued by the Rome Court as per article 182-quinquies.3 of the Bankruptcy Law. Such clauses have been complied with at the reporting date.

30 Other liabilities

30.1 Other non-current liabilities: €745 thousand (€1,732 thousand)

This caption of €745 thousand (31 December 2018: €1,732 thousand) mainly refers to Chile and Turkey and mostly comprises deferred income (i.e., prepaid lease instalments).

30.2 Other current liabilities: €255,905 thousand (€298,638 thousand)

This caption of €255,905 thousand comprises:

	31/12/2019	31/12/2018	Variation
Subsidiaries	77,395	85,421	(8,026)
Associates and joint ventures	313	1,237	(924)
Other companies	239	239	0
Personnel	14,591	24,509	(9,918)
Social security institutions	12,965	17,762	(4,797)
Accrued expenses and deferred income	23,264	14,174	9,090
Other	127,139	155,292	(28,153)
Total	**255,905**	**298,638**	**(42,729)**

"Other" mainly includes *(i)* amounts due to customers related to the return of contractual advances on certain contracts excluded from the core assets scope[31] (€7 million), *(ii)* amounts due to customers for payments made by the latter to suppliers and sub-contractors, mainly in Poland (€23.8 million), *(iii)* advances from customers for the sale of goods and assets (€2 million), and *(iv)* amounts due to partners for joint projects (€78.1 million). The decrease over the previous year end relates to *(i)* a strong contraction of amounts due to customers for the return of contractual advances (€33 million) attributable to the enforcement of advance bonds during the year (mainly the Zemo Osiauri-Chumateleti section and Lot 2 of the E-60 Motorway in Georgia and the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction in Italy), and *(ii)* a non-proportionate growth in amounts due to customers for payments made by the latter to suppliers and sub-contractors (chiefly in Poland).

The decrease in amounts due to personnel is mainly due to the payment of termination benefits following the termination of some contracts in Chile and Russia

The rise in deferred income is basically related to commissions on sureties.

Amounts due to subsidiaries include €53.7 million due to AR.GI S.c.p.A ("ARGI") following an unfavourable award, pending appeal, to a public sector customer. Specifically, a dispute arose with the customer during the performance of the works to develop State Road Jonica 106 (mega lot-DG22). The dispute was provisionally defined with the interim award on 8 July 2013 and then definitively with the final award on 21 January 2014, which awarded €49 million to ARGI. On 4 February 2014, the customer appealed the interim award of 8 July 2013. Such appeal was rejected on 2 March 2017. The customer then appealed such ruling before the Court of Cassation; the date of the hearing has not yet been set. The customer also appealed the final award of 21 January 2014. However, with its ruling issued on 16 October 2018, the Rome Court of Appeal unexpectedly annulled the arbitration award issued in 2017.

Reference should be made to note 38 on related parties for information about liabilities with subsidiaries, associates and joint ventures.

[31] As defined in the business plan underpinning the composition with creditors proposal.

As in the previous year, subscribed capital of associates and joint ventures not yet called up by the individual boards of directors have been reclassified as a direct deduction in the carrying amount of the related equity investments.

31 Employee benefits: €4,765 thousand (€4,428 thousand)

This caption and related changes for the year are summarised in the following table:

Actuarial valuation	Defined benefit plans	Termination benefits	31/12/2019
a) Opening balance	**4,422**	**6**	**4,428**
b) Increases			
b.1) Current service cost	721	0	721
b.2) Interest cost	51	0	51
b.3) Actuarial losses	(12)	0	(12)
c) Utilisations	(288)	0	(288)
d) Net exchange losses and other changes	(133)	(2)	(135)
e) Defined benefit obligation	**4,761**	**4**	**4,765**

31.1 Defined benefit plans

This caption mostly includes the post-employment benefits governed by article 2120 of the Italian Civil Code.

Plan characteristics

At 31 December 2006, the Italian entities' post-employment benefits (known as "TFR" in Italy) were accounted for as a defined benefit plan. Legislation regulating these benefits was amended with Law no. 296 of 27 December 2006 (the "2007 Finance Act") and subsequent decrees and regulations issued in the first few months of 2007. In the light of these changes, these benefits are now considered:

- for companies with 50 or more employees: (i) a defined benefit plan only if they refer to amounts vested up to 1 January 2007 (and not yet paid at the reporting date), and (ii) a defined contribution plan for amounts accrued after that date;
- for companies with less than 50 employees: a defined benefit plan.

The main assumptions used for the actuarial valuation of post-employment benefits at 31 December 2019 are set out below:

- annual discount rate: 0.77%
- annual inflation rate: 1.20%
- annual growth rate of the benefits: 2.40%
- annual salary increase rate:
  - managers: 2.50%
  - junior managers/white collars/blue collars: 1.00%

Sensitivity analysis

The potential effect of reasonably possible changes in the actuarial assumptions on the defined benefit obligation at the reporting date is as follows:

	Turnover rate		Inflation rate		Discount rate	
	+ 1%	- 1%	+1/4 %	-1/4 %	+1/4 %	-1/4 %
Change in the overall amount of the obligation	17.27	-18.60	-48.97	48.38	75.79	-77.73

Effect of the defined benefit plan on the company's future cash flows
Based on the reasonably possible estimates at the reporting date, the effects of the defined benefit plan on the company's future cash flows are shown below:

- 2020 service cost: €605 thousand
- Weighted average life of the obligation: 6.5 years
- Expected payments:
  - 2020-2022: €3,571 thousand
  - subsequent years: €25,543 thousand

31.2 Termination benefits

Termination benefits show the estimated cost of the agreements signed in 2014 with eight employees based in Italy for the consensual early termination of employment (based on the provisions of article 4.1-7-ter of Law no. 92 of 2012 - the "Fornero law"). Specifically, the residual amount at 31 December 2019 (€3 thousand) refers to social security contributions to be paid on remuneration for the final months of the plan.

32 Trade payables: €1,192,719 thousand (€1,222,195 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Suppliers	824,731	879,280	(54,549)
Subsidiaries	306,893	290,200	16,693
Associates and joint ventures	59,455	51,068	8,387
Parents	0	189	(189)
Other investees	1,640	1,458	182
Total	**1,192,719**	**1,222,195**	**(29,476)**

Trade payables net of non-recurring effects (approximately €50 million) increased by around €20 million. The non-recurring items include: (i) the reclassification of liabilities related to Russia and Honduras to liabilities directly associated with non-current assets held for sale (roughly €80 million); and (ii) the increase in liabilities related to services provided by the advisers assisting the company to implement the composition with creditors plan (approximately €30 million).

With regard to the areas of most strategic interest, there was a decrease in trade payables in Poland and Chile, in contrast to a more than proportionate increase in Romania and Italy. The rise in Italy is mostly attributable to the start-up phases of some contracts performed in partnership (chiefly the high speed Apice-Hirpinia railway line) and the increase in payables for the recharging of costs related to the associate Metro C S.c.p.A and the subsidiary Consorzio Stabile Operae.

The increase in Romania is chiefly attributable to railway works on lots 2A, 2B and 3 of the Curtici-Simeria line which made a considerable contribution to production of the year.

33 Tax liabilities: €52,283 thousand (€55,574 thousand)

This caption decreased by €3,291 thousand on 31 December 2018 as follows:

	31/12/2019	31/12/2018	Variation
Indirect tax liabilities	10,305	11,926	(1,621)
Direct tax liabilities	35,645	36,413	(768)
Withholding tax liabilities	6,333	7,235	(902)
Total	**52,283**	**55,574**	**(3,291)**

The most significant variations include (i) the decrease in indirect tax liabilities mainly related to Chile, specifically due to the payment of the VAT accrued on contract consideration invoiced at the end of the previous year, and (ii) the contraction of withholding tax liabilities particularly related to the completion of some projects in Turkey.

34 Provisions for risks and charges: €129,447 thousand (€444,191 thousand)

This caption may be analysed as follows:

	31/12/2019	31/12/2018	Variation
Provision for legal disputes	39,404	38,803	601
Provision for equity investments	59,976	254,324	(194,348)
Provision as per article 27 of the by-laws	1,436	1,436	0
Provision for onerous contracts	28,631	149,629	(120,998)
Total	**129,447**	**444,192**	**(314,745)**

Provisions for risks and charges are commented on below:

- **The provision for legal disputes** of €39,404 thousand includes the expected costs resulting from the court and out-of-court settlement of disputes relating to contracts, mainly with suppliers and subcontractors, and claims for damages from third parties related to construction contracts. It mostly refers to accruals made for some disputes underway regarding contracts in Algeria, Italy and South America. The most significant items include (i) the dispute with Andritz Hydro in Peru[32] related to the Cerro Del Aguila hydroelectric project, and (ii) accruals made in Algeria for fees claimed by some subcontractors for additional work performed. Under the relevant contracts, such amounts will only be paid to the subcontractors upon receiving the customer's definitive approval of the variation orders.
- **The provision for equity investments** of €59,976 thousand includes the accruals for the company's legal obligation to cover the losses exceeding the equity of the related investees. The decrease on the previous year end mainly refers to (i) the reclassification of the provision for risks related to the Russian joint venture Ic Içtaş Astaldi Ica Inşaat A.S. sold in March 2020 (€53 million) to liabilities directly associated with non-current assets held for sale, and (ii) the enforcement of guarantees[33] given on behalf of the subsidiaries Astaldi Canada Inc (€91 million) and Astaldi Construction Corporation (€53 million).
- **The provision as per article 27 of the by-laws** of €1,436 thousand is increased by allocating part of the company's profit for the year, as provided for by the relevant resolutions, and used for charitable donations.
- **The provision for onerous contracts** of €28,631 thousand refers to estimates, pursuant to paragraphs 66-69 of IAS 37 - Provisions, contingent liabilities and contingent assets, of costs needed

[32] Reference should be made to the notes to the separate financial statements at 31 December 2018 for more information.

[33] Advance payment bonds and performance bonds.

to fulfil certain contracts (net of the relevant economic benefits) mainly in Chile, Italy and Poland. A considerable component of such accruals (€7,253 thousand) refers to probable liabilities for the reimbursement to customers of the greater costs and damage incurred due to the termination (that has already taken place or is expected to take place) of onerous contracts (chiefly in Italy). The significant decrease in 2019 is basically due to the enforcement of guarantees related to the Muskrat Falls hydroelectric project in Canada (€66 million) and the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction in Italy (€4 million) which led to the reclassification of the relevant provisions recognised in 2018 to the financial liabilities mentioned earlier.

35 Other contract liabilities: €48,893 thousand (€60,136 thousand)

This caption, amounting to €48,893 thousand at 31 December 2019, relates to estimated probable liabilities - assessed pursuant to IFRS 15 - Revenue from contracts with customers - for the reimbursement to customers of the greater costs and damage incurred due to the termination (that has already taken place or is expected to take place) of certain contracts[34] in Europe and Central and South America. Specifically, contract liabilities - which will only be definitively due when the relevant disputes have been settled - refer to (i) contracts that needed significant financial support in order to complete the works even though they will achieve break even over the contract term, along with (ii) contracts from which the company has been unilaterally excluded from performing the works (basically due to the commencement of the composition with creditors procedure) by the relevant counterparties. The decrease in this caption is mostly due to the enforcement of performance bonds by customers on some contracts in Central and South America. Reference should be made to the notes to the consolidated financial statements at 31 December 2018 for more information.

36 Fair value measurement

The company's assets and liabilities are broken down by fair value level below:

			Fair value measurement		
	Measurement date	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets at fair value					
Subordinated loans[35]	31/12/2019	229,601		229,601	
Non-controlling interests	31/12/2019	24,489		24,489	
Liabilities at fair value					
Interest rate swaps	31/12/2019	(4,759)		(4,759)	

36.1 Valuation techniques and inputs used for fair value measurement purposes

a) Assets and liabilities measured at fair value on a recurring basis

- **Interest rate swaps**

The company measured the fair value of derivatives using a pricing tool. It generated the forward rates for the contractual deadlines to measure the leg indexed to the floating rate and then discounted its cash flows to their present value.

It measured the leg indexed to the fixed rate at the present value of its cash flows.

The forward and discount rates have been calculated starting from the zero coupon rates implicit in the curve

[34] Contracts that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal.

[35] Of which €194,689 thousand classified under non-current assets held for sale.

of short-term rates (deposits) and long-term rates (swap rates) at 31 December 2019.
The carrying amount of the financial instrument is the difference between the present value of the floating and fixed components.
The company checks the effectiveness of the transactions using internal valuation techniques, based on the dollar offset method and the hypothetical derivative to calculate fair value changes in the underlying.

- **Subordinated loans (semi-equity)**

The company calculated the fair value of the subordinated loans using their expected cash flows (based on the related loan agreements) discounted with a market rate applied to similar instruments. Specifically, the discount rate was calculated considering each SPE's credit standing, interbank rate trends (mainly the LIBOR and EURIBOR) plus an additional spread (determined by reference to a market basket of the main providers) to reflect the subordination of the loans' repayment to the SPEs' debt with their lending banks.

- **Non-controlling interests**

The company calculated the fair value of the non-controlling interests using the dividend discount model, discounting the expected future dividends using the investees' cost of equity (ke)[36] rate as per the business plans drawn up by their boards of directors.

b) Assets and liabilities measured at fair value on a non-recurring basis

At the reporting date, there are no assets and liabilities measured at fair value on a non-recurring basis making it necessary to provide the additional disclosures required by IFRS 13 - Fair value measurement.

c) Transfers of financial instruments among the various levels of the fair value hierarchy

During the year, there were no transfers among the different levels of the fair value hierarchy.

37 Information on risk management, financial instruments and guarantees

Financial risk management

Astaldi operates on international markets in different currencies. It uses external sources of funds in Euros and other currencies to finance its activities.

In order to protect its assets, the company issued guidelines for monitoring its exposure to market risks and entrusted the definition of strategies and policies for financial risk management through derivatives and the monitoring of hedged positions to an internal risk committee.

37.1 Interest rate risk

The company's exposure to fluctuations in interest rates is mainly related to its floating rate financial debt. As mentioned, in September 2018, the company applied for authorisation for the composition with creditors procedure as per article 161.6 of the Bankruptcy Law. Therefore, under the specific legislation, regular or legal interest is no longer accrued on unsecured liabilities starting from the publication of such application with the company registrar. Accordingly, the company is not currently exposed to significant risks related to fluctuations in interest rates that could significantly impact its financial assets and liabilities or its net financial expense.

[36] Calculated based on market values.

37 Currency risk

Astaldi hedges its exposure to currency risk in relation to specific foreign contracts, in order to mitigate the effect of fluctuations in exchange rates.

The company policy is aimed at hedging a percentage of its exposure to currency risk depending on the characteristics of the business and the particular volatility of certain currencies over the entire duration of the works regarding specific contracts or, if this is not possible, for a period of 12 months.

The company uses forward plain vanilla, cost zero cylinder and knock-in forward derivatives.

In those cases where, in connection with specific foreign currencies, especially those of emerging countries, financial markets do not allow for mitigation of the currency risk through derivatives, the company tends to protect the currency imbalance between trade receivables and payables in local currency through financial debt in the same currency ("natural hedges").

Given the company's particular financial situation and the limitations imposed by the composition with creditors procedure in terms of transactions not strictly related to industrial activities, the currency hedges which expired during the year were not temporarily renewed at 31 December 2019.

37.3 Liquidity risk

Liquidity risk is the possibility that the company might not be able to meet its contractual financial obligations and, more generally, its short-term financial obligations that could, in extreme circumstances, lead to insolvency and jeopardise the company's ability to continue to operate.

As described in great detail in these notes, Astaldi implemented a capital strengthening and refinancing manoeuvre to give it the necessary resources to carry out its strategic plan and support it in a refinancing process aimed at extending the due dates of its financial obligations. Subsequently, the company presented an application for the composition with creditors procedure on 28 September 2018 as per article 161.6 of the Bankruptcy Law. Then, on 19 June 2019, it filed the composition plan and proposal, which were supplemented on 16 July, 20 July and 2 August 2019. The court accepted Astaldi's application for the composition with creditors on a going concern basis as per the Bankruptcy Law with its ruling of 5 August. At the date of preparation of these separate financial statements, the composition with creditors proposal had been approved by the unsecured creditors with a large majority of 69.4%.

Pending the conclusion of the capital strengthening and refinancing manoeuvre and following the Rome Court's authorisation of the application presented as per article 182-quinquies.3 of the Bankruptcy Law, the company issued pre-preferential bonds (in two separate issues) for a total of €200 million needed to support industrial activities. The composition plan also provides for the granting of a revolving credit facility by banks for €200 million, to be used after the composition with creditors procedure is authorised and the Webuild capital increase takes place, in order to fund Astaldi's ordinary activities, including the full redemption (with funds from the credit facility) of any residual portion of the pre-preferential bonds.

37.4 Credit risk

Credit risk is the company's exposure to potential default by a counterparty.

The company chiefly operates in a segment blighted by constant delays in the public sector's payment of works performed. However, the very nature of the customers, prevalently government and public bodies, which are, by their very nature, solvent, guarantees that receivables will be fully collected over time. The relevant departments constantly monitor receivables falling due. At 31 December 2019, past due trade receivables amount to €141.8 million, including €54.6 million past due by more than one year. The largest exposures of this latter bracket mainly refer to Italy (€19.9 million) and Poland (€17.2 million).

Furthermore, the company has trade receivables and contract assets due from the Venezuelan government totalling €433 million. These assets relate to activities carried out under contracts protected by an intergovernmental agreement signed by the Italian and Venezuelan governments, which provides additional protection to the measures that can be taken by resorting to local courts. Despite the above, given that

Venezuela's macroeconomic situation has not improved nor is it expected to do so, but rather uncertainty about the social and political situation continues to be extremely high while the country's short-term recovery is improbable, management considered it prudent to determine the financial assets' recoverable amount as €52 million.

37.5 Guarantees and sureties

Personal guarantees
Guarantees given amount to €4,372,093 thousand as follows:

- sureties of €805,370 thousand to open credit facilities to ensure regular cash flows for contracts, given on behalf of subsidiaries, joint ventures (€9,480 thousand), associates and other investees set up for special purposes as per the current sector regulations;
- sureties of €3,275,395 thousand for contract work given on the company's behalf by banks and insurance companies to customers for the company, its subsidiaries, joint ventures (€43,579 thousand), associates and other investees;
- other sureties of €291,328 thousand (joint ventures: €6,918 thousand) given for various reasons.

Third party sureties given to the company
Banks and insurance companies have given guarantees of €214,118 thousand on behalf of Italian and foreign suppliers and subcontractors with respect to their contractual commitments with the company.

Guarantees to holders of pre-preferential bonds[37]

The pre-preferential bonds are secured by a series of guarantees given on the following assets held by Astaldi and its subsidiaries:

- a first demand mortgage on two buildings owned by Astaldi at Via Giulio Vincenzo Bona 65 and Via Agrigento 3/5 in Rome;
- collateral assignment of/pledge of/obligation to channel certain claims and loans and receivables of Astaldi and some subsidiaries related to projects performed in Italy, Romania, Poland, Algeria, Chile and Turkey;
- lien on the shares of Astaldi Concessioni S.p.A. and the newco Astaldi Concessions S.p.A.;
- recourse factoring of/obligation to channel future receivables arising from the sale of certain assets under concession;
- recourse factoring of shareholder loans granted to Astaldi Concessioni S.p.A.;
- personal guarantee given by Astaldi Canada Enterprise to the extent of the loans granted by Astaldi S.p.A. to such investee consisting of the proceeds from the use of the first bond issue;
- liens on certain current accounts[38] of Astaldi and some of its subsidiaries.

[37] Bonds issued on 12 February 2019 (*Euro 75,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*) of €75 million, subsequently increased and modified to €190 million on 27 November 2019 (*up to Euro 190,000,000.00 Super-senior Secured PIYC Floating Rate Notes due 12 February 2022*).

[38] Current accounts encumbered by obligation to channel the proceeds deriving from claims and/or the sale of assets under concession.

The combined amount of such guarantees is less than the nominal amount of the pre-preferential bonds including accrued unpaid interest, costs, charges and expenses.

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- liens on certain current accounts[39] of Astaldi and some of its subsidiaries.

The combined amount of such guarantees is less than the nominal amount of the pre-preferential bonds including accrued unpaid interest, costs, charges and expenses.

38 Related party transactions and directors', statutory auditors' and general managers' fees

Astaldi carries out commercial, financial and administrative transactions with related parties that qualify as legal entities belonging to the group (subsidiaries, jointly controlled entities, associates and joint ventures). These transactions generally take place in the normal course of business as part of the core business of each party involved.

The different types of related party transactions may be summarised as follows:

a) **Intragroup services**: Astaldi and/or certain companies controlled thereby provide industrial, corporate, administrative, financial and treasury, and information systems services to some group companies to support the performance and development of their activities.

b) **Development of concession contracts:** In order to streamline its financial investments and optimise the returns on its concession projects, Astaldi invests in the share capital of the operators (SPEs) with non-controlling interests that do not ensure control over such SPEs. Including via its subsidiaries, the company makes the necessary investments to capitalise the SPEs (through equity loans and shareholder loans) in order to ensure its returns on the development of the concessions, also by the SPEs assigning work to Astaldi which it carries out directly or as part of a joint venture set up with other partners.

c) **Specialist activities (infragroup contract and subcontract services)**: Astaldi carries out specialist activities (i.e., plant engineering, maintenance, etc.) for other group companies as part of the construction and operation of works.

d) **Consortium companies and/or consortia:** Astaldi develops some projects - mainly in the construction segment - jointly with other sector partners via specific vehicles (consortia and/or consortium companies) set up with the sole business object of coordinating the financial activities of the partners in such limited

[39] Current accounts encumbered by obligation to channel the proceeds deriving from claims and/or the sale of assets under concession.

context. These vehicles periodically divide up the overall costs incurred in performing the works among the various partners (via cost recharging).

e) **Guarantees and counter-guarantees:** Astaldi generally gives guarantees and counter-guarantees on behalf of its subsidiaries, jointly controlled entities, associates and joint ventures in order to enable them to obtain more favourable financial conditions. Such guarantees include, inter alia: (i) sureties to open credit facilities to ensure regular cash flows for contracts; and (ii) sureties for contract work (bid bonds, performance bonds and advance payment bonds) given to customers by banks and insurance companies on behalf of the company.

f) **Sale of intragroup assets (e.g., machinery, plant and other property, plant and equipment items):** Group companies sometimes sell assets to each other (e.g., machinery, plant and other property, plant and equipment items).

All of the above transactions are carried out on an arm's length basis.

The main related party transactions in 2019 were:

- the development of construction works by the company (also via specific joint ventures with other partners) on behalf of the SPEs in the concessions segment, mainly referred to the: (i) Etlik Integrated Health Campus, Ankara (Ankara Etlik Hastane A.S., Turkey), and (ii) Line 4 of the Milan Metro (Consorzio MM4, Italy). The relevant operating revenue, trade receivables and contract assets/liabilities were recognised in 2019;
- works performed by the company (via the joint venture IC Ictas Astaldi Simple Partnership – M11 Project) on behalf of Ic Içtaş Astaldi Ica Inşaat A.S. for the Moscow-St. Petersburg M-11 Motorway project in Russia. The relevant operating revenue, trade receivables and contract assets were recognised in 2019;
- with regard to the works performed by the company on behalf of Dirpa 2 S.c.r.l. for maxi lot 2 of the Quadrilatero Marche-Umbria road system project, Astaldi recognised the relevant operating revenue, trade receivables and contract assets in 2019;
- the consortium costs charged to the company by Brennero Tunnel Construction S.c.a.r.l. for the performance of works for the construction of the Brenner Base Tunnel (lot "Mules 2-3");
- in the operation & maintenance segment, consortium costs were charged to the company by the subsidiary GE.SAT S.c.r.l. for the project related to the four Tuscan Hospitals in Italy;
- the company granted additional financing to the subsidiary Astaldi Concessioni S.p.A. in order to provide it with the funding necessary to capitalise the SPEs Ankara Etlik Hastane A.S. and Sociedad Concesionaria Nuevo Pudahuel S.A. (€9,606 thousand);
- the company granted financing to the subsidiary Astaldi Canada Enterprises Inc. to support the development of business activities in Canada (€5,566 thousand);
- the following guarantees were enforced during the year: (i) corporate guarantees given on behalf of the company for a combined amount of €74 million (mostly referred to the subsidiaries Astaldi Canada Inc. and Astaldi Construction Corporation), and (ii) bank and insurance guarantees given for projects of investees for a total of roughly €156 million (chiefly referred to the subsidiaries Astaldi Canada Inc., Astaldi Construction Corporation and Astaldi Concessioni S.p.A.).

The company's directors', statutory auditors' and general managers' fees are set out in the following table. Reference should also be made to the Remuneration report prepared pursuant to article 123-ter of the Consolidated Finance Act for further information.

	Fixed fees	Fees for committee meetings	Non-monetary benefits	Other fees	**Total**
Directors	2,957	33	25	8	**3,023**
Statutory auditors	175	0	0	0	**175**
General managers	913	0	22	13	**948**

39 Segment reporting

The operating segments are defined based on the reports used by senior management for decision-making purposes. Specifically, these reports are split by geographical segment and are prepared using the same accounting policies used for the separate financial statements.

The following tables show the segment disclosures required by IFRS 8.

31/12/2019	Italy	Europe	Americas	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	502,009	521,538	264,269	9,045	5,715	0	(264,634)	**1,037,943**
Share of profit of equity-accounted investees								**30,805**
Operating profit (loss)	11,596	19,388	(12,777)	3,403	(2,830)	(33,477)	26,131	**11,435**
Net financial expense								**(31,824)**
Loss before tax and non-controlling interests								**(20,389)**
Income taxes								**(26,837)**
Loss for the year								**(53,757)**
Assets and liabilities								
Segment assets	1,096,668	2,014,054	440,824	246,571	26,900	3,174,286	(3,137,876)	**3,861,427**
of which: equity investments						745,478	(207,825)	**537,653**
Segment liabilities	(1,279,416)	(2,112,225)	(910,729)	(294,960)	(40,961)	(3,191,222)	2,477,328	**(5,352,185)**
Other segment figures								
Property, plant and equipment	(8,246)	(19,524)	(31,226)	(163)	(241)	(36,658)	24,075	**(71,984)**
Intangible assets	(35,878)	(298)	(9)	0	(1)	(1,044)	0	**(37,231)**
Depreciation	(3,594)	(5,329)	(9,525)	(126)	(131)	(3,421)	9,712	**(12,414)**
Provisions						(21)		**(21)**

31/12/2018*	Italy	Europe	Americas	Africa	Asia	Other activities	Adjustments and eliminations	Total
Revenue	279,020	233,358	249,985	1,785	2,222	(1,350)	(174,423)	**590,597**
Share of loss of equity-accounted investees								**(58,647)**
Operating loss	(450,688)	(527,097)	(450,104)	(26,474)	(9,944)	(123,847)	219,611	**(1,368,543)**
Net financial expense								**(140,113)**
Loss before tax and non-controlling interests								**(1,508,655)**
Income taxes								**89,307**
Loss for the year								**(1,878,302)**
Assets and liabilities								
Segment assets	738,339	2,089,465	515,283	238,448	22,894	2,949,953	(2,880,932)	**3,673,450**
of which: equity investments						727,307	(209,717)	**517,591**
Segment liabilities	(968,146)	(2,175,326)	(941,984)	(287,299)	(33,527)	(2,897,449)	2,219,925	**(5,083,807)**
Other segment figures								
Property, plant and equipment	(22,182)	(27,320)	(49,455)	(340)	(166)	(40,296)	2,317	**(137,443)**
Intangible assets	(38,785)	(461)	(27)	0	(4)	(1,967)	0	**(41,243)**
Depreciation	(2,554)	(10,292)	(10,466)	(424)	(62)	(3,918)	7,520	**(20,197)**
Provisions						(309,678)		**(309,678)**

* The 2018 figures have been restated in accordance with IFRS 5 - Non-current assets held for sale and discontinued operations. With respect to the company's application of IFRS 16, it was not required to restate the related comparative figures given the transition method adopted.

40 Leases

40.1 Leases as lessee

The company is a lessee in various leases - as defined by the new standard IFRS 16 - mainly referring to core assets (plant, machinery and equipment) used to develop projects in progress in Italy and Chile, as well as buildings that will house the local offices of foreign branches and subsidiaries.

The company also has short-term leases and/or leases of low-value assets, namely IT equipment and site vehicles. The company has decided not to recognise the right-of-use assets and lease liabilities for such contracts.

Right-of-use assets

This caption may be analysed as follows:

	Land and buildings	Generic and specific plant	Excavators, power shovels and vehicles	Sundry equipment and machines	Total at 31/12/2019
Historical cost	4,688	22,543	32,168	2,721	62,119
Acc. depreciation	(2,397)	(9,499)	(19,408)	(1,226)	(32,530)
Total	**2,291**	**13,044**	**12,759**	**1,495**	**29,589**

Lease liabilities

This caption is broken down by maturity date as follows:

Leases as per IFRS 16	31/12/2019 Present value
Within one year	22,286
Between one and within five years	9,834
Total	**31,670**

Leases as per IAS 17	31/12/2018 Present value
Within one year	17,634
Between one and within five years	19,107
Total	**36,741**

Amounts taken to profit or loss

Leases as per IFRS 16	2019
Interest expense on lease liabilities	3,038
Depreciation of right-of-use assets	25,151
Costs for short-term leases and/or leases of low-value assets	19,750

Leases as per IAS 17	2018
Interest expense on finance lease liabilities	1,089
Depreciation of leased assets	4,893
Costs from operating leases	35,642

Amounts recognised in the statement of cash flows

	2019	2018
Payment of lease liabilities	(31,509)	(18,992)

Extension options

Some leases provide extension options for the company and/or the lessors. At the commencement of the lease term, the company assesses whether it is reasonably certain that it will exercise its option to extend the lease and reassesses this upon the occurrence of a significant event or a significant change in circumstances.

40.2 Leases as a lessor

The company has, in turn, sub-leased core assets under finance lease, specifically a TBM needed to bore the Brenner Base Tunnel to the associate Brennero Tunnel Construction S.c.a.r.l..

The company also leases some core assets under operating leases to investees or suppliers/sub-contractors in order to boost the efficiency of industrial activities on contracts in the construction segment. These are classified as operating leases from the point of view of a lessor, with the exception of one sub-lease which the company classifies as a finance lease as mentioned above.

Amounts taken to profit or loss

	2019	2018
Interest income on lease payments receivable	509	98
Income from operating leases classified among other revenue	2,325	2,112

Net investment in the lease

	31/12/2019 Present value	31/12/2018 Present value
Within one year	10,799	4,819
Between one and within five years	8,461	12,660
Present value	**19,260**	**17,469**

41 Other information

Significant non-recurring events and transactions
In 2019, the company's financial position and financial performance were not affected by significant non-recurring events and transactions as defined in CONSOB communication no. DEM/6064293.

Atypical or unusual transactions
In 2019, Astaldi did not carry out any atypical or unusual transactions, as defined in CONSOB communication no. DEM/6064293.

41.1 Authorisation for publication

The company's board of directors authorised the publication of these separate financial statements on 16 June 2020. On the same date, the board of directors also resolved to submit a proposal to the shareholders to carry forward the loss for the year.

The provisions of article 182-sexies of the Bankruptcy Law apply to the company as it applied for authorisation from the bankruptcy section of the Rome Court on 28 September 2018 for the composition with creditors procedure as per article 161.6 of the Bankruptcy Law, aimed at presenting a composition with creditors on a going concern basis proposal as per article 186-bis of the Bankruptcy Law. Accordingly, articles 2446.2/3 and 2447 of the Italian Civil Code do not apply until the date of authorisation of the composition proposal as long as the procedure allows the company to resolve the issues covered by article 182-sexies.

41.2 Events after the reporting date

Composition with creditors on a going concern basis (updates after the reporting date)

Important steps were taken after the reporting date in the composition with creditors on a going concern basis procedure commenced by the company in September 2018[40].

On 28 November 2019, following the replacement of two judicial commissioners, as mentioned above, the Rome Court postponed the creditors' meeting to 26 March 2020. It then postponed the meeting to 9 April 2020 so that it could take place remotely as allowed by article 163.2.2-bis of the Bankruptcy Law on 23 March 2020, given the regulations and urgent measures adopted by the Italian government to contain and manage the Covid-19 epidemiological emergency.

As per the provisions of the composition plan and proposal, the agreement signed with Astaldi's partner ICTAS in June 2019 and subsequent amendments (already evaluated and authorised by the Rome Court as being the best way to protect the creditors under Astaldi's composition with creditors procedure underway) became effective in March 2020 transferring the entire investment in the SPE that holds the concession to build and operate the Third Bosphorus Bridge in Turkey. In full compliance with the agreements, the transaction entailed:

- selling Astaldi's entire investment in the Third Bosphorus Bridge operator and related receivables to ICTAS for USD315 million. The transaction price will be paid net of *a)* items offset with ICTAS as per point *(ii)*, *b)* repayments to other Turkish creditors (as the composition with creditors procedure is not recognised in Turkey) of roughly €142 million in accordance with the composition plan, and *c)* the relevant transaction costs;
- ICTAS waiving all claims to Astaldi under their partnership contracts as a result of Astaldi leaving such contracts (in both Turkey and Russia).

The transaction price, net of the items set out in point *(i)*, will be paid in one instalment when ICTAS collects the sale price that it is negotiating with a consortium of Chinese investors for the sale of a majority investment in the operator or, should no agreement be reached with the Chinese consortium, in annual instalments, along with interest, by the fourth quarter of 2023.

On the basis of the votes validly cast at the creditors' meeting on 9 April 2020, 58.32% of creditors eligible to vote voted in favour of the composition with creditors proposal, thus exceeding the majority needed for approval. Subsequently, with its ruling of 4 May 2020, the Rome Court *(i)* set the hearing date and time for the authorisation of the composition with creditors as per article 180 of the Bankruptcy Law as 23 June 2020 at 11:00 am (CET), and *(ii)* acknowledged the completion of the voting process for the composition with creditors proposal, whereby the proposal was approved by a majority of 69.4% of the creditors eligible to vote, which account for claims of roughly €3,017 million. Such percentage comprises the votes validly cast at the creditors' meeting on 9 April 2020 (58.32%) along with additional votes validly cast over the 20 following days (11.08%) in accordance with the provisions of article 178 of the Bankruptcy Law.

On 25 May 2020, in accordance with the terms of the composition plan and proposal presented to the Rome Court and approved by the creditors, the company's directors resolved to set up a separate unit for the sole purpose of satisfying the company's unsecured creditors by selling all the assets, rights and judicial relationships transferred to the separate unit and allocating the net proceeds from the sale of the assets to holders of the participating financial instruments that the company will issue to unsecured creditors once the composition with creditors procedure has been definitively authorised.

The composition with creditors plan and proposal were approved by a 69.4% favourable vote at the creditors' meeting and provide that the unsecured creditors be satisfied via the allocation, within 120 days of the definitive authorisation of the proposal, of (i) 12.493 new ordinary Astaldi shares for each €100 of unsecured claim filed and (ii) one participating financial instrument for each €1 of unsecured claim filed that gives the

[40] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors on a going concern basis" section.

creditor the right to receive the net proceeds on the sale of the assets transferred to the separate unit. No split participating financial instruments will be issued, no adjustments will be made and, therefore, any remainders will be eliminated. The participating financial instruments will not have a nominal amount. They will be placed in the Monte Titoli S.p.A. central securities depositary system for dematerialised securities and can be freely traded via authorised brokers on such central management system. The regulation for the dividend and voting rights of the participating financial instruments was approved by the company's board of directors in compliance with the composition with creditors proposal and is available, inter alia, in the Investor Relations - Composition with Creditors section of the website www.astaldi.com, as part of the documentation attached to the composition with creditors proposal filed on 19 June as subsequently amended.

The management and sale of the non-core assets to satisfy the unsecured creditors holding the participating financial instruments is the sole and exclusive activity for which the separate unit was set up. The net proceeds from the sale of such assets, no matter the amount, will be exclusively allocated to the unsecured creditors holding the participating financial instruments. Following the sale of the non-core assets, there shall be no remaining asset or liability items to be allocated to Astaldi's core assets. Therefore, the separate unit will, by definition, break even. As per article 2447-quinquies.4 of the Italian Civil Code, Astaldi will not be held jointly liable for obligations undertaken in relation to the specific transaction for which the separate unit was set up, notwithstanding that, by law, Astaldi will only be held liable for any obligations deriving from unlawful acts and except where recharged to the separate unit should such unlawful act occur as part of the specific transaction.

The assets to be sold are the non-core assets of Astaldi and Astaldi Concessioni S.p.A. following the demerger approved on 22 January 2020, which became effective on 8 June 2020 when the demerger deed (stipulated in May 2020) was registered with the company registrar. The assets transferred to the separate unit include: (i) the main concessions - the Third Bosphorus Bridge (which has already been sold), the Gebze-Orhangazi-Izmir Motorway (GOI), the Etlik Integrated Health Campus in Ankara, Turkey, and the Arturo Merino Benitez International Airport and the West Metropolitan Hospital in Santiago de Chile -, (ii) the receivables due from IFE (the Venezuelan government) and work in progress in Venezuela, and (iii) the company's head offices in Rome.

In order to ensure it meets its commitments and to finance Astaldi Concessioni S.p.A. so that it can fulfil its commitments (for the Etlik Integrated Health Campus in Ankara, Turkey and the Arturo Merino Benitez International Airport in Santiago, Chile), as per the composition with creditors proposal, Astaldi will provide the separate unit with a maximum of €75,000,000.00 (seventy-five million/00) in order to complete work in progress and an additional €2,000,000.00 (two million/00) to cover costs incurred to manage the separate unit.

In accordance with the terms of the composition proposal, the company's board of directors appointed Claudio Sforza as the proxy in charge of managing and selling the non-core assets. His curriculum vitae is available in the Governance-Composition Bodies section of the website www.astaldi.com. Claudio Sforza will be granted power of attorney as per article 1704 and following articles of the Italian Civil Code, which is irrevocable as per article 1723 of the Italian Civil Code, as it is granted in the interests of the unsecured creditors holding participating financial instruments, except in the cases of removal for just cause in accordance with the law which will be listed in the power of attorney contract. Once it has been signed, the contract will be filed with the company registrar.

The company's directors also approved the financial plan of the separate unit for the 2020-2023 period, during which time the asset disposal plan is expected to be completed, as per the composition proposal and within the terms defined therein to protect the interests of the unsecured creditors.

The board of directors' resolution with all its attachments are being filed with the company registrar as required by law.

Therefore, setting up the separate unit is a key step in implementing the composition with creditors proposal (with the hearing for the latter's approval set for 23 June 2020).

The spread of Covid–19 (the Coronavirus)

At the date of preparation of these separate financial statements, the Italian and other EU and non-EU governments have applied extraordinary measures to curb the spread of the Covid-19 virus (the Coronavirus), declared a pandemic by the World Health Organisation.

Statistics show that Italy was the worst hit in Europe - and one of the worst globally - by the spread of the virus. This exposed the company to risks generated by the extraordinary measures applied by the Italian government to prevent and/or curb the spread of the Coronavirus involving, inter alia, the temporary closure of industrial plants and construction sites, as well as restrictions to the movement of people and means of transport. In addition, the global spread of the pandemic exposed the company to risks arising from the extraordinary measures applied by governments in other countries, both in Europe and beyond, where the company operates or has offices or sites.

Specifically, the Italian government issued Decree law no. 6 of 23 February 2020, containing “urgent measures to contain and manage the Covid-19 epidemiological emergency”, subsequently integrated with three Prime Minister’s decrees on 1 March, 4 March and 8 March 2020. These measures essentially set a *cordon sanitaire* around Lombardy (where the company has operating offices) and 14 provinces, imposing strict measures, including restrictions on leaving and entering such areas except for justified reasons of work or necessity, or for health reasons. With the Prime Minister’s decree of 9 March 2020, such measures were extended to the entire country. The following decree issued on 11 March also ruled that all commercial businesses close (with the exception of essential businesses) all over the country, excluding industrial plants which were, however, required to comply with health protection regulations. Subsequently, the decree of 22 March ruled that all production activities shut down, with the sole exclusion of the essential activities set out in a specific list attached to the decree. Then a decree issued on 10 April allowed some non-essential commercial activities around the country to reopen without prejudice to that set out in the previous decrees. Moreover, it authorised the production activities of companies needed to keep the production chain running, linked to the activities allowed as per the decree of 10 April. A further decree issued on 26 April authorised the reopening of a series of production and industrial activities (including construction) as long as health protection regulations are complied with. Restrictions were maintained on travelling within regions, unless for justified reasons of various nature. Further measures were subsequently adopted at national and regional level.

In order to tackle this emergency, the company actuated a series of actions and safeguards to promptly protect the health of all company employees, monitor the situation at production sites, preserve the value generated by production activities as much as possible and support operating continuity, seriously put to the test by the restrictions on the movement of people and goods on a global scale imposed via measures approved in Italy and abroad.

Specifically, the company set up a dedicated committee at the end of February. Chaired by senior management, its members include the heads of all head-office and peripheral operating structures along with the heads of the company’s main departments involved, in order to monitor the spread of the virus at Italian and foreign production units, supervise measures to contain the risk of infection, activate channels to liaise with the Italian embassies in the countries where the company operates, as well as coordinate actions to safeguard contracts with customers against the impact of the pandemic on production activities.

The situation in Italy and abroad is summarised below.

In Italy, Astaldi and its subsidiaries implemented due precautionary measures, also related to safety and securing the health of employees, in compliance with the Prime Minister’s decrees, ministerial circulars, orders from the national civil protection service, along with recommendations issued by other local authorities following the progressive spread of the virus.

However, despite promptly implementing the health protocols defined in the general guidelines set out in the agreement reached between social partners and the government right from the onset of the pandemic, the company has encountered growing problems in organising the work of the Italian production units, basically as manpower is not available due to the disease, the ban on movement between regions and lock-down restrictions progressively imposed by regional authorities (which put a stop to commuting, especially common among blue collar workers). As routine activities became impossible to guarantee in many production sites, a large number of customers decided to suspend works. Accordingly, starting in mid-March and once the sites had been brought up to safety standards, the company implemented a series of actions to protect the employees and company value (using up accrued holidays and leave, implementing shock absorbers provided by the Italian government, introducing working from home). In April and May, the company closed the Rome and Milan offices and accordingly reduced the working hours of the entire workforce by applying for the Covid-19 government-sponsored lay-off scheme, while simultaneously ruling that the remaining work be performed from home.

Even before closing down the production units, the company had drafted protocols introducing a series of measures (control, distancing, personal protection, sanitisation of the workplace and work tools, health monitoring, managing emergencies following detection of Covid-19 symptoms) to guarantee the safety of work areas in preparation for the resumption of activities.

These protocols were fully implemented with the gradual recommencement of production activities at the various sites starting in May as soon as restrictions around the country began to be lifted. At the date of preparation of these separate financial statements, production activities had partially resumed in Italy. Finally, in order to offer further protection to employees, starting from 1 March and for the whole of 2020, the company has taken out a specific insurance policy covering Covid-19 risks for its employees and their family units.

Beyond Italy, considering the rapid spread of the virus, extraordinary measures were progressively adopted in some of the countries where the company operates to restrict the circulation of goods and people, with the closure of plants and commercial and production activities. Similarly to Italy, such measures, together with those implemented by the company to protect employee health, have made it difficult for the company to continue its ordinary production activities. This led to the slowdown or, in some cases, the suspension of production activities, with additional problems (due to restrictions on air traffic) for personnel trying to return home from abroad or personnel that had been off-site when the pandemic blew up trying to return to production sites that have remained open. At the date of preparation of these separate financial statements, most operating activities abroad continue to face slowdowns or suspensions.

However, despite this extremely uncertain situation, mitigating actions (discussed with all customers) have successfully been implemented in the short term to neutralise the negative effects, most importantly financial stress, of Phase 2 of lock-down (reopening work sites); specifically:

- accelerating payment of slow-moving items (mostly claims and variation orders);
- recovery of higher costs incurred for the new protocols adopted to guarantee employee health and safety in the workplace;
- payment of all progress reports issued and work in progress at the beginning of the lock-down;
- rescheduling progress reports' issue dates and related payments;
- possibly obtaining advances and/or payments on account on contracts and/or projects and supplies to cover the considerable financial costs of resuming work and simultaneously maintaining the supplier/subcontractor system.

In light of the above, at the date of preparation of these separate financial statements, the company cannot exclude that a lasting critical situation and the measures taken in Italy, Europe and all over the world may impact 2020. Indeed, it is currently assessing the possible effects that the current Covid-19 emergency could have on performance forecasts. Moreover, since it is a constantly evolving situation, it is still impossible to make reliable predictions about its impacts on 2020 operations and results. However, based on the information currently available, the company's performance is more or less in line with the business plan, assuming that any negative effects on 2020 will presumably be reabsorbed in 2021.

Additional significant events

Astaldi on the short-list for the Edmonton LRT project in Canada – In May 2020, in a joint venture with Webuild (formerly Salini Impregilo), Astaldi was included on the short-list for the awarding of an additional rail project in Canada worth CAD1.7 billion (€1.15 billion). The project covers the construction of the Valley Line West Light Rail Transit (LRT) in Edmonton, the second section of the 27 km Valley Line, which will run between the west and south-east areas of the city. The new light rail infrastructure will run over 14 km with 14 stops and two elevated stations, two bridge crossings, connections to transit centres and a transfer point with two current lines of the LRT system. The project will be awarded by mid-October, with work set to begin in 2021 and be completed within six years.

New €356 million contract for Lot 5 of the Sibiu–Pitesti Motorway in Romania – In May 2020, the Astaldi Group signed a contract worth €356 million for the construction of over 30 km of the Sibiu-Pitesti Motorway, the most important section under construction in Romania. The contract was signed in the presence of the Prime Minister and the Minister of Transport of the Romanian Government. It is an EPC[41] contract and covers the design and construction of Lot 5 of the Sibiu-Pitesti Motorway, from Km 92+600 to Km 122+950. The planned duration of the works is 60 months, 12 months of which for design and 48 months for construction. The contract is financed partly with EU funds (85%) and partly with the state budget (15%) and includes the adjustment of contract prices starting from the date of the submission of the bid. Moreover, an advance payment is envisaged in the contract, both at the start of the design phase and at the start of construction. The customer is CNAIR, the state company owned by the Romanian Ministry of Transport and Infrastructure.

Delivery of the works of mega lot 3 of the state road Jonica – In May 2020, the company delivered the works of mega lot 3 of the state road Jonica following the approval of the executive design on 9 March 2020.

Court hearing for the authorisation of the composition with creditors proposal – On 23 June 2020, the bankruptcy section of the Rome Court is scheduled to meet to authorise Astaldi's composition with creditors proposal and issue the relevant ruling.

[41] Engineering, Procurement and Construction.

41.3 Fees to the independent auditors, KPMG, and their network pursuant to article 149-duodecies of the Issuer Regulation

The fees paid in 2019 to KPMG, which was engaged by the shareholders for the 2011-2019 statutory audit of the separate and consolidated financial statements on 18 April 2011, are summarised below:

	2019
A) Audit services	**508**
B) Attestation services (**)	**638**
C) Other services	**143**
Total	**1,290**

(*) Fees including out-of-pocket expenses and CONSOB fees	537
(**) of which:	
1) Agreed-upon procedures, signing of tax returns and other attestation procedures	638

Filippo Stinellis
Chief Executive Officer

Paolo Citterio
Manager in charge of financial reporting

Annexes to the separate financial statements

ANNEX 1 – RELATED PARTY TRANSACTIONS

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

Group company	Non-current financial assets	Contract assets	Trade receivables	Current financial assets	Other current assets	Non-current financial liabilities	Contract liabilities	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial expense
3E System S.r.l. in liquidation	0	0	0	0	1	0	0	17	0	0	0	0	0	0	0	0
Afragola FS Società consortile a Responsabilità Limitata	0	0	0	0	2,209	0	0	23,305	0	0	0	0	1,723	0	56	0
AGN Haga AB	0	0	0	0	1,027	0	0	0	0	0	0	2,811	0	0	0	0
Ankara Etlik Hastane A.S.	5,930	0	44	0	639	0	83,049	0	0	0	15,790	20	0	0	270	0
AR.GI S.c.p.A.	0	0	53,769	0	3,574	0	0	68,640	0	53,160	0	135	1,538	0	3	0
AS. M. S.c.r.l.	0	0	0	0	1,504	0	0	357	0	0	0	147	445	0	0	0
Astaldi - UTI - Romairport Joint Venture	0	0	0	0	245	0	0	0	0	5	0	0	0	0	0	0
Astaldi Algerie - E.u.r.l.	0	0	0	0	764	0	0	708	0	-67	0	5	0	2	0	0
Astaldi Arabia Ltd.	0	0	0	902	3,626	122	0	3,908	0	430	0	0	0	0	66	0
Astaldi Bayindir J.V.	0	0	0	0	203	0	0	394	0	0	0	0	0	0	0	0
Astaldi Bulgaria LTD	0	0	-50	0	0	0	0	0	0	0	0	0	0	0	0	0
Astaldi Canada Design & Construcion Inc.	0	0	0	0	163	0	0	0	0	0	0	16	0	0	0	0
Astaldi Canada Enterprises Inc.	5,566	0	0	5,759	885	0	0	0	0	0	0	435	0	0	627	0
Astaldi Canada Inc.	21	0	0	41,179	8,095	0	0	0	0	0	0	510	0	0	2,183	9,329
Astaldi Concessioni S.p.A.	9,344	0	0	226,787	15,996	0	0	3,746	109,799	373	0	656	64	0	10,721	3
Astaldi Construction Corporation	3,528	0	0	0	12,293	0	0	5,598	234	818	0	796	147	0	3,248	26
Astaldi de Venezuela C.A.	0	0	0	112	11	0	0	1,862	0	50	0	0	0	0	4	0
Astaldi India Services LLP	0	0	0	0	599	0	0	0	0	0	0	371	0	0	229	0
Astaldi Infrastructure S.p.A.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Astaldi International Inc.	0	0	0	0	0	0	0	387	0	0	0	0	0	0	0	0
Astaldi International Ltd.	0	0	0	0	11	0	0	2,718	0	0	0	0	0	0	0	0
Astaldi Polska Sp. z o.o.	0	0	0	0	133	0	0	227	0	12	0	65	-11	0	0	0
Astaldi-Max Bogl-CCCF JV S.r.l.	0	0	0	0	2,699	0	0	1,779	0	415	0	0	0	0	0	0
Astalnica S.A.	0	0	0	0	25	0	0	0	0	0	0	0	0	0	0	0
ASTALROM S.A.	0	0	0	0	7,297	911	0	4,352	0	2,904	0	40	765	-3	0	0
Astur Construction and Trade A.S.	0	0	0	0	2,033	800	0	9,104	19,078	0	0	28	0	0	0	38
Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation	0	0	0	0	2	0	0	30	0	0	0	0	5	0	0	0
Avola S.c.r.l. in liquidation	0	0	0	0	641	0	0	162	0	0	0	0	0	0	0	0

ANNEX 1 – RELATED PARTY TRANSACTIONS

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

Società del Gruppo	Non-current financial assets	Contract assets	Trade receivables	Current financial assets	Other current assets	Non-current financial liabilities	Contract liabilities	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial expense
Avrasya Metro Grubu Srl in liquidation	0	0	0	0	-0	0	0	37	0	0	0	0	0	0	0	0
Brennero Tunnel Construction Società Consortile a Responsabilità Limitata - BTC SCARL	8,461	0	0	10,799	2,633	0	0	6,762	0	0	0	706	90,435	0	509	0
Bussentina S.c.r.l. in liquidation	0	0	0	43	294	0	0	176	0	0	0	0	0	0	0	0
C.F.M. S.c.r.l. in liquidation	0	0	0	0	166	0	0	55	0	104	0	0	0	0	3	0
C.O.MES. In liquidazione S.C.r.l.	0	0	0	0	999	0	0	0	0	0	0	0	4	0	0	0
Capodichino AS.M S.c.r.l	0	0	0	0	6,247	0	0	4,054	0	0	0	323	5,835	0	0	0
CO.ME.NA. S.c.r.l. in liquidation	0	0	0	0	45	0	0	10	0	0	0	0	9	0	0	0
CO.MERI S.p.A.	0	0	-1,344	0	39	0	0	3,058	0	0	0	0	0	0	8	0
Colli Albani S.c.r.l. in liquidation	0	0	0	0	801	0	0	343	0	0	0	0	0	0	0	0
Consorcio Contuy Medio	0	0	0	0	-51	0	0	-3	0	134	0	0	0	0	0	0
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	0	0	0	0	123	0	0	-0	0	0	0	169	161	0	0	0
Consorzio A.F.T. in liquidation	0	0	0	375	192	0	0	7	0	0	0	0	0	0	0	0
Consorzio A.F.T. Kramis	0	0	0	578	5,403	0	0	287	0	0	0	0	10	0	5	0
Consorzio Consarno	0	0	0	127	0	0	0	10	0	0	0	8	10	10	0	0
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	0	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0
Consorzio Ferrofir in liquidation	0	0	0	0	0	0	0	451	0	0	0	0	87	0	0	0
Consorzio Gi.It. in liquidation	0	0	0	0	0	0	0	225	0	0	0	0	0	0	0	0
Consorzio Iricav Due	0	0	0	0	1,223	0	0	21,490	0	0	0	263	2,016	0	0	0
Consorzio Iricav Uno	0	0	0	0	257	0	0	903	0	0	0	0	39	0	0	0
Consorzio Ital.Co.Cer.	0	0	0	0	38	0	0	269	0	0	0	0	0	0	0	0
Consorzio Italvenezia	0	0	0	0	0	0	0	167	0	0	0	0	0	0	0	0
Consorzio MM4	0	710	27,575	0	1,024	0	0	2,386	0	0	96,050	910	1,089	0	0	0
Consorzio Novocen in liquidation	0	0	0	22	319	0	0	75	0	0	0	0	0	0	0	0
Consorzio Qalat	0	0	0	0	0	0	0	105	0	0	0	0	0	0	0	0

ANNEX 1 – RELATED PARTY TRANSACTIONS

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Group company	Non-current financial assets	Contract assets	Trade receivables	Current financial assets	Other current assets	Non-current financial liabilities	Contract liabilities	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial expense
Consorzio Stabile Busi in liquidazione	0	0	0	0	9	0	0	5,827	0	0	0	1	2,103	0	0	0
Consorzio Stabile Operae	0	0	65,220	12,500	4,811	0	0	99,105	0	0	0	0	8,208	0	0	0
Constructora Astaldi Cachapoal Limitada	0	0	0	0	15,357	0	0	1,871	0	3,498	0	0	0	0	0	0
Diga di Blufi S.c.r.l. in liquidation	0	0	6,206	0	639	0	0	5,475	0	28	0	0	2	0	3	0
Dirpa 2 S.c.ar.l.	0	10,173	26,180	0	296	0	0	601	0	3,055	19,583	64	84	0	0	74
DMS DESIGN CONSORTIUM s.c.r.l.	0	0	0	0	160	0	0	751	0	0	0	0	40	0	0	0
Ecosarno S.c.r.l. in liquidation	0	0	0	0	329	0	0	313	0	0	0	0	0	0	0	0
Etlik Hastane PA S.r.l.	0	0	0	0	1,363	0	0	297	0	0	0	2	-1	0	0	0
FINAST	0	0	0	0	1	0	0	0	26,879	0	0	11	0	0	0	0
Forum S.c.r.l.	0	0	0	0	1,075	0	0	1,076	0	0	0	28	2,209	0	0	0
Fosso Canna S.c.r.l. in liquidation	0	0	0	183	254	0	0	78	0	0	0	0	0	0	0	0
Garbi Linea 5 S.c.a.r.l. in liquidation	0	0	0	0	6,977	0	0	7,228	0	0	0	0	-66	0	0	0
GE. SAT S.c.a. r.l.	0	0	7,602	0	3,100	0	0	6,652	0	0	0	0	12,974	0	0	0
GEI - Grupo Empresas Italianas	0	0	0	0	184	0	0	0	0	17	0	0	403	0	0	0
Grand Capital Ring	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Groupement Eurolep	0	0	0	0	0	0	0	0	0	26	0	0	0	0	0	0
Ic Içtaş Astaldi Ica Inşaat A.S.	0	0	0	0	11,257	1,474	1,762	81	0	191	117,113	1	0	0	0	0
ICA Ictas Astaldi Ucuncu Bogaz Koprusu Ve Kuzey Marmara Otoyolu Yatirim Ve Isletme Anonim Sirketi	0	0	0	194,689	343	0	2,211	0	0	0	1,331	0	0	0	10,547	3,507
Infraflegrea Progetto S.p.A.	0	0	3,569	0	438	0	0	275	0	1,734	2,624	87	40	0	0	25
Infraflegrea S.c.r.l. in liquidation	0	0	0	0	532	0	0	523	0	0	0	0	0	0	0	0
Italstrade CCCF JV Romis S.r.l.	0	0	0	0	340	0	0	159	0	0	0	0	0	0	0	0
Italstrade S.p.A.	0	0	0	5,616	65	0	0	7	0	0	0	19	0	0	184	0
M.N. Metropolitana di Napoli S.p.A.	0	0	0	0	5	0	0	360	0	0	0	0	3	0	0	4
Messina Stadio S.c.r.l. in liquidation	0	0	0	2,470	1,500	0	0	3,708	0	25	0	0	3	0	2	0
Metro Brescia S.r.l.	0	0	0	0	29	0	0	0	0	0	0	12	0	0	0	0
METRO C S.c.p.a.	0	0	0	0	633	0	0	13,252	0	0	0	504	31,313	6	0	0

ANNEX 1 – RELATED PARTY TRANSACTIONS

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Group company	Non-current financial assets	Contract assets	Trade receivables	Current financial assets	Other current assets	Non-current financial liabilities	Contract liabilities	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial expense
Metrogenova S.c.r.l.	0	0	0	0	211	0	0	189	0	4	0	0	6	0	0	0
Mondial Milas - Bodrum Havalimani Uluslararasi Terminal Isletmeciligi Ve Yatirim A.S.	0	0	0	0	38	0	0	22	0	3	0	1	0	0	0	0
Mose Bocca di Chioggia Società consortile a Responsabilità Limitata	0	0	0	0	141	0	0	1,045	0	0	0	0	1	0	0	0
Mose-Treporti S.c.r.l.	0	0	0	0	734	0	0	1,732	0	0	0	44	1	0	0	0
N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liquidation	0	0	0	0	295	0	0	0	0	0	0	1	13	0	0	0
nBI S.p.A.	0	0	0	0	2,173	0	0	3,452	0	0	0	694	375	0	16	0
nBI Elektrik Elektromekanik Tesisat Insaat Sanayi Ve Ticaret L.S.	300	0	0	0	1,991	0	0	580	0	0	0	37	0	0	0	0
Nuovo Ospedale Sud Est Barese S.c.r.l. - NOSEB S.c.r.l.	0	0	0	0	380	0	0	1,003	0	1	0	369	3,284	0	0	0
Nova Metro S.c.r.l. in liquidation	0	0	0	0	0	0	0	53	0	0	0	0	0	0	0	0
Ospedale del Mare S.C.r.l. in liquidation	0	0	0	0	4	0	0	1,965	0	0	0	0	1	0	0	0
Otoyol Deniz Tasimaciligi A.S.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Otoyol Yatirim Ve Isletme A.S	461	0	0	0	68	0	6,293	0	0	0	54,700	0	0	0	30	0
Partenopea Finanza di Progetto S.c.p.A.	0	0	5,844	0	1,313	0	0	5,985	0	11,539	0	37	209	0	0	93
Passante Dorico S.p.A.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Pedelombarda S.c.p.A.	0	0	841	0	176	0	0	1,054	0	0	0	0	213	0	0	0
Pegaso S.c.r.l. in liquidation	0	0	0	0	207	0	0	6	0	0	0	0	92	0	0	0
Piana di Licata S.c.r.l. in liquidazione	0	0	0	156	259	0	0	139	0	0	0	0	0	0	0	0
Portovesme S.c.r.l. in liquidation	0	0	0	0	253	0	0	10	0	0	0	0	1	0	0	0
Redo-Association Momentanée	0	0	0	0	0	0	0	569	0	0	0	0	0	0	0	0
Romairport S.r.l.	0	0	0	0	10,946	0	0	3,140	0	49	0	6	8	0	0	0
S. Filippo S.c.r.l. in liquidation	0	0	0	0	971	0	0	89	0	0	0	0	0	0	0	0
S. Leonardo S.c.r.l. in liquidation	0	0	0	0	2,604	0	0	698	0	0	0	0	0	0	0	0
S.E.I.S. S.p.A.	0	0	0	5,064	15	0	0	0	0	0	0	5	0	0	97	0
S.P.T. - Società Passante Torino S.C.r.l.	0	0	0	0	510	0	0	405	0	0	0	0	-227	0	0	0
Sartori Tecnologie Industriali S.r.l.	0	0	0	0	372	0	0	248	0	15	0	4	180	2	0	0

Group company	Non-current financial assets	Contract assets	Trade receivables	Current financial assets	Other current assets	Non-current financial liabilities	Contract liabilities	Trade payables	Current financial liabilities	Other current liabilities	Revenue	Other operating revenue	Service costs	Other operating costs	Other financial income	Interest and other financial expense
Scuola Carabinieri S.C.r.l. in liquidation	0	0	0	0	1,419	0	0	1,026	0	0	0	0	22	0	0	0
Seac S.p.a.r.l. in liquidation	0	0	0	2,182	-1,947	0	0	0	0	0	0	0	0	0	223	-223
Sirjo Scpa	0	0	11,015	2,443	3,616	0	0	27,441	0	6	0	197	5,982	0	43	0
SOC 24, Russia	-155	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sociedad Austral Mantenciones y Operaciones S.p.A.	0	0	0	0	10	0	0	0	0	0	0	10	0	0	0	0
Sociedad Concesionaria Aguas de Punilla S.A.	0	3,187	0	0	4	0	0	0	0	0	901	4	0	0	0	0
Sociedad Concesionaria Metropolitana de Salud s.a.	0	19,078	748	0	-14	0	0	37	0	0	-97	0	0	11	0	0
Susa Dora Quattro S.c.r.l. in liquidazione	0	0	0	0	68	0	0	101	0	0	0	0	1	0	0	0
T.E.Q. Construction Enterprise Inc.	0	0	0	0	770	0	0	0	0	0	0	385	0	0	0	0
Tangenziale Seconda S.c.r.l. in liquidazione	0	0	0	0	91	0	0	26	0	0	0	0	1	0	1	0
Toledo S.c.r.l. in liquidation	0	0	0	0	877	0	0	257	0	0	0	12	83	0	0	0
Valle Aconcagua S.A.	0	0	3,985	0	-150	0	0	-17	0	61	0	19	0	0	0	0
VCGP - Astaldi Ingenieria y Construccion Limitada	0	0	0	0	75	0	0	0	0	0	0	0	0	0	0	0
Total	33,455	33,147	211,205	511,986	162,598	3,306	93,314	367,059	155,990	78,587	307,995	10,969	171,934	28	29,078	12,876
As a percentage of transactions	**52.98%**	**4.80%**	**34.87%**	**87.97%**	**40.71%**	**1.85%**	**28.27%**	**30.77%**	**5.36%**	**30.71%**	**29.67%**	**12.61%**	**24.98%**	**0.17%**	**44.23%**	**13.20%**

ANNEX 2 – LIST OF EQUITY INVESTMENTS

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

	Registered office	Share/quota capital/consortium fund Nominal amount	Functional currency	%	% direct	% indirect	Indirect investor
Subsidiaries							
3E System S.r.l in llquidation	Bologna	10,000	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
Afragola FS Società consortile a Responsabilità Limitata in Concordato preventivo	Rome	10,000	EUR	100.00%	82.54%	17.46%	NBI S.p.A.
AR.GI S.c.p.A.	Rome	35,000,000	EUR	99.99%	99.99%	0.00%	
AS. M. S.c.r.l.	Naples	10,000	EUR	75.91%	75.91%	0.00%	
Asocierii Astaldi SpA, Sc Somet sa, sc Tiab sa, sc Uti grup sa	Bucharest (Romania)	0	EUR	40.00%	40.00%	0.00%	
Astaldi Algerie - E.u.r.l.	Algiers (Algeria)	54,979,619	DZD	100.00%	100.00%	0.00%	
Astaldi Arabia Ltd.	Riyadh (UAE)	SAR 5,000,000	USD	100.00%	60.00%	40.00%	Astaldi International Ltd.
Astaldi Bulgaria LTD	Sofia (Bulgaria)	5,000	BGN	100.00%	100.00%	0.00%	
Astaldi Canada Design & Construcion Inc.	Montreal (Canada)	100	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.
Astaldi Canada Enterprises Inc.	Montreal (Canada)	100	CAD	100.00%	100.00%	0.00%	
Astaldi Canada Inc.	Montreal (Canada)	50,020,000	CAD	100.00%	100.00%	0.00%	
Astaldi Concessioni S.p.A.	Rome	83,000,000	EUR	100.00%	100.00%	0.00%	
Astaldi Construction Corporation	Florida (USA)	18,972,000	USD	65.81%	65.81%	0.00%	
Astaldi de Venezuela C.A.	Caracas	VEF 110,300	EUR	99.80%	99.80%	0.00%	
Astaldi International Inc.	Monrovia	USD3,000,000	EUR	100.00%	100.00%	0.00%	
Astaldi International Ltd.	London (UK)	2,000,000	GBP	100.00%	100.00%	0.00%	
Astaldi Infrastructure S.r.l. (wound up)	Rome	100,000	EUR	100.00%	100.00%	0.00%	
Astaldi Enterprise S.r.l. (wound up)	Rome	100,000	EUR	100.00%	100.00%	0.00%	
Astaldi Polska Sp. z o.o.	Warsaw (Poland)	120,000	PLN	100.00%	100.00%	0.00%	
Astaldi-Max Bogl-CCCF JV S.r.l.	Bucharest (Romania)	RON40,000	EUR	66.00%	66.00%	0.00%	
Astalnica S.A.	Managua (Nicaragua)	2,000,000	NIO	98.00%	98.00%	0.00%	
ASTALROM S.A.	Calarasi (Romania)	3,809,898	RON	99.68%	99.68%	0.00%	
Astur Construction and Trade A.S.	Istanbul (Turkey)	TRY35,500,000	USD	100.00%	100.00%	0.00%	
Bielle Impianti S.c.r.l. In liquidation	Bologna	100,000	EUR	75.00%	0.00%	75.00%	NBI S.p.A.
Bussentina S.c.r.l. in liquidation	Rome	25,500	EUR	78.90%	78.90%	0.00%	
C.O.MES. In liquidazione S.C.r.l.	Rome	20,000	EUR	55.00%	55.00%	0.00%	
Capodichino AS.M S.c.r.l	Naples	10,000	EUR	66.83%	66.83%	0.00%	
CO.ME.NA. S.c.r.l. in liquidation	Naples	20,658	EUR	70.43%	70.43%	0.00%	
CO.MERI S.p.A.	Rome	35,000,000	EUR	99.99%	99.99%	0.00%	
CO.VA S.c.r.l. in liquidation	Bologna	10,000	EUR	60.00%	0.00%	60.00%	NBI S.p.A.
Consorzio Stabile Busi in liquidation	Bologna	100,000	EUR	95.00%	0.00%	95.00%	NBI S.p.A., 3E System S.r.l.
Consorzio Stabile Operae	Rome	500,000	EUR	99.00%	98.00%	1.00%	Sartori Tecnologie Industriali S.r.l.

Constructora Astaldi Cachapoal Limitada	Santiago de Chile (Chile)	10,000,000	CLP	99.90%	99.90%	0.00%	
DEAS Società Consortile a Responsabilità Limitata	Bologna	10,000	EUR	57.00%	0.00%	57.00%	NBI S.p.A.
DMS DESIGN CONSORTIUM s.c.r.l.	Rome	10,000	EUR	60.00%	60.00%	0.00%	
Dirpa 2 S.c.ar.l.	Rome	50,009,998	EUR	99.00%	0.00%	99.99%	Consorzio Stabile Operae
Forum S.c.r.l. in liquidation	Rome	51,000	EUR	79.98%	79.98%	0.00%	
Garbi Linea 5 S.c.a.r.l. In liquidation	Rome	10,000	EUR	100.00%	100.00%	0.00%	
Infraflegrea Progetto S.p.A.	Naples	500,000	EUR	51.00%	51.00%	0.00%	
Italstrade CCCF JV Romis S.r.l.	Bucharest (Romania)	RON540,000	EUR	51.00%	51.00%	0.00%	
Italstrade S.p.A.	Rome	16,515,578	EUR	100.00%	100.00%	0.00%	
LAGUNA S.c.a r.l. In liquidation	Bologna	10,000	EUR	84.70%	0.00%	84.70%	NBI S.p.A.
Messina Stadio S.c.r.l. in liquidation	Milan	45,900	EUR	100.00%	100.00%	0.00%	
Mondial Milas - Bodrum Havalimani Uluslararasi Terminal Isletmeciligi Ve Yatirim A.S.	Istanbul (Turkey)	TRY37,518,000	EUR	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
nBI Elektrik Elektromekanik Tesisat Insaat Sanayi Ve	Istanbul (Turkey)	10,720,000	TRY	100.00%	0.00%	100.00%	NBI S.p.A. - Astur Construction and Trade A.S.
nBI S.p.A. In Concordato Preventivo	Rome	7,500,000	EUR	100.00%	100.00%	0.00%	
Ospedale del Mare S.C.r.l. in liquidation	Rome	50,000	EUR	100.00%	100.00%	0.00%	
Partenopea Finanza di Progetto S.c.p.A. in Concordato preventivo	Naples	9,300,000	EUR	99.99%	99.99%	0.00%	
Portovesme S.c.r.l. in liquidation	Milan	25,500	EUR	99.98%	99.98%	0.00%	
Redo-Association Momentanée	Kinshasa (Congo)	CDF0.5	EUR	100.00%	75.00%	25.00%	Astaldi International Ltd.
Romairport S.r.l.	Rome	500,000	EUR	99.26%	99.26%	0.00%	
S. Filippo S.c.r.l. in liquidation	Rome	10,200	EUR	80.00%	80.00%	0.00%	
S.P.T. - Società Passante Torino S.C.r.l.	Rome	50,000	EUR	82.50%	82.50%	0.00%	
Sartori Tecnologie Industriali S.r.l. In liquidation	Brindisi	1,000,000	EUR	100.00%	0.00%	100.00%	NBI S.p.A.
Scuola Carabinieri S.C.r.l. In liquidation	Rome	50,000	EUR	76.40%	76.40%	0.00%	
Seac S.p.a.r.l. in liquidation	Kinshasa (Congo)	CDF400	EUR	100.00%	100.00%	0.00%	
Sirjo Scpa	Rome	30,000,000	EUR	60.00%	60.00%	0.00%	
Sociedad Austral Mantenciones y Operaciones S.p.A.	Santiago de Chile (Chile)	1,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A. 75% - NBI 25%
Sociedad Concesionaria Aguas de Punilla S.A.	Santiago de Chile (Chile)	40,000,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
Susa Dora Quattro S.c.r.l. in liquidation	Rome	51,000	EUR	90.00%	90.00%	0.00%	
T.E.Q. Construction Enterprise Inc.	Montreal (Canada)	11,080,515	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.
Tione 2008 Scrl in liquidation	Bologna	100,000	EUR	76.00%	0.00%	80.00%	Consorzio Stabile Busi
Toledo S.c.r.l. in liquidation	Naples	50,000	EUR	90.39%	90.39%	0.00%	
Valle Aconcagua S.A.	Santiago de Chile (Chile)	CLP19,064,993,360	USD	84.31%	0.00%	84.31%	Astaldi Concessioni S.p.A.
A10 S.c.a r.l.	Bologna	10,000	EUR	62.52%	0.00%	62.52%	NBI S.p.A.
Astaldi India Services LLP	Mumbai (India)	INR8.00.080	INR	99.99%	99.99%	0.00%	
Astaldi Mobilinx Hurontario GP Inc.	Ontario (Canada)	CAD100	CAD	100.00%	0.00%	100.00%	Astaldi Canada Enterprises Inc.

Transmisora del Sur S.p.A.	Santiago de Chile (Chile)	CLP1,000,000	CLP	100.00%	0.00%	100.00%	Astaldi Concessioni S.p.A.
AGN Haga AB	Gothenborg (Sweden)	SEK500,000	CLP	40.00%	40.00%	40.00%	Astaldi Concessioni S.p.A.
Nuovo Ospedale Sud Est Barese S.c.r.l. - NOSEB S.c.r.l.	Rome	50,000	EUR	70.00%	70.00%	0.00%	

	Registered office	Share/quota capital/consortium fund Nominal amount	Functional currency	%	% direct	% indirect	Indirect investor
Joint ventures							
Ankara Etlik Hastane A.S.	Ankara (Turkey)	TRY267,240,000	EUR	51.00%	5.00%	46.00%	Astaldi Concessioni S.p.A.
Ankara Etlik Hastane Isletme Ve Bakim Anonim Sirketi	Ankara (Turkey)	50,000	TRY	51.00%	0.00%	51.00%	Astaldi Concessioni S.p.A.
Astaldi Bayindir J.V.	Ankara (Turkey)	0	EUR	50.00%	50.00%	0.00%	
Avola S.c.r.l. in liquidation	Milan	10,200	EUR	50.00%	50.00%	0.00%	
Avrasya Metro Grubu Srl in liquidation	Agliana (PT)	10,000	EUR	42.00%	42.00%	0.00%	
C.F.M. S.c.r.l. in liquidazione	Naples	40,800	EUR	50.00%	50.00%	0.00%	
Colli Albani S.c.r.l. in liquidazione	Rome	25,500	EUR	60.00%	60.00%	0.00%	
Consorzio A.F.T. Kramis	Rome	100,000	EUR	50.00%	50.00%	0.00%	
Consorzio Dipenta S.p.A. - Ugo Vitolo in liquidation	Naples	2,582	EUR	50.00%	50.00%	0.00%	
Consorzio Ferrofir in liquidation	Rome	30,987	EUR	66.67%	66.67%	0.00%	
Consorzio Gi.It. in liquidation	Naples	2,582	EUR	50.00%	50.00%	0.00%	
Etlik Hastane PA S.r.l.	Rome	110,000	EUR	51.00%	51.00%	0.00%	
Grand Capital Ring	Moscow (Russia)	400,000	RUB	25.10%	25.10%	0.00%	
Ic Içtaş Astaldi Ica Inşaat A.S.	Ankara (Turkey)	TRY50,000	RUB	50.00%	50.00%	0.00%	
IKA Izmir Otoyol Yatirim Ve Işletme Anonim Şirketi	Ankara (Turkey)	TRY100,000	EUR	33.00%	33.00%	0.00%	
Infraflegrea S.c.r.l. in liquidation	Naples	46,600	EUR	50.00%	50.00%	0.00%	
Piana di Licata S.c.r.l. in liquidation	Milan	10,200	EUR	43.75%	43.75%	0.00%	
S. Leonardo S.c.r.l. in liquidation	Rome	10,200	EUR	51.00%	51.00%	0.00%	
SOC 24, Russia	Moscow (Russia)	400,000	RUB	25.10%	25.10%	0.00%	
ICA LT Limited Liability Company	St. Petersburg (Russia)	RUB100,000	RUB	50.00%	50.00%	0.00%	
VCGP - Astaldi Ingenieria y Construccion Limitada	Santiago de Chile (Chile)	66,000,000	CLP	50.00%	50.00%	0.00%	

	Registered office	Share/quota capital/consortium fund Nominal amount	Functional currency	%	% direct	% indirect	Indirect investor
Associates							

Association en participation SEP Astaldi-Somatra-Bredero	Tunisia	0	TND	40.00%	40.00%	0.00%	
Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation	Verona	120,000	EUR	23.00%	10.00%	13.00%	Astaldi Concessioni S.p.A.
Brennero Tunnel Construction S.c.r.l. - BTC SCARL	Rome	100,000	EUR	47.23%	47.23%	0.00%	
Consorcio Contuy Medio	Caracas (Venezuela)	0	VES	28.30%	28.30%	0.00%	
Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles	Caracas (Venezuela)	0	EUR	32.33%	32.33%	0.00%	
Consorzio A.F.T. in liquidation	Rome	46,481	EUR	33.33%	33.33%	0.00%	
Consorzio Consarno	Castellammare di Stabia (NA)	20,658	EUR	25.00%	25.00%	0.00%	
Consorzio Iricav Due	Rome	510,000	EUR	37.49%	37.49%	0.00%	
Consorzio Iricav Uno	Rome	520,000	EUR	27.91%	27.91%	0.00%	
Consorzio Ital.Co.Cer. in liquidation	Rome	51,600	EUR	30.00%	30.00%	0.00%	
Consorzio Italvenezia	Rome	77,450	EUR	25.00%	25.00%	0.00%	
Consorzio MM4	Milan	200,000	EUR	32.14%	32.14%	0.00%	
Consorzio Novocen in liquidation	Naples	51,640	EUR	40.76%	40.76%	0.00%	
Consorzio Qalat in liquidation	Misterbianco (CT)	10,327	EUR	40.00%	40.00%	0.00%	
Diga di Blufi S.c.r.l. in liquidation	Milan	45,900	EUR	50.00%	50.00%	0.00%	
Ecosarno S.c.r.l. in liquidation	Sesto S. Giovanni (MI)	50,490	EUR	33.33%	33.33%	0.00%	
Fosso Canna S.c.r.l. in liquidation	Milan	25,500	EUR	32.00%	32.00%	0.00%	
GE. SAT S.c.a. r.l.	Prato	10,000	EUR	53.85%	35.00%	18.85%	Astaldi Concessioni S.p.A.
GEI - Grupo Empresas Italianas	Caracas (Venezuela)	20,001	VES	33.34%	33.34%	0.00%	
Groupement Eurolep	Switzerland	100,000	EUR	22.00%	22.00%	0.00%	
Groupement Italgisas	Casablanca (Morocco)	207,014,000	MAD	40.00%	0.00%	40.00%	Italstrade IS S.r.l.
ICA Ictas Astaldi Ucuncu Bogaz Koprusu Ve Kuzey Marmara Otoyolu Yatirim Ve Isletme Anonim Sirketi	Ankara (Turkey)	TRY666,600,000	USD	20.00%	20.00%	0.00%	
Italsagi Sp. Zo. O.	Katowice (Poland)	PLN100,000,000	EUR	34.00%	0.00%	34.00%	Italstrade IS S.r.l.
M.N. Metropolitana di Napoli S.p.A.	Naples	3,655,397	EUR	22.62%	22.62%	0.00%	
Metro Brescia S.r.l.	Brescia	4,020,408	EUR	24.50%	24.50%	0.00%	
METRO C S.c.p.a.	Rome	150,000,000	EUR	34.50%	34.50%	0.00%	
Metrogenova S.c.r.l.	Spianata Acquasola (Ge)	25,500	EUR	21.81%	21.81%	0.00%	
Mose Bocca di Chioggia Società consortile a Responsabilità Limitata	Padua	10,000	EUR	15.00%	15.00%	0.00%	
Mose-Treporti S.c.r.l.	Padua	10,000	EUR	35.00%	35.00%	0.00%	
N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liquidation	Rome	40,000	EUR	50.00%	50.00%	0.00%	
Nova Metro S.c.r.l. in liquidation	Rome	40,800	EUR	24.10%	24.10%	0.00%	
Otoyol Deniz Tasimaciligi A.S.	Ankara (Turkey)	6,000,000	TRY	17.50%	17.50%	0.00%	
Otoyol Isletime Ve Bakim AS	Ankara (Turkey)	500,000	TRY	18.86%	18.86%	0.00%	
Otoyol Yatirim Ve Isletme A.S	Ankara (Turkey)	TRY4,180,000,000	USD	18.14%	18.14%	0.00%	

	Registered office	Share/quota capital/consortium fund Nominal amount	Functional currency	%	% direct	% indirect	Indirect investor
Passante Dorico S.p.A.	Milan	24,000,000	EUR	24.00%	24.00%	0.00%	
Pedelombarda S.c.p.A.	Milan	5,000,000	EUR	24.00%	24.00%	0.00%	
Pedemontana Lombarda Manutenzioni Scarl	Tortona (AL)	10,000	EUR	35.40%	0.00%	35.40%	NBI S.p.A.
Pegaso S.c.r.l. in liquidazione	Rome	260,000	EUR	43.75%	43.75%	0.00%	
S.E.I.S. S.p.A.	Milan	3,877,500	EUR	48.33%	48.33%	0.00%	
Sociedad Concesionaria Metropolitana de Salud s.a.	Santiago de Chile (Chile)	15,000,000,000	CLP	51.00%	0.00%	51.00%	Astaldi Concessioni S.p.A.
Quinta Società Concessionaria	Gatchina	RUB30,000	RUB	24.50%	24.50%		
Tangenziale Seconda S.c.r.l. in liquidation	Rome	45,900	EUR	42.73%	42.73%	0.00%	
Other companies							
Astaldi - Ozkar JV	Muscat (Oman)	0	OMR	0.01%	0.01%	0.00%	
C.F.C. S.c.r.l. in liquidation	Naples	45,900	EUR	0.01%	0.01%	0.00%	
C.I.T.I.E. Soc. coop. in liquidation	Bologna	0	EUR	0.40%	0.00%	0.40%	NBI S.p.A., 3E System S.r.l.
CENTOQUATTRO scarl	Rovigo	10,000	EUR	12.07%	0.00%	12.07%	NBI S.p.A.
CENTOTRE scarl	Rovigo	10,000	EUR	12.52%	0.00%	12.52%	NBI S.p.A.
Co.Sa.Vi.D. S.c.r.l.	Rome	25,500	EUR	0.01%	0.01%	0.00%	
Consorzio Asse Sangro in liquidation	Rome	464,811	EUR	4.76%	4.76%	0.00%	
Consorzio Centro Uno in liquidation	Naples	154,937	EUR	2.00%	2.00%	0.00%	
Consorzio CONA in liquidation	Carpi (Mo)	1,286,250	EUR	2.91%	0.00%	2.91%	NBI S.p.A.
Consorzio Groupement Lesi-Dipenta	Rome	258,228	EUR	0.01%	0.01%	0.00%	
Consorzio TRA.DE.CI.V.	Naples	155,535	EUR	17.73%	17.73%	0.00%	
Dirpa S.c.a.r.l. in A.S.	Rome	50,000,000	EUR	99.98%	0.00%	99.98%	Consorzio Stabile Operae
Fondazione Accademia Nazionale di S. Cecilia	Rome	0	EUR	0.00%	0.00%	0.00%	
Fondazione Filarmonica Arturo Toscanini	Parma	0	EUR	0.00%	0.00%	0.00%	
Fusaro S.C.r.l. in liquidation	Naples	10,200	EUR	0.01%	0.01%	0.00%	
G.G.O. S.c.r.l. in liquidation	Agrigento	25,500	EUR	10.00%	10.00%	0.00%	
Guida Editori S.r.l. in liquidation	Naples	0	EUR	0.02%	0.02%	0.00%	
I.SV.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A.	Rome	2,500,000	EUR	0.20%	0.20%	0.00%	
IGI - Istituto Grandi Infrastrutture	Rome	0	EUR	0.00%	0.00%	0.00%	
M.N.6 S.C.r.l.	Naples	51,000	EUR	1.00%	1.00%	0.00%	
Metro 5 S.p.A.	Milan	53,300,000	EUR	2.00%	2.00%	0.00%	
Mose Operae scarl	Padua	10,000	EUR	17.28%	17.28%	0.00%	

ANNEX 2 – LIST OF EQUITY INVESTMENTS

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

NO.VI.F.IN. Nova Via Festinat Industrias S.c.r.l.	Naples	10,329	EUR	0.01%	0.01%	0.00%	
Pantano S.c.r.l. in liquidation	Rome	40,800	EUR	10.00%	10.00%	0.00%	
Pavimental S.p.A.	Rome	10,116,452	EUR	0.60%	0.60%	0.00%	
Prog. Este S.p.A.	Carpi (Mo)	11,956,151	EUR	2.70%	0.00%	2.70%	NBI S.p.A.
SA.T. S.p.A.	Prato	19,200,000	EUR	1.00%	1.00%	0.00%	
Skiarea Valchiavenna S.p.A.	Campodolcino	18,000	EUR	0.23%	0.23%	0.00%	
Mobilinx Hurontario GP (Project Co)	Ontario (Canada)	CAD100	CAD	14.00%	0.00%	14.00%	Astaldi Canada Enterprises Inc.
Sociedad Concesionaria BAS S.A.	Santiago de Chile (Chile)	CLP8,876,340,000	EUR	0.10%	0.10%	0.00%	
Sociedad Concesionaria Nuevo Pudahuel S.A	Santiago de Chile (Chile)	CLP147,081,000,000	EUR	15.00%	0.00%	15.00%	Astaldi Concessioni S.p.A.
Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A.	Mestre (VE)	20,500,000	EUR	1.00%	0.50%	0.50%	Astaldi Concessioni S.p.A.
SPV Linea M4 S.p.A.	Milan	49,345,500	EUR	9.63%	9.63%	0.00%	

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

ANNEX 3 – INFORMATION ON CHANGES IN EQUITY INVESTMENTS

	Carrying amount at 31/12/2017	Changes of the year									Carrying amount at 31/12/2018
		Invested capital increases	Invested capital decreases	Equity accounting through profit or loss	Equity accounting through OCI	(Dividends) / Coverage of losses	(Impairment losses) / Reversals of impairment losses	Disposals	Fair value measurement	Reclassifications and other changes	
Subsidiaries											
Astaldi International Ltd.	2,797	-	-	-		139	-	-		-	2,936
ASTALROM S.A.	3,782	-	-	2,170		(112)	-	-		-	5,840
Messina Stadio S.c.r.l. in liquidation	46	-	-	-		-	-	-		-	46
Scuola Carabinieri S.C.r.l.	28	-	-	-		-	-	-		-	28
Garbi Linea 5 S.c.a.r.l.	10	-	-	-		-	-	-		-	10
Infraflegrea Progetto S.p.A.	2,883	-	-	154		-	-	-		-	3,038
AS. M. S.c.r.l.	8	-	-	-		-	-	-		-	8
Astaldi Concessioni S.p.A.	24,860	10,814	-	(4,500)		(2,410)	-	-		-	28,764
DMS Design Consortium Scrl	6	-	-	-		-	-	-		-	6
GE. SAT S.c.a. r.l.	4	-	-	-		-	-	-		-	4
Sirjo Scpa	4,500	-	-	-		-	-	-		-	4,500
Capodichino AS.M S.c.r.l	7	-	-	-		-	-	-		-	7
Afragola FS Società consortile a Responsabilità Limitata	8	-	-	(481)		-	-	-		-	(473)
Consorzio Stabile Operae	274	-	-	-		-	-	-		-	274
Susa Dora Quattro S.c.r.l. in liquidation	46	-	-	-		-	-	-		-	46
Portovesme S.c.r.l. in liquidation	26	-	-	-		-	-	-		-	26
AGN Haga AB	531	-	-	-		-	-	-		-	531
Astaldi Polska Sp. z o.o.	68	-	-	(114)		-	-	-		-	(45)
Astaldi India Services LLP	-	124	-	-		-	-	-		-	124
Astaldi de Venezuela C.A.	3,095	-	-	-		-	-	-		-	3,095
Astaldi International Inc.	1,586	-	-	-		-	-	-		-	1,586
Astaldi Infrastrucuture S.p.a.	100	-	-	-		-	-	-	(100)	-	-
Astaldi Enterprise S.p.a.	100	-	-	-		-	-	-	(100)	-	-
Astur Construction and Trade A.S.	22,134	-	-	(3,237)		428	-	-		-	19,325
Astaldi Algerie - E.u.r.l.	1,052	-	-	58		12	-	-		-	1,122
CO.MERI S.p.A.	2,183	2,565	-	(1)		-	-	-		-	4,747
AR.GI S.c.p.A.	14,023	1,304	-	-		-	-	-		-	15,327
S.P.T. - Società Passante Torino S.C.r.l.	41	-	-	-		-	-	-		-	41
C.O.MES. In liquidazione S.C.r.l.	11	-	-	-		-	-	-		-	11

ANNEX 3 – INFORMATION ON CHANGES IN EQUITY INVESTMENTS

Partenopea Finanza di Progetto S.c.p.A.	8,089	-	-	(590)	-	-	-			-	7,499
Ospedale del Mare S.C.r.l. in liquidation	50	-	-	-	-	-	-			-	50
CO.ME.NA. S.c.r.l. in liquidation	15	-	-	-	-	-	-			-	15
Toledo S.c.r.l. in liquidation	45	-	-	-	-	-	-			-	45
Noseb S.c.r.l.	35	-	-	-	-	-	-			-	35
Forum S.c.r.l. in liquidation	41	-	-	-	-	-	-			-	41
Italstrade IS S.r.l.	1,120	-	-	-	-	-	-			-	1,120
Redo-Association Momentanée	678	-	-	-	-	-	-			-	678
Italstrade CCCF JV Romis S.r.l.	211	-	-	-	-	-	-			-	211
Total subsidiaries	**94,494**	**14,808**	**-**	**(6,541)**	**(1,941)**	**-**	**-**			**-**	**100,619**

		Changes of the year									
	Carrying amount at 31/12/2017	Invested capital increases	Invested capital decreases	Equity accounting through profit or loss	Equity accounting through OCI	(Dividends) / Coverage of losses	(Impairment losses) / Reversals of impairment losses	Disposals	Fair value measurement	Reclassifications and other changes	Carrying amount at 31/12/2018
Joint ventures											
C.F.M. S.c.r.l. in liquidation	21	-	-	-	-	-	-			-	21
Consorzio Gi.It. in liquidation	1	-	-	-	-	-	-			-	1
Infraflegrea S.c.r.l. in liquidation	23	-	-	-	-	-	-			-	23
VCGP - Astaldi Ingenieria y Construccion Limitada	19	-	(7)	-	-	-	-			-	12
Ankara etlik Hastane A.S.	5,537	-	-	(730)	(1,811)	-	1,080			-	4,075
Etlik Hastane PA S.r.l.	1,115	-	20	-	-	-	-			-	1,134
IKA Izmir Otoyol Yatirim Ve Işletme Anonim Şirketi	8	-	-	-	-	-	-			-	8
SOC 24, Russia	-	-	-	-	-	-	-			-	-
Grand Capital Ring	-	-	-	-	-	-	-			-	-
ICA LT Limited Liability Company	1	-	-	-	-	-	-			-	1
Consorzio Ferrofir in liquidation	357	-	-	-	-	-	-			-	357
S. Leonardo S.c.r.l. in liquidation	-	-	-	-	-	-	-			-	-
Total joint ventures	**7,082**	**-**	**13**	**(730)**	**(1,811)**	**-**	**1,080**			**-**	**5,633**

ANNEX 3 – INFORMATION ON CHANGES IN EQUITY INVESTMENTS

		Changes of the year									
	Carrying amount at 31/12/2017	Invested capital increases	Invested capital decreases	Equity accounting through profit or loss	Equity accounting through OCI	(Dividends) / Coverage of losses	(Impairment losses) / Reversals of impairment losses	Disposals	Fair value measurement	Reclassifications and other changes	Carrying amount at 31/12/2018
Associates											
Consorzio Iricav Due	194	-	-	-	-	-	-			-	194
Consorzio Ital.Co.Cer.	15	-	-	-	-	-	-			-	15
Consorzio Italvenezia	19	-	-	-	-	-	-			-	19
Tangenziale Seconda S.c.r.l. in liquidation	20	-	-	-	-	-	-			-	20
S.E.I.S. S.p.A.	12,021	-	-	(3,123)	-	-	-			-	8,898
METRO C S.c.p.a.	19,671	-	-	-	-	-	-			-	19,671
Metro Brescia S.r.l.	2,385	-	-	466	-	-	-			-	2,852
Brennero Tunnel Construction S.c.r.l. - BTC SCARL	47	-	-	-	-	-	-			-	47
Passante Dorico S.p.A.	1,396	-	-	-	-	-	-			-	1,396
Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation	12	-	-	-	-	-	-			-	12
Consorzio MM4	64	-	-	-	-	-	-			-	64
N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liquidation	20	-	-	-	-	-	-			-	20
Mose-Treporti S.c.r.l.	4	-	-	-	-	-	-			-	4
Progetto Nuraghe S.c.r.l.	5	-		-	-	-	-	(5)		-	-
Mose Bocca di Chioggia Società consortile a Responsabilità Limitata	2	-	-	-	-	-	-			-	2
Otoyol Isletime Ve Bakim AS	313	-	-	-	-	-	-			-	313
Otoyol Deniz Tasimaciligi A.S.	159	-	-	-	-	-	-			-	159
Otoyol Yatirim Ve Isletme A.S	356,960	-		40,174	(16,585)	-	-	(14,093)		-	366,456
Pedelombarda S.c.p.A.	1,200	-	-	-	-	-	-			-	1,200
Consorzio A.F.T. in liquidation	15	-	-	-	-	-	-			-	15
Consorzio Consarno	5	-	-	-	-	-	-			-	5
Consorzio Iricav Uno	124	-	-	-	-	-	-			-	124
Diga di Blufi S.c.r.l. in liquidation	23	-	-	-	-	-	-			-	23
Ecosarno S.c.r.l. in liquidation	17	-	-	-	-	-	-			-	17
Groupement Eurolep	8	-	-	-	-	-	-			-	8
M.N. Metropolitana di Napoli S.p.A.	4,571	-	-	540	-	-	-			-	5,110
Metrogenova S.c.r.l.	6	-	-	-	-	-	-			-	6

ANNEX 3 – INFORMATION ON CHANGES IN EQUITY INVESTMENTS

Nova Metro S.c.r.l. in liquidation	10	-	-	-	-	-	-			-	10
Pegaso S.c.r.l. in liquidation	114	-	-	-	-	-	-			-	114
Total associates	**399,400**	**-**	**-**	**38,057**	**(16,585)**	**-**	**-**			**-**	**406,774**

		Changes of the year									
	Carrying amount at 31/12/2017	Invested capital increases	Invested capital decreases	Equity accounting through profit or loss	Equity accounting through OCI	(Dividends) / Coverage of losses	(Impairment losses) / Reversals of impairment losses	Disposals	Fair value measurement	Reclassifications and other changes	Carrying amount at 31/12/2018
Other companies											
Consorzio Centro Uno in liquidation	3	-	-	-	-	-	-			-	3
Skiarea Valchiavenna S.p.A.	18	-	-	-	-	-	-			-	18
Metro 5 S.p.A.	1,645	-	-	-	-	-	-			-	1,645
SA.T. S.p.A.	361	-	-	-	-	-	-			-	361
Mose Operae scarl	2	-	-	-	-	-	-			-	2
SPV Linea M4 S.p.A.	14,017	-	-	-	-	-	-			-	14,017
Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A.	377	-	-	-	-	-	-			-	377
Sociedad Concesionaria BAS S.A.	13	-	-	-	-	-	-			-	13
M.N.6 S.C.r.l.	1	-	-	-	-	-	-			-	1
Pantano S.c.r.l.	4	-	-	-	-	-	-			-	4
Pavimental S.p.A.	62	-	-	-	-	-	-			-	62
I.SV.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A.	7	-	-	-	-	-	-			-	7
Consorzio TRA.DE.CI.V.	28	-	-	-	-	-	-			-	28
Consorzio Utenti Servizi Salaria Vallericca	17	-	-	-	-	-	-			-	17
IGI - Istituto Grandi Infrastrutture	52	-	-	-	-	-	-			-	52
Fondazione Filarmonica Arturo Toscanini	5	-	-	-	-	-	-			-	5
Fondazione Accademia Nazionale di S. Cecilia	5	-	-	-	-	-	-			-	5
Total other companies	**16,615**	**-**	**-**	**-**	**-**	**-**	**-**			**-**	**16,615**

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

Certification of Separate Financial Statements pursuant to Article 154-bis of Legislative Decree No. 58/98 and Article 81-ter of CONSOB Regulation No. 11971 of 14 May 1999 and any subsequent amendments and additions

1. Taking into account the provisions contained in Article 154-bis, subsections 3 and 4 of Legislative Decree No. 58 of 24 February 1998, the undersigned Filippo Stinellis, in the capacity of Chief Executive Officer, and Paolo Citterio, in the capacity of Manager in charge of financial reporting of Astaldi S.p.A., hereby certify:
   - the appropriateness in relation to the company's characteristics and
   - the actual application of administrative and accounting procedures used to formulate the 2019 separate financial statements.

2. The administrative and accounting procedures used to formulate the separate financial statements at 31 December 2019 were formulated and their appropriateness assessed on the basis of provisions and methodologies defined by Astaldi S.p.A. in compliance with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission (so-called CO.S.O. Report) which represents a reference framework for internal audit systems generally accepted at an international level.
   There are no significant observations to be made in this regard.

3. This is also to certify that:
   3.1 The separate financial statements:
   a) were drafted in compliance with the applicable international financial reporting standards acknowledged within the European Community pursuant to (EC) Reg. No. 1606/2002 of the European Parliament and Council of 19 July 2002;
   b) match the ledgers and accounting entries;
   c) are suitable for providing a truthful and accurate representation of the financial position and results of operations of the issuer.

   3.2 The management report contains a reliable analysis of the operating performance and result, as well as of the situation of Astaldi S.p.A. together with a description of the main risks and uncertainties it is exposed to.

Rome, 16 June 2020

Signed **Filippo Stinellis**	Signed **Paolo Citterio**
Chief Executive Officer	***Manager in charge of financial reporting***

ASTALDI Società per Azioni

Registered Office in Rome - Via Giulio Vincenzo Bona, 65

Share capital Euro 196,849,800.00 - fully paid-up

Registered with the Register of Companies of Rome

under Taxpayer Code No. 00398970582

(already registered in aforementioned Register under no. 847/50 - Court of Rome)

R.E.A. No. 152353

VAT No. 00880281001

Financial Statements as at December 31, 2019

Board of Auditors' Report to Shareholders' Meeting

*****

Dear Shareholders,

in compliance with the laws and regulations in force applicable to stock companies issuers of securities listed in regulated stock markets and in accordance with the provisions of the Company's By-laws, during the financial year ended December 31, 2019, we conducted our audit activity in accordance with the laws (and, particularly, art. 149 of D.Lgs. 58/1998 “TUF”), according to the provisions of the Code of Conduct of the Board of Auditors of companies listed in regulated stock market issued by the Italian National Board of Chartered Accountants, and the provisions set forth in art. 19 of D.Lgs. 39/2010 as amended by D.Lgs. 135/2016.

This report was already drawn up by taking into account the directions given by Consob through its communications in matter of corporate controls and activities of the Board of Auditors and the recommendations set forth in the Self-Governance Code of the Corporate Governance Committee of listed companies as provided by Borsa Italiana S.p.A., agreed upon and still being complied with by the company.

Effective October 5, 2018, the Company requested to and obtained from Borsa Italiana that its common shares be excluded from the STAR qualification and be included in the MTA segment, giving CONSOB notice of the fulfilment of the conditions to be qualified as a PMI (small- and medium-sized companies) as per article 1, paragraph 1, letter w-quater.1) of TUF.

The Board of Auditors acquired the information necessary to fulfil the audit tasks attributed to the same by: attending the meetings of the Company Shareholders, of the Board of Directors, of the Appointments Committee, of the Remuneration Committee, of the Related Parties Committee, of the Risks and Control Committee, by interviewing the Company's and Group's management, by holding meetings with the Independent Auditor, periodical meetings with the Company’s Supervisory Body, by analyzing the information flows from the competent corporate structure suitable for ensuring the compliance with the supervision activity obligations provided for by reference law provisions, as well as by means of additional audit activities.

Appointment of the Board of Auditors

The Board of Auditors in office at the date of this report was appointed by the Shareholders' Meeting held on April 27, 2018, and shall hold office for the three-year period 2018-2020, and is formed of Giovanni Fiori (President), Anna Rosa Adiutori (Standing Auditor), Lelio Fornabaio (Standing Auditor).

Giulia De Martino, Francesco Follina and Gregorio Antonio Greco were appointed as alternate auditors.

The Board of Auditors, during its meeting held on May 13, 2019, verified and expressed its favourable opinion on the fulfilment of the independence requirement; such verification was carried out in accordance with the TUF, the provisions of the Code of Conduct of the Board of Auditors of listed companies issued by the Italian National Board of Chartered

Accountants, and the self-governance code promoted by Borsa Italiana S.p.A.

The Board of Directors was given notice of the outcome of such verification so as to enable the same to comply with the necessary obligations, in accordance with the Implementation Criterion 8.C.1 of the Self-Governance Code and, in particular, in order to enable the same to disclose - within the framework of the corporate governance report - the fulfilment, by all the members of the control bodies, of the independence requirements as provided for by article 148 of the T.U.F.

1. Introduction to the Company's filing of the application for arrangement with creditors as a going concern, as per arts. 160 and 186-bis et seq. of the Italian Bankruptcy Law.

In the Board of Auditors' Report to the Financial Statements for the period ended December 31, 2018, we acknowledged that, on September 27, 2018, the Board of Directors filed an application for the Company to enter the procedure of arrangement with creditors as a going concern and that on October 17, 2018, the Court of Rome upheld the Company's application for arrangement with creditors pursuant to art. 161(6) of Royal Decree 267/1942 (the Italian Bankruptcy Law), and that on December 18, 2018, the Court granted the time-extension requested by the Company, setting February 14, 2019 as the new deadline to file the final proposal of arrangement with creditors.

The Board of Auditors constantly monitored, during the period, the progress of activities for the preparation of the Plan and Proposal of Arrangement with Creditors with periodical meetings with the Company's management, the legal and financial advisors, the expert having attested the Plan, the Court Commissioners. In Particular, the Board of Auditors monitored, on the basis of periodical and estimated financial positions, the Company's cash flow trends and its ability to cope with the commitments of a going concern.

The most significant facts and circumstances on which the Board of Auditors' activity focused are summarized herebelow:

- During the meeting of January 31, 2019, the Board of Auditors received updates from the Top Management according to which the Company was awaiting to receive the two binding offers from Gruppo Salini Impregilo and from the Japanese Group IHI which were of fundamental importance for the proposal of arrangement which, since the very beginning, provided for the entry of a new reference industrial shareholder.
- During that same meeting, we were informed that the Court of Rome had authorized the Company, on January 9, 2019, to incur a pre-deductible bridge financing amounting to Euro 75 million, pursuant to art. 111 of the Italian Bankruptcy Law, serviceable to pursuing the target of the going concern until expiry of the deadline for filing the final proposal of arrangement with creditors. In particular, we were informed that the financing was intended for supporting projects' operations, in order to take back advantage of the positive cash flow, resulting from the works progress, thus preserving the Company's value. Such amount was collected on February 12, 2019, by the issue of notes fully subscribed by entities associated with certain funds and accounts managed by Fortress Credit Corporation.
- On February 14, 2019, the Company made known it had received a binding offer from Salini Impregilo and, on that same date, the Board of Directors approved the Plan and the Proposal of Arrangement, filing the same with the Court.
- On April 18, 2019, the Board of Directors acknowledged that on March 28, 2019 Salini Impregilo S.p.A. gave notice of a postponement of the deadline to submit the final offer, making the execution of one or more binding agreement with institutional investors and credits institutes a condition precedent to agree upon the joint participation in the investment in Astaldi S.p.A.
- During the meeting of the Board of Auditors of May 13, 2019, we were informed from the Company's Top Management that, one of the aspects characterizing Salini Impregilo's binding offer including the separation of non-core assets

To such respect, we acknowledged that the Plan of Arrangement with Creditors worked out by the Company provides for a clear separation between (i) the Area of the Going Concern (embodying EPC contracts, O&M activities and other minor assets under concession) which is serviceable to the continuation of the business activity, and (ii) the Pool of Allocated Assets (non-core assets, embodying the main assets under concession, Venezuelan receivables, Head-office of the Company in Rome, 100% of the share capital of Astaldi Concessioni S.p.A. which will undergo a partial demerger according to the terms and conditions made known by the Company) which is serviceable to the settlement of unsecured debt.

The concessions to be disposed of include also the one relating to the Third Bridge over the Bosporus in Turkey but, since local laws do not recognize the legal institution of the arrangement with creditors, the revenues from the sale of such assets being allocated to fully cover the amounts owed by the Company to the banks and other local creditors.

- During the same meeting of the Board of Auditors of May 13, 2019, we were further informed by the Top Management that, on April 19, 2019, the Company had received a document from the Court of Rome highlighting some critical aspects of the Proposal, of the Plan and of the attestation thereof as submitted by the Company which could be prejudicial to the admissibility and with reference to which, therefore, the Company, was required to provide appropriate explanations within the time limit set by the same Court, as the Company actually did.
- During the meeting of the Board of Directors of May 21, 2019, notice was given that Salini Impregilo had positively acknowledged the progress in the activities propaedeutical to the completion of the preliminary investigation and decision-making stages of the financial institutes which were the condition precedent to its offer.
- The Company, upon the Board of Auditors’ indication, gave Salini Impregilo notice

dated June 24, 2019 expressing its concern that a time extension additional to the postponement already requested by Salini, could have been in serious prejudice of the procedure of arrangement with creditors, considering Astaldi's extreme needs for lines of credit, until the approval of the Plan of Arrangement, in order to continue its business activities. The above, also considering the fact that the disbursement of the financing from the banks was conditional to the successful outcome of the New Proposal from the Company.

- During the meeting of the Board of Auditors of June 28, 2019, we were informed from the members of the Company's Top Management attending the meeting that Salini Impregilo had communicated the positive progress of the activities propaedeutical to the fulfilment of the condition precedent to its binding offer and that it expected it could solve the all issued within July 15, 2019.
- On July 16, 2019, the Board of Directors acknowledged to have received a Supplement to the Binding Office from Salini Impregilo and, considering the same as consistent with the preconditions to the Proposal of Arrangement with Creditors, resolved to change the same as necessary, thus filing the same with the Court of that same date.
- On August 5, 2019, the Court of Rome allowed the Company to enter the procedure of arrangement with creditors and authorized the same to incur a new pre-deductible financing to meet its cash and guarantee requirements.

1.1. Postponement of the deadline to approve the Financial Statements as at December 31, 2019

We drew up this Report on July 10, 2020, though it refers to the examination and approval of the Financial Statements for the period ended December 31, 2019.

In fact, it runs through the events having affected the Company during the last year, showing the effects of the filing, by the Company. of the Plan and the Proposal of Arrangement on

February 14, 2019.

Following to the contents of the foregoing paragraph, it is necessary to underline that during the meeting of March 20, 2019, we were informed by the Top Management that the time to bring the procedure of arrangement with creditors to end was getting longer, considering the application for time extension filed by Salini Impregilo (as Sole Offeror) in relation to some terms and conditions initially contained in its binding offer as submitted.

The above was leading to advisedly file an application before the Supervisory Authority for a postponement of the deadline to examine and approve the draft Individual and Consolidated Financial Statements, in order to consider and recognize the effects of the progress of said procedure of arrangement with creditors as a going concern when approving the data relating to the Company's financial position and results of operations.

During the meeting of October 2, 2019, we acknowledged that, awaiting decision of the admissibility and the approval itself of the Plan by the Court of Rome, the Board of Directors, during its meeting held on April 8, 2019, resolved to postpone the deadline to examine and approve the Financial Statements for the period ended December 31, 2018, and that the Company intended to concurrently approve both the (individual and consolidated) financial statements as at December 31, 2018 and as at December 31, 2019 during the first half of 2020, or after the meeting of the creditors and the resolutions taken thereat.

Anyway, in order to ensure a correct disclosure to the market, the Company would continue to publish, pursuant to art. 114, paragraph 5, of D.Lgs. 58/1998, the information on the financial position and results of operations relating to 2019.

2. Board of Auditors' supervision of relevant and non-recurring transactions

During the meeting of February 14, 2019, we were informed on the Financial Operation which is at the basis of the Proposal and of the Plan of Arrangement with creditors an on which the independent expert having attested the same expressed his favourable opinion.

The same, consistently with the preconditions for the binding offer submitted by Salini Impregilo, provides for the following: A share capital increase against cash payment reserved to Salini Impregilo by an amount of euro 225 million, intended for the settlement of senior debt and pre-deductible financing, and serviceable to the going-concern plan; the partial settlement of unsecured debt by attributing to the same both shares resulting from the partial conversion of amounts receivable and financial instruments representing participating interest, issued by the Company, following to the disposal of non-core assets separated in their favour.

Upon completion of the Plan, Salini Impregilo shall acquire the controlling interest in Astaldi S.p.A. after payment of the debt in accordance with the arrangement with creditors, thus becoming the majority shareholder; Astaldi's unsecured creditors shall become Shareholders, by converting their receivables into shares; the Company's present shareholders, at the end of the recapitalization operation, shall preserve a participating interest in the capital of Astaldi S.p.A.

Said offer is made conditional, furthermore, to the admission and subsequent approval of the Proposal of Arrangement, to the issue of the authorizations required by the laws, to the non-ocurrence of events endangering the feasibility of the economic-financial plan of Astaldi as a going concern, to the contribution of long-term investors by own funds serviceable to the operation, and to the availability of the banks to grant lines of credit, for cash and guarantee, to Astaldi as necessary within the framework of the Company's financial and operational stabilization in accordance with the Plan.

3. Considerations on the main economic, financial and equity operations carried out by the Company and on their compliance with the laws, regulations and Company's By-laws

The Board of Auditors obtained from the Directors, also pursuant to art. 151 paragraph 1 of T.U.F. (Italian Financial Services Act) periodical information on the activities and on most important transactions carried out or being carried out by the Company or in the interest of the latter during the period and, considering their importance and characteristics, also through its Subsidiaries, the Directors having always reported about their characteristics and economic effects to the Board of Directors, to control and supervisory bodies, to public authorities and to the market.

As already set forth in the premsie, during the meeting of March 20, 2019, we were informed by the Top Management about Salini Impregilo's request for the postponement of certain conditions initially defined in the offer submitted by the same.

Following to the submission of the integrated offer by Salini Impregilo and the subsequent filing of the Proposal of Arrangement with Creditors by Astaldi, we acknowledged the Court of Rome's authorization to incur the financing necessary to support Group's activities until approval (homologation) of the arrangement.

The above, with specific reference to the disbursement of the second tranche of the financing which had to be secured solely by the proceeds from the sale of assets under concession.

The disbursement of the second line of credit was necessary, also due to the worsening the Group's comprehensive financial position resulting from the enforcement of some contractual bonds by some Employers during the period, and because of the effects deriving from the application of the new IFRS 16 on Leases.

To such respect we can reasonably assure you that the actions resolved upon and implemented comply with the law and the corporate by-laws, as well as with the principles of fair management and do not appear to be imprudent, risky, in potential conflict of interest or in contrast with Board of Directors' resolutions, or likely to adversely affect the compliance with the obligations on the protection of corporate assets.

After the Court of Rome gave its consent to the Company entering the procedure of arrangement with creditors, the Company's Board of Directors continued to carry out the day-to-day management activities, while the Court Commissioners, besides expressing their opinions on acts and deeds of extraordinary administration, supervised the Company's activities.

The Board of Auditors met, on various occasions, the Court Commissioners in order to exchange information on the procedure of arrangement with creditors and on the activities the company was required to carry out to enable said Commissioners to actually monitor the latter, having not received from the latter any notice to such respect.

The transactions and events of a significant importance having qualified the Group's activity during 2019 are set forth in the Directors' Report, to which reference is made for more detailed information, with reference to both the period prior to the filing of the application for arrangement with creditors as a going concern and the period subsequent to the filing of the proposal and the plan of arrangement.

The Board of Auditors checked that the resolutions were supported by appropriate documents and, possibly, by experts' opinions, whenever so deemed advisable, about the economic-financial consistency - of transactions carried out, and that the same were promptly and transparently disclosed to the market, especially in the cases in which the Proposal and the Plan of Arrangement with Creditors could adversely affect the business continuity with reference to contractual relationships in force, as well as creditors’ and stakeholders’ interests.

The Board of Auditors supervised the fulfilment of the obligations connected with the laws and regulations on market abuse, protection of public savings in matter of corporate information and internal dealing with particular reference to the handling of inside information, to the procedure for the circulation of communications and disclosure of such information to the public, and to the transactions carried out by relevant persons on Company’s financial instruments.

The Board of Auditors further monitored the compliance with the provisions of art. 115-bis of T.U.F. and of the Issuers’ Regulation about the update of the Register of individuals having access to inside information.

3.1. Request of information pursuant to art. 114(1) of D.Lgs. 58/1998

By making reference to the contents of paragraphs 1 and 1.1 above, the Company, during 2019, received some requests for information from Consob pursuant to art. 114 of D.Lgs. 58/1998 (TUF).

More particularly, by the press releases of April 24, 2019, of May 15, 2019, of September 12 and of September 30, 2019, and of November 14 and November 20, 2019 Astaldi provided, also at Group level, a set of information as at December 31, 2018, as at March 31, 2019, as at June 30, 2019 and as at September 30, 2019:a) on its Net Financial Position, highlighting short-term items to the detriment of long-term items; b) on the debts fell due, divided by their nature, and with the creditors' reactions connected therewith, if any; c) on the main changes having affected the relationships with Related Parties during the period, compared to the latest annual financial report approved; d) on the compliance with the covenants, the negative pledges and any other provision governing Gruppo Astaldi's indebtedness and limiting the application of financial resources, setting out the state of compliance with said provisions; e) on the situation of implementation of financial and industrial plans, if any, setting out deviation of final data from estimates;

4. Atypical and/or unusual transactions, including intragroup transactions or transactions with related parties; adequacy of the relevant information set forth in the Directors' Report

We have neither found nor received information from the Board of Directors, the Independent Auditor KPMG, the Corporate Governance and Chairman's Office Department Manager, the Head of the Internal Audit Department, the Control Bodies of "relevant" participating interests or the shareholders themselves about atypical and/or unusual transactions carried out during the fiscal year with third parties, related parties or group companies.

Moreover, during our control activities, we have found no evidence of the fulfilment of any such transactions.

The information provided to Consob during 2019, and set forth by the Directors in their

Report on Operations and in the explanatory notes to the Individual Financial Statements is suitable for describing the transactions with related parties and intragroup transactions carried out in 2019, which are consistent, in accordance with the Company's interests and settled at arm's length

To such respect, we have been informed that the Company recently adopted a specific operational transfer pricing model to determine the value of transactions with foreign subsidiaries.

In accordance with the provisions of the "International Accounting Standard - IAS 24" as well as Consob communication no. 6064293 of July 28, 2006, concerning the definition of related parties, we underline that the notes to the Company's Individual Financial Statements and to the Consolidated Financial Statements show the totals of existing transactions and balances resulting from financial and commercial relations with related companies, as well as the fees due to Directors, Auditors and General Managers.

No transactions which may be considered as atypical or unusual with respect to normal management have been found.

Moreover, we have been informed, during the same meeting, about termination of the contracts being executed by Astaldi Construction Corporation in Florida by the Employer, and about the latter's intention to entrust the same to a different contractor just selected.

Finally, still during the meeting of May 13, 2019, we have been informed about the evolution of the application for arrangement with creditors under art. 161(6) of the Italian Bankruptcy Law filed by NBI S.p.A. and by Partenopea Finanza di Progetto ("P.F.P. S.p.A."), on November 5, 2018 and on March 18, 2019, respectively.

The Court of Rome and the Court of Naples set the deadlines for filing the final proposals and NBI was granted a time-extension by the Court of Rome.

To such respect, during the period, we met company's officers responsible for the monitoring of the activities, i.e. the Chief Executive Officer, the General Manager Administration and Finance and the Administrative Manager.

5. Notifications as per Section 2408 of the Italian civil code, omissions or misstatements, other opinions expressed, actions taken

The Board of Auditors acknowledges that:

- not any report was filed pursuant to section 2408 of the Italian Civil Code, and no claim of any kind was filed by any third party;
- during the period, not any opinion was expressed, pursuant to section 2389(3) of the Italian Civil Code.

6. Compliance with good management principles

The Board of Auditors verified - also by means of meetings with the managers of corporate department and with the Audit Company KPMG – the compliance with the principles of correct management, as well as with the law and corporate by-laws, and found the existence of an adequate corporate organization allowing to comply with the laws and regulation and to fulfil the obligations provided for thereby, although the personnel progressively started leaving the company beginning from the fourth quarter of 2018.

The Board of Auditors deems that governance instruments and prescriptions adopted by the Company may properly assure compliance with the principles of good management throughout operational practices.

During the period, we checked the fair application of verification criteria and procedures adopted by the Board of Directors in order to assess the independence of its own members based on the criteria set by the Law and the Self-Governance Code, which the company adopted and continues to comply with, although the facts and events set forth above.

7.1 Diversity policies

The audit activities focusing on Diversity Policies took into account the provisions of Decreto Legislativo No. 254 of 2016, imposing information transparency obligations in relation to “diversity policies” adopted by listed issuers. order to make the most of the diversity profiles of the members of management and control bodies, by the final definition and approval by the Board of Directors, on November 14, 2017, of a proper corporate document regarding such aspect, after previous examination thereof by the Appointments and Remuneration Committee.

Such document is constantly updated, also following to the outcome of the “board evaluation” activities and in view of the next renewal of managing and control bodies.

Moreover, we acknowledged that the Company’s By-laws comply with the provisions of Law No. 120/2011, which introduced the principles of the balance between genders in the composition of management and control bodies within the Italian legal system.

The 2019 Corporate Governance and Shareholding Structure Report sets forth the provisions of D.Lgs. No. 254/2016.

7.2 Remuneration policy

All the information on the nature and importance of the remuneration policy is set forth in the Remuneration Report (in accordance with the provisions of art. 123-ter of D.Lgs. 58/98), produced to the Board of Directors and we made no observation in connection therewith.

With reference thereto, in fact, the Directors illustrated the principles adopted for determining the remuneration of the members of management bodies and of key executives vested with strategic responsibilities.

Moreover, said Report sets forth the table showing the amounts paid to the members of management and control bodies and to top managers fulfilling key functions, as well as the Table showing the information on the participating interests held by the same in the Company’s capital.

During 2019, not any meeting of the Appointments and Remuneration Committee was held.

As far as concerns said Committee, reference is made to the contents of the “Corporate Governance and Shareholding Structure Report” relating to 2019.

8. Adequacy of the organizational structure

We have taken knowledge and verified, to the extent of our responsibility, the adequacy of the Company's organizational structure also in relation to the contingent situation the Company is going through. Starting from the first appearance of CoViD-19 cases within the national territory, at the end of February 2018, the Company took prompt action in accordance with the Government's guidelines and further adopted the following measures: Moreover, reorganization processes of a various corporate functions have been started in order to curb the number and costs of the various office premises. Finally, we underline that due to the Company's crisis and the consequent arrangement with creditors, when comparing the data as at December 31, 2019 with the data as at December 31, 2018 at Group level, 88 executives and 4,127 members of personnel including cadres, employees and workers left the Company.

We acknowledged the existence of a corporate organization chart identifying functions, roles and lines of responsibility, supplemented by a clear and well-defined system of powers and delegations.

Decision-making powers are exercised in accordance with the powers conferred with appropriate separation and balance of responsibilities between the various tasks and functions.

To such respect, by means of the control activity carried out by the Board of Auditors itself, we have examined the latest organization chart approved dating back to January 16, 2019 and the organizational communications issued in 2019, which are relevant also because of their impacts on the ongoing procedure of arrangement with creditors.

To this regard, we have acknowledged that the Board of Directors of Astaldi S.p.A., during its meeting held on May 31, 2019, appointed Dr.Ing. Paolo Amato as Chief Restructuring Officer ("CRO"), with the purpose of providing the Group with support in the current corporate restructuring process, drawing a particular attention to the effective implementation of the proposal of arrangement until its validation by the Court of Rome. The above, by monitoring the transversal monitoring and supervision of the company's activities with reference to economic and financial aspects and the management of cash flows.

Still during our control activities, we have been informed on the occasion of the Board of Auditors' meeting held on May 13, 2019 that, in order to carry on the due diligence activity on both a continual and periodical basis for the interim period and until approval of the plan of arrangement, Salini Impregilo S.p.A. and Astaldi S.p.A. set up a "Steering Committee" appointing the respective coordinator and defining workgroups and reference persons by subject of competence.

This was required for the previous exchange of information on aspects which may come into being and affect the ongoing procedure of arrangement with creditors, in order to reach mutually agreed solutions on common initiatives.

Moreover, we have been informed that, by organizational communication of October 4, 2019, the Human Resources Department, the name of which has been changed into Human Resources and Organization Department, was attributed the responsibility for the Organization, while the Company's Integrated Management, Organization and Sustainability Department was renamed QHSE Management and Sustainability Department.

Both new organizations units are hierarchically dependent upon the Company's Chief Executive Officer.

9. Adequacy of the administrative-accounting system and on its reliability of the in correctly representing management matters

With reference to the verification of the effectiveness and efficiency of the administrative-accounting system and its reliability, as well as to all intents and purposes of art. 19(1)(a) of Italian Decreto Legislativo 39/2010, we have received updates on the Structure operating is staff to the Executive in charge of drawing up corporate accounting documents, during the meeting of the Control and Risks Committee of December 4, 2019, which we attended, about scheduled activities and tests on the controls carried out in relation to fiscal years 2018-2019 of said structure which

We further verified that recommendations made were made on improvement aspects identified and that the recommendations made during previous testing activities (2018 follow-up) have been implemented.

Based on the activity carried out, we agree upon the substantial suitability of the administrative-accounting system and its reliability in correctly representing management matters in compliance with the law provisions governing the preparation and drawing up of the Individual Financial Statements, of the Consolidated Financial Statements and the Directors' Report, by obtaining information from the managers of the respective departments, as well as by examining corporate documents and analyzing the results of the work carried out by the Independent Auditor although, in relation to the period of reference, our attention was drawn to a slowdown in the activities of document collection, also due to the personnel having left the Company.

We further verified the effectiveness of the procedures concerning the preparation, filing and publication of the financial statements, the fulfilment of law requirements concerning the information to be disclosed in the directors' report attached to the financial statements, as well as the procedures governing the collection, working out and issue of press releases setting forth price-sensitive information, the latter ones relating also to the period immediately preceding the approval of 2019 Financial Statements.

We did not find any particular critical aspect or impediment to the issue of the attestations by the Executive in charge of drawing up corporate accounting documents and by the Chief Executive Officer on the effectiveness and efficiency of administrative and accounting procedures to draw up the Statutory Individual Financial Statements of Astaldi S.p.A. and the Consolidated Financial Statements as at December 31, 2019.

To such respect, we acknowledged that the Company entrusted the company KPMG with the task of establishing the adequacy of the declarations included in the statements issued by the Chief Executive Officer, Filippo Stinellis, and by the Executive in charge of drawing up corporate accounting documents, Paolo Citterio pursuant to art. 154 bis, paragraph 5, of Italian Decreto Legislativo No. 58/98.

On June 16, 2020, following to the facts and events already set forth in connection with the approval of 2018-2019 draft financial statements, upon approval of the Plan of Arrangement, the Chief Executive Office and the Executive in charge of drawing up the corporate accounting documents issued the attestations to the consolidated and the individual financial statements as at December 31, 2018, pursuant to art. 81-ter of Consob Regulation of May 14, 1999, as subsequently amended and supplemented.

10. Supervision activity pursuant to D.Lgs. 39/2010

Pursuant to Art. 19 of D.Lgs. 39/2010, as amended by D.Lgs. 135/2016, the Committee for the Internal Audit and Audit of Accounts which, in public bodies (including listed companies) adopting the traditional governance system is represented by the Board of Auditors, is responsible for: informing the managing body of the entity undergoing the audit about the outcome of the audit of accounts and to provide such body with the additional report as per article 11 of Regulation (EU) No. 537/2014, jointly with the relevant observations, if any;

a) monitoring the process of financial disclosure and submit the recommendations or proposals aimed at ensuring its soundness, effectiveness and efficiency;
b) controlling the effectiveness and efficiency of the internal control systems focusing on quality assurance and corporate risk management and, if applicable, of the internal audit, to the extent the financial disclosure of the entity undergoing the audit is concerned, without acting in prejudice of its independence;
c) monitoring the audit of the individual financial statements and of the consolidated

financial statements, also taking into account the outcome and conclusions on the quality-related controls carried out by the Consob in compliance with article 26(6) of EU Regulation, whenever available;

d) checking and monitoring the independence of the statutory auditors and of the audit firms in accordance with articles 10, 10-bis, 10-ter, 10-quater and 17 of this Decree and with the provisions of article 6 of the EU Regulation, with particular reference to the appropriateness of the services other than the audit of accounts rendered to the entity undergoing the audit, in accordance with article 5 of said Regulation;

e) the procedure intended for the selection of statutory auditors or the audit firms and recommend the statutory auditors and the audit firms to be designated pursuant to art. 16 of EU Regulation.

The Board of Auditors interacted with the Control and Risks Committee set up within the Board of Directors in order to coordinate the respective competences, implement exchange of information and constantly discuss, and avoid any superimposition of activities.

By making specific reference to the activities to be carried out under D.Lgs. 39/2010, it is underlined that scheduled and actually carried out control activities are set forth in the below paragraphs of this Board of Auditors' Report.

11. Supervision of the financial disclosure process and significant aspects which have become apparent during the meetings held with the audit firm pursuant to art. 150(2) of D.Lgs.58/1998

The Board of Auditors verified the existence of rules and procedures governing the process of formation and disclosure of financial information.

The actual application of administrative accounting procedures was verified by the Executive in Charge of drawing up corporate accounting documents availing himself of competent internal departments (including the Internal Audit Department), as well as leading advisory companies, reporting the outcome of the verification activities to the Board of Auditors itself on the occasion of the attendance at the meetings of the Controls and Risks Committee.

We further verified the adequacy of instructions given by the company to its most important Subsidiaries in accordance with art. 114(2) of Italian Decreto Legislativo No. 58/1998, by gathering information from Managers of the Company's departments, meetings with the Audit Firm and the Top Management of Astaldi S.p.A. in order to mutually exchange data and information which are significant also because of their impacts on the Consolidated Financial Statements as at December 31, 2019.

To such respect we deem we have received proper information, during the meetings called by the Board of Auditors, on the most significant aspects of some “relevant” subsidiaries of Astaldi such as Astaldi Concessioni S.p.A., NBI S.p.A, Veneta Sanitaria Finanza di Progetto (“VSFP S.p.A.”)

To such respect, please refer to what has already been set forth in relation to NBI and VSFP in paragraph 4 of this Board of Auditors’ Report.

As far as concerns the equity investment Astaldi Concessioni S.p.A., the going-concern area in support of the application for arrangement with creditors filed by Astaldi S.p.A. has to be considered as the area including the assets and activities aimed at supporting the business continuity, as identified within the framework of the Plan of Arrangement with Creditors in support of said application.

12. Supervision of the statutory audit of individual and consolidated financial statements

We further supervised the statutory audit of accounts, thus examining, jointly with the Manager in charge of drawing up the corporate accounting documents, the Independent Auditor's plan of activities, the relevant areas as set forth in the financial statements and the potential effect of significant risks which may be pointed out in the financial statements, supervising the effectiveness of the audit process by holding periodical meetings and exchanging information with the Independent Auditor also in matter of the accounting principles and practices to be adopted, and further verifying that all the data and information specifically requested by the independent auditor had been duly provided.

The Audit Firm KPMG was frequently invited to attend the meetings of the Board of Auditors, with the purpose of monitoring the appropriateness of the audit process, regardless of the deadlines connected with the half-yearly report and the draft annual financial statements. This was advisable in relation to both the contents stated by KPMG in its Additional Report to the financial statements as at December 31, 2017 pursuant to art. 11 of Regulation (EU) No. 537/14, and in connection with the filing and monitoring of the Company’s Plan and Proposal of Arrangement with Creditors.

This is the meaning of Consob communication addressed to the Company (Reg. No. 0152839/18 of May 15, 2018) on the request for disclosure of information under art. 114 of D.Lgs. No. 58/98 (TUF), the economic, financial and equity-related data of the Company and the audit reports showing that the going-concern assumption is strongly connected with the strengthening of the Company’s equity and the process of disposal of non-core assets.

To this regard, the Audit Firm reported to the Board of Auditors the basic issues which have become apparent from the statutory audit during the various meetings held, preliminarily to the approval of the draft Financial Statements by the Board of Auditors, without prejudice to the resolutions already taken by the Board of Directors to postpone the approval of the 2018 and 2019 financial statements to after approval of the plan of arrangement with creditors.

The Board of Auditors has also been informed by the Audit Firm about the verifications on the correct book-keeping and correct recognition of management operations in the accounting records.

To such respect, we held meetings with the representatives of the Audit Firm KPMG and, during 2019, we met the Audit Firm on March 20, 2019 and October 2, 2019, in compliance with the provisions of article 150 of D.Lgs. No. 58/98 who provided us with regular updates on the progress of audit activities and with proper information.

13. Independence of the audit firm, in particular with reference to non-audit services rendered

We supervised the independence of the Audit Firm, verifying both compliance with the laws and regulations governing the matter, and the nature and the scope of services, other than the audit of accounts, rendered to the Issuers and its Subsidiaries by said Audit Firm itself and the entities belonging to its network.

To such respect, it is underlined that the Audit Firm provided us with the list of tasks attributed to the same during financial year 2019 which we always examined prior to attribution and we have no remark in connection therewith.

In particular, the amounts paid by Gruppo Astaldi to the audit company KPMG and to the companies belonging to the KPMG's network are as follows:

	Thousands of Euro
Audit of accounts	900
Certification services (connected with the audit of accounts)	638
Other services	143
Total	**1,681**

Therefore, the percentage that "Other services" bears to "Audit of Accounts" and "Certification services (connected with the audit of accounts)" was monitored and it equals 9.30 %.

Moreover, the Financial Report to the Financial Statements sets forth exhaustive information on the consideration paid to the audit company, pursuant to art. 149-duodecies of Issuers’ Regulation.

Taking into account the document "Annual Report on Transparency" drawn up by KPMG S.p.A., published in its own Internet website and provided to the Board of Auditors, the formal confirmation of its own independence issued by said company as well as the notice of the tasks entrusted, also through entities belonging to its network, by Astaldi S.p.A. and its Consolidated Companies, we verified that no task was conferred for services which may adversely affect the Audit Firm's independence.

Pursuant to art. 6(2)(A) of Regulation (EU) No. 537/204 and in accordance with paragraph 17 of the International Standard on Auditing No. 260 (ISA Italia), the Board of Auditors deems there is no situation of evidence showing the existence of any critical aspect in matter of independence of KPMG S.p.A..

14. Supervision of the Structure of Individual and Consolidated Financial Statements

The Financial Statements of Astaldi have been drawn up in accordance with IAS/IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Union, as well as in accordance with the regulations issued and resolutions taken by Consob as implementation of art. 9(3) of D.Lgs. 38/2005.

The Directors' Report summarizes the main risks and uncertainties and sets forth the expected evolution of operations.

The Company's financial statements were prepared in accordance with the law and include the documents required by the Italian Civil Code and the TUF (the Italian Financial Services Act).

In relation to the going concern, as set forth by the Directors in the explanatory notes to the individual financial statements (and to the consolidated financial statements) to which reference to is made, "*(...) although the actual implementation of the above actions is affected by uncertainties which may cast significant doubts on the Company's ability to continue to operate on the basis of the going-concern assumption, the parent company's directors, however, adopted the going-concern assumption when preparing the financial statements for the period ended December 31, 2019, because they reasonably deem that, on the basis of the considerations commented above, the situation of difficulty the Group is* *coping with may be overcome through the positive definition of the plan of equity and financial strengthening, within the deadlines set in the proposal of arrangement and the relevant Plan.”* The directors further underline that: *“It must be acknowledged that the existence and overcoming of such uncertainties depends only in part from internal variables and factors which are within the Top Management’s control, and it also depends from external factors which have been assessed according to the reasonability criteria set forth above.”*

As to the Individual Financial Statements, the Board of Auditors established, by direct verification and information taken from the independent auditor, the compliance with laws and regulation governing the preparation and drawing up of the Financial Statements and the Directors' Report, the model statements adopted and the accounting standards, described in the Supplementary Notes to the Financial Statements and in the Directors' Report.

As stated above, as implementation of Consob Resolution No. 15519/2006, the financial statements tables expressly show the effects of the relationships with related parties.

The Notes to the Financial Statements set forth the information to be provided in accordance with the International Accounting Standards in connection with the impairment of assets.

The compliance of the impairment test with the provisions of IAS 36, and of Document No. 4 of March 3, 2010 jointly drawn up by the Bank of Italy/Consob/Isvap, was officially approved by the Board of Directors during its meeting held on June 11, 2020, earlier than approval of the 2019 financial statements, following to a preliminary examination carried out by the Control and Risks Committee, after hearing the Audit Firm’s opinion, within the framework of the meeting of June 4, 2020, attended by the General Manager Administration and Finance, the Company’s Administrative Manager, the Manager of the Administrative Compliance and Financial Statements Department and the Internal Audit Department, during which the document, drawn up in connection with the 2018-2019 annual financial statements and setting forth the analysis carried out and the outcome of the impairment activities, was analyzed and discussed.

The Board of Auditors acknowledges that the Control and Risks Committee verified, in particular, the effectiveness and efficiency of the impairment test from a methodological point of view.

The Chief Executive Officer and the Manager in charge of drawing up the corporate accounting documents issued the attestations, pursuant to art. 81-ter of Consob Regulation n. 11971/1999 as subsequently amended and supplemented and to art. 154-bis of D.Lgs. 58/1998 (TUF).

In fact, the Financial Statements represent the facts and information which the Board of Auditors has become aware of during the period while fulfilling its supervision duties and exercising its powers of control and inspection.

Moreover, the Board of Auditors assessed the appropriateness of the information set forth in the Directors' Report on Operations as to the non-existence of significant atypical and/or unusual transactions, including intragroup transactions as well as intragroup and non-intragroup transactions with related parties.

In fact, the Directors' Report complies with the provisions of the law and is consistent with the data and information set forth in the financial statements; it provides comprehensive information on significant activities and transactions, as well as the Company's and its Subsidiaries' main risks connected with intragroup transactions and with the transactions with related parties, as well as on the process of harmonization of the corporate organization with the corporate governance principles, consistently with the Corporate Governance Code for Listed Companies.

Pursuant to the provisions of art. 123-ter of D.Lgs. 58/1998 (TUF), the Remuneration Report, examined by the Remuneration Committee and by the Control and Risks Committee, is submitted to the Shareholders' Assembly.

15. Remarks and proposals on information remarks and cross-references set forth in the Independent Auditor's report.

The Audit Company issued, on July 10, 2020, the report to the audit of the statutory financial statements and the report to the audit of the consolidated financial statements as at December 31, 2019, both drawn up in accordance with International Financial Reporting Standards approved by the European Union, as well as in accordance with the regulations issued for implementation of art. 9 of D.Lgs. 38/2005, jointly with the additional report in accordance with article 11 of Regulation (EU) No. 537/2014.

To this respect, it is underlined that both reports set forth:

- (i) the impossibility to express an opinion on the individual financial statements of Astaldi S.p.A. and the Group because of the effects connected with the uncertainties described in paragraph "Basis for Disclaimer of Opinion"; (ii) the description of the key aspects of the audit and the audit procedures in response to key aspects; (iii) the impossibility to express an opinion on the consistency of the Directors' Report in Operations and some specific information set forth in the corporate governance and shareholder structure report with the financial statements of Astadi S.p.A. as at December 31, 2019 and on the compliance thereof with the law provisions, or to issue the statement as per art. 14(2)(e) of D.Lgs. 39/10 on the basis of the knowledge and acquaintance with of the company acquired during the audit, because of the significance of the content of paragraph "Basis for disclaimer of opinion" of the Independent Auditor's Report to the Financial Statements; (iv) the confirmation that the opinion on the individual financial statements and the consolidated financial statements expressed in the relevant reports are in agreement with the statements made in the additional report addressed to the undersigned Board of Auditors fulfilling its function as Committee for internal control and audit of accounts, prepared in accordance with art. 11 of EU Regulation also including the declaration on independence as per art. 6(2)(a) of said Regulation;

- In its report to the audit of the consolidated financial statements, the Audit Company acknowledges that it checked the approval, by the Directors, of the non-financial statement. Pursuant to art. 3(10) of D.Lgs 254/16, such statement is the subject-matter of a separate conformity statement.

In particular, the paragraph “Basis for Disclaimer of Opinion” of the audit firm’s report to the individual financial statements sets out as follows:

The Directors asserts in the paragraph of the explanatory notes and the director’s report on operations “Main risks and uncertainties - Considerations on the going-concern assumption” that the Company, by filing, on September 28, 2018, the application as per art. 161(6) of the Italian Bankruptcy Law (Application for Arrangement with Creditors) started a corporate restructuring process based on an integrated operation as going concerns which, in very few words, provides for the following:

(i) the continuation of the activities, aimed at ensuring the continuation as a going concern through the direct operation of the business;

(ii) - the strengthening of its equity and financial position, to be mainly implemented by the following: (i) a capital increase by an initial amount of Euro 323.65 million, which may be followed by additional capital increase operations through the exercise, if any, of warrants and the additional issue of shares resulting from the conversion of unsecured debt established thereafter and (b) the grant and disbursement, by the credit institutes having supported the plan of arrangement, included in the proposal of arrangement, of new financial resources up to a maximum amount of Euro 200 million;

(iii)the disposal, serviceable to the settlement of unsecured debt, of activities and assets not included in the Company’s going-concern area, to be included in a pool of allocated assets as per section 2447-bis of the Italian Civil Code.

In particular, the capital increase operations set forth in the proposal of arrangement with creditors, comprehensively amounting to Euro 323.65 million, shall be reserved for subscription by Webuild S.p.A. (Formerly known as Salini Impregilo S.p.A.) for an amount of Euro 225 million, to be paid-up in cash, and the remaining part, equivalent to Euro 98.65 million, earmarked to the conversion of the global amount of unsecured debt into Astaldi shares.

All the above set forth, the Directors underline, in paragraph "Main risks and uncertainties - Considerations on the going concern assumption" of the explanatory notes, the existence of significant uncertainties which may cast doubts on the going concern assumption. Such uncertainties refer, in short, to:

- the issue, by the Court of Rome, of the decision of approval of the arrangement with creditors;
- the fulfilment of the conditions precedent and of the preconditions to the binding offer submitted by Webuild S.p.A. (Formerly known as Salini Impregilo S.p.A.) as described by the Directors;
- the implementation of the equity and financial position strengthening operation set forth in the proposal of arrangement described above;
- the achievement of the targets set in the plan of arrangement with creditors also depends upon variables which, because of their nature, occur at a later time and are uncertain and beyond control such as, by way of example, those which may affect (i) the amount and the timing of acquisition of new contracts, and (ii) the time of collection of amounts resulting from work variations, price revision, bonuses and claims additional to those contractually agreed upon, and (iii) the amount and time of collection of financial advances from employers, estimated by taking into account the Company's entitlement to the facilitations provided for by the urgent measures to provide contractors with liquid funds, included in the so-called "Decreto Rilancio" (Decree Law No. 34 of May 19, 2020) issued following to the CoViD-19 outbreak.

The Directors, although underlining that the overcoming of such significant uncertainties depends only in part on internal variables and factors which are within the Top

Management's control, state they have reasonably assessed the occurrence of all the circumstances described above and, considering the expected positive definition and implementation of the proposal of arrangement with creditors, of the plan for strengthening the Company's equity and financial position, and of the plan of arrangement with creditors, deemed to draw up the financial statements on the basis of the going-concern assumption.

The above underlines that the going-concern assumption is affected by a plurality and significant uncertainties having potential interactions with and possible cumulated effects on the financial statements.

Consequently to the above, the assessment of the appropriateness of the adoption, by the Directors, of the going-concern assumption represented a key aspect of the audit of accounts.

The audit procedures involved in the audit firm's activity included:

— The discussion with the Company's Top Management, on the assessment of the appropriateness of the going-concern assumption, and on the events and circumstances which, considered individually or as a whole, may cast significant doubts on the Company's ability to operate as going concern;
— the comprehension of the process adopted in the preparation of the plan of arrangement and subsequent updates thereto;
— the comprehension and analysis of financial, economic and equity-related flows included in the plan of arrangement and the main assumptions underlying the same, also by the involvement of KPMG network's experts;
— The analysis of the documents relating to the proposal of arrangement with creditors, including the offer submitted by Webuild S.p.A. (formerly known as Salini Impregilo S.p.A.) and the correspondence exchanged with such industrial investor, as well as the commitment letters relating to the commitments taken on by the banks involved in the equity and financial strengthening operation set forth in the proposal of arrangement with creditors itself;

- the analysis of the deeds and communications exchanged with the arrangement procedure bodies (Court of Rome, court commissioners and expert having attested the plan);
- the analysis of the events occurred subsequently to the reference date of the financial statements, in order to obtain information useful to assess the appropriateness of the going-concern assumption;
- the examination of an appropriate character of the information included in the explanatory notes to the financial statements in connection with the going-concern assumption.

Upon completion of such process of analysis, due to the aspects described in this paragraph, the audit company was unable to express an opinion on the Company's financial statements. The audit firm conducted its audit in accordance with the International Standards on Auditing (ISA Italia). The audit firm confirmed its independence from Astaldi S.p.A. in accordance with the ethics and independence requirements applicable to the audit of financial statements pursuant to the laws of Italy.

Finally, the audit firm points out, in its report to the financial statements, some key aspects of the audit activity. The key aspects of the audit activity are those which, according to the audit firm, were more significant within the framework of the audit of the subject-matter financial statements.

Such aspects have been dealt with, within the framework of the audit and the issue of the opinion on the financial statements as a whole, and were illustrated to us during the meetings held on March 20, 2019 and October 2, 2019 and, finally, on July 6, 2020.

Therefore, the following aspects described below as key aspects of the audit have been pointed out and reported to the Board of Auditors:

a) the directors' assessment of the appropriateness of the going-concern assumption and of the significant uncertainties existing as at the date of approval of the financial statements, also taking into account the progress of the ongoing procedure of arrangement with creditors;

b) the estimation of the recoverable value of Other non-current assets connected with trade receivables and assets from contracts for works executed in Venezuela;
c) the assessment of the assets and liabilities from contracts and recognition of the relevant revenues;
d) the recoverability of the investment in the equity of subsidiaries, affiliates and joint ventures (impairment test);

In such circumstances, we received updates on the threshold of significance with reference to: notification of uncorrected misstatements, in the individual and consolidated financial statements, both as a whole.

16. Company's adoption of the Self-Governance Code of the Corporate Governance Committee of listed companies

As already set forth in the premise to the Board of Auditors' Report, the Company has adopted the Corporate Governance Code for listed companies, established by Borsa Italiana S.p.A. and the internal organization is consistent with the guidelines of said Code, as set forth in the Corporate Governance Report.

The Company's current governance complies with the recommendations set forth in the latest edition of the Corporate Governance Code published in July 2018 by the Corporate Governance Committee.

Consistently with the approach adopted in order to better represent the application of the "*comply or explain*" principle, the Report sets forth the recommendations of the Self-Governance Code deemed not to be adopted, illustrating the relevant reasons and describing the alternative behaviour taken on, if any.

Astaldi S.p.A., just like its strategic subsidiaries, does not appear to be subjected to any provision of foreign laws affecting the Company's corporate governance structure.

The Board of Auditors has ascertained the adoption of said Code, as properly set forth in the 2019 Corporate Governance and Shareholding Structure Report, in compliance with art. 124-ter of T.U.F. and art. 89-bis of Consob Regulation.

17. Adequacy of the internal control and risk management system, in particular with reference to the activity carried out by the Head of the Internal Audit Department and by the Manager of the Corporate Risk Department Manager

We verified that the Company adopted an internal control and risk management system, also with reference to the Group, which is appropriate to allow the identification, measurement, management and monitor the main corporate risk, and we assessed and supervised the effectiveness and efficiency of the internal control and risk management system by obtaining information from the Managers of the competent corporate departments, such as the Head of the Internal Audit Department, the Manager of the Corporate Risk Management Department.

The supervision activity, therefore, was carried out by examining the reference documents, by analyzing the outcome of the activity carried out by the Audit Firm as far as the attestation made by the same on the absence of significant deficiencies in the internal control system as to the financial disclosure, also taking part in the activities of the Control and Risks Committee, in this case by the Board of Auditors' attendance at the meetings of said Committee held on March 19, 2019 and December 4, 2019.

The collaboration with the Control and Risks Committee allowed to coordinate the respective activities favouring a joint evaluation of the control and risk management system.

In particular, we supervised the action plan worked out by the Internal Audit Department, which took into account the current situation of the Company, also by drawing up the Guidelines to the 2019 Audit Plan so as to ensure a certain flexibility, if necessary.

In such circumstance, the Control and Supervision Bodies underlined that, though the current situation of emergency and corporate crisis, the necessary audit activities on the internal control and risk management system had to be assured. The above also taking into account of the projects identified as strategic, consistently with the procedure of arrangement with creditors as a going concern and in accordance with CONSOB's recommendations to the Company's Board of Auditors and the Top Management.

The Board of Auditors further examined the audit report summarizing the activity carried out during the period, mainly addressed to check compliance with and the appropriate character of the Group's internal control and risk management system.

More in detail, control activities focused on verifying the compliance with current laws and regulations, Group's guidelines and corporate procedures, as well as the observance of delegations of powers and correct behaviours, and proposing corrective actions or solutions aimed at improving the procedural and audit system, also for the purpose of improving the corporate organization's effectiveness and efficiency and safeguarding corporate assets.

Moreover, we have been informed and received up-to-date information on the relevant projects relating to the internal control and risk management system which, already during the second half of 2018, suffered a slowdown/standstill due to Company's lack in liquid funds. This led, if possible, to the creation of interactions with second-level control functions to all intents and purposes of the "assurance" on the internal control and risk management system.

Anyway, we have been informed, for the purpose of compliance with laws and regulations governing the matter, about the final implementation, during 2019, of the "whistleblowing" IT system, alternative to the electronic mailbox of the Ethics Committee to which the reports of the infringement of the provisions of D.Lgs. 231/01 are addressed.

We ascertained that the Company's internal control and risk management system appears not to be affected by any deficiency, and worked out recommendations or suggestions to improve some areas of the processes undergoing the audit.

We further verified that the Company implemented the improvement actions proposed during the previous period (2018 follow-up), wherever applicable, taking into account the significant impacts deriving from the start of the procedure of arrangement with creditors as a going concern, especially as far as the re-sizing of some activities in foreign countries is concerned.

Jointly with the Control and Risks Committee, we met the Manager of the Corporate Risk Management Department during the meeting of December 4, 2019 focusing on the risk management system and held to provide updates on activities carried out with respect to the latest information given during the meeting held on December 6, 2018.

During said meeting, we were informed about the need of recalibrating the "Group's Risk Appetite Statement", approved by the Board of Directors in 2018, as implementation of the recommendations set forth in application criterion 1.C.1(b) of the Self-Governance Code, following to the recent events which, starting from the end of 2018, affected the ERM (Enterprise Risk Management) activities and, consequently thereto, the Risk Appetite Statement

On one side, the Company's entry of the procedure of Arrangement with Creditors as a Going Concern, followed by the approval of a Plan of Arrangement which obviously superseded the Business Plan previously approved and to which reference was made in order to assess the consistency of "Key Risk Indicators" of "Top Risks" in connection with strategic targets.

The working tables devoted to the analysis and assessment of Top Risks were also affected by the personnel having left the Company and by the priorities resulting from the financial crisis, with the consequent difficulties in organizing the meetings.

With reference to the risk category of "Sustainability", we acknowledged that the Company further adopted a management system strongly oriented to the integration of social and environment-related aspects of the business activity, showing awareness that a clear integrated strategy of "Corporate Social Responsibility CSR" may have a positive effect on investors' decisions.

To such respect, following to the entry into force of the laws in matter of "non-financial disclosure", we carried out control activities, in agreement with the Control and Risks

Committee, on the outcome of the activities in support of the preparation of the Non-Financial Statement pursuant to D.Lgs. No. 254 of December 30, 2016, approved by the Board of Directors during the meeting of June 16, 2020.

Also the drafting of the Non-Financial Statement was adversely affected by the procedure of arrangement with creditors, accruing delays in the collection of documents and/or suffering some deficiencies in the information flows from some foreign areas.

To such respect, please refer to paragraphs 20 of our Report.

Still with reference to the internal control and risk management system, we report that, during 2019, the Company's Integrated Management System ("SGI") was amended so as to conform to: the organizational changes made official through Company’s organizational communications; the outcome of activities carried out to all intents and purposes of D.Lgs. 231/01; the specific requests made by Control and Supervision Bodies.

To such respect, it is underlined that the procedure “Management of Interim Period” (PG-AST-037) has been finally defined.

Thus, taking into account the supervision activity carried out and the considerations on the appropriateness, effectiveness and efficiency of expressed by the Control and Risks Committee, we agree upon the substantial adequacy of the Company's internal control and risk management system as a whole, also in terms of effectiveness and efficiency in the implementation of the improvement actions required.

18. Supervisory Body's activities

With reference to the implementation of organizational activities and the procedures under D.Lgs. 231/01 on the Entities’ administrative responsibilities for the offences governed by said Decreto, we obtained information through meetings and direct information-exchange flows (periodical reports drawn up on the activities carried out) with the Supervisory Body set up by the Company and the Head of the Internal Audit Department.

To such respect, in accordance with the provisions of the Company's Model of Organization, Management and Control as per D.Lgs. 231/01, we held, during 2019, a meeting with the Supervisory Body, in order to receive updates on the activities carried out by the latter to all intents and purposes of the compliance with D.Lgs. 231/01 on December 2, 2019.

We further acknowledged the Board of Directors' approval, during the meeting of August 1, 2019, of the revision of the system for compliance with D.Lgs. 231/01 adopted by the Company: Code of Ethics and Model of Organization Management and Control as per D.Lgs. 231/01 of Astaldi S.p.A., General Part and Special Part, following to the introduction of new predicate offences under D.Lgs. 231/01 which concerned the offences of racism and xenophobia, introduced by European Laws dating back to 2017; the rules introduced by 2017 Consob Guidelines in matter of management of inside information, for the purpose of implementation of Regulation (EU) No. 596/2014 on Market Abuse.

Moreover, the whistleblowing reporting system was implemented, and the operative procedure governing the IT system in support thereof was finally defined.

The revised system for compliance with D.Lgs. 231/01 was the subject-matter of in-depth training and communication activities, focusing on the novelties/changes made, addressed to head-office personnel, and to the personnel of Subsidiaries and operating projects.

Furthermore, was have been informed by the Head of the Internal Audit Department and by the Supervisory Body, during our supervision activity and within the framework of the Supervisory Body's Half-Yearly Report addressed also to the Board of Auditors in accordance with the information flows toward Company's Corporate Bodies, Control Bodies and the Top Management, on the outcome of the audit activity carried out by the Internal Audit Department on behalf of the Supervisory Body.

During the meeting of August 1, 2019, we received updates from the Internal Audit Department, on the verifications carried out following to a report received on July 18, 2019 for the Company's Chairman in relation to an information leakage with reference to an article published on the Messaggero website on July 17, 2019 providing a link to download Salini Impregilo's offer and all the attachments thereto.

The verifications carried out showed that the offer submitted by Salini Impregilo to Astaldi by certified e-mail (PEC) was spread within and out of the Company by a common e-mail account, in reach of the directions and instructions given by the Supervisory Body recommending to use, in such cases, protected IT tools.

Anyway, aspects have become apparent from the audit activities for the improvement of the internal control system in connection with the management of certified e-mails (PEC).

The Supervisory Body further reported its activity carried out in 2019 to the Board of Directors, as set forth in the Annual Corporate Governance and Shareholding Structure Report, at your disposal, and by its Half-yearly Report on activities carried out in compliance with the Guidelines to 2019 Audit Plan approved.

Not any significant critical aspect regarding the effectiveness and efficiency of the Model of Organization, Management and Control as per D.Lgs. 231/2001 adopted by the Company has become apparent from the supervision activity carried out, however, recommendations and suggestions have been given for the improvement of the controls aimed at fighting those behaviours which may potentially lead to the commission of predicate offences.

19. Health, Safety, Environment and Sustainability

With reference to the supervision activity in matter of health, safety, environment and sustainability, we acknowledged that the Company is pursuing the program of implementation and maintenance in force of the certifications by relevant field of application, according to recognized standards (ISO 14001 “Environment” , OHSAS 18001 “Health and Safety”, as superseded by ISO 45001, ISO 26000 Guidelines on “Social Responsibility”) of management system suitable for mitigating specific risks to any possible extent.

To such respect, during the period, we acknowledged the changes in the Company's organization in relation to the supervision in matter of health, safety and environment on projects under execution, received acknowledgement of the activities carried out, through the Manager of Sustainability and QHSE Management Department, and within the framework of periodical meetings held with the Supervisory Body, through the outcome of audit activities carried out to all intents and purpose of the Internal Audit and the compliance with D.Lgs. 231/01, as well as by monitoring provisions of reference laws, regulations and standards, and the provisions of contracts and of the procedures in force.

In addition to the contents of our Reports, Astaldi adopted, since 2016 now, its own sustainability policy with reference to which the Company undertake to pursue its growth objectives in accordance with the business plan in a perspective of sustainable growth.

As far as concerns the update of the Health, Safety and Environment (HSE) component, jointly with the Sustainability component, of the Company's Integrated Management System, also in connection with the maintenance in force of the certifications referred to above, the same is entrusted to the Manager of the QHSE Management and Sustainability Department, whom the Board of Auditors met on the occasion of the meetings of the Control and Risks Committee which the Board of Auditors is invited to attend (meeting of March 19, 2019 and of December 4, 2019)

To such respect, with reference to the provisions of Decreto Legislativo No. 254/2016, we received updates on the approach, the targets, the results connected with the above subjects, as reported in the Sustainability Profile Document, drawn up by the Company in relation to fiscal year 2019.

20. Consolidated Non-financial Statement - 2019 Sustainability Profile Document

The Board of Directors of Astaldi approved the consolidated non-financial document - 2019 Sustainability Profile, drawn up in accordance with D.Lgs. 254/2016.

The audit firm issued, on July 10, 2020, the report on the compliance of the information provided in the consolidated non-financial statement with the applicable laws and the reporting standard adopted.

The Board of Auditors supervised the compliance with the provisions of D.Lgs. 254/2016 and has no observation to be made herein in connection therewith.

The features attributed to the Consolidated Non-Financial Statement (DNF) and to sustainability subjects in 2017 were not confirmed for period 2018-2019, preferring to focus on a compliance-oriented approach and, therefore, on the fulfilment of obligations resulting from laws and regulations.

The drafting of the Non-Financial Statement focused on the collection of data and on the analysis of the consistency between the information received from the company's departments involved, though the persistent difficulties, already encountered during previous fiscal years, resulting from deficient information flows from certain areas.

21. Final considerations on the outcome of the supervision activity carried out

The Board of Auditors' supervision activity described above was carried out by holding, in 2019, a total of 7 meetings of the Board of Auditors, the resolutions taken thereat having been officially set forth in the book of the minutes of the Board of Auditors itself, by attending 24 meetings of the Board of Directors held in 2019, and 2 meetings of the Control and Risks Committee held in 2019. The Board of Auditors did not attend, in 2019, any Shareholders' Meeting because no Shareholders' meeting was held during the period.

Moreover, the Board of Auditors attended 1 meeting held jointly with the Supervisory Body on December 2, 2019, and not any meeting of the Appointments and Remuneration Committee and of the Related Parties Committee since not any meeting of both said committees was held in 2019.

To such respect, the activity carried out by the Control and Risk Committee was illustrated by the same to the Board of Directors and is reported in the Annual Corporate Governance and Shareholding Structure Report.

Insofar as the activity carried out by the Supervisory Body is concerned, the same was illustrated to the Board of Directors and is set out in the Annual Corporate Governance and Shareholding Structure Report.

While carrying out the supervisory activity, and according to information obtained from the Audit Company, neither omissions and/or reprehensible facts and/or irregularities were found nor, in any case, important facts worthy being reported to control bodies or being mentioned in this report.

22. Events occurred subsequently to year closing

The Board underlines that a health emergency due to the outbreak of CoViD-19 was declared in early 2020, as a result of which the Italian Authorities enacted rules, reserving to extend their term of application and to make the provisions thereof more and more severe from time to time, which harshly limited the circulation of people and prohibited gatherings, further imposing mandatory healthcare protocols aimed at safeguarding people, especially at work place and, finally, having prevented some sectors from continuing their production activities. Astaldi was heavily affected by such restrictions, both in terms of continuation the activities at construction sites, which were closed, and in terms of start-up of new sites. As a result of the health emergency, Astaldi, on March 9, 2020, pro-actively extended the smart-working mode to all personnel. Such possibility was extended to all the members of personnel of Group's seats within the national territory and abroad, wherever such mode of working is compatible with the actual fulfilment of the tasks assigned, drawing maximum attention to ensuring the continuity of the business and safety at its production sites.

The Chief Executive Officer and the management constantly kept the Board of Auditors updated by illustrating all the actions taken, with reference to activities carried out both in the national territory and in foreign countries, in relation to the personnel, pointing out a stable situation which, however, caused serious impacts from the financial point of view (decreased collection of slow moving items) and from the economic point of view (decrease in revenues and margins).

Insofar as the Annual Shareholders' Meeting is concerned, called on single call to be held on July 31, 2020, the Board of Auditors underlines that, having regard to the restriction rules adopted by the Italian Authorities as set forth above, the Board of Directors of Astaldi, during its meeting held on June 16, 2020, called the Shareholders' Ordinary and Extraordinary Meeting requiring the attendance and the representation thereat only by means the designated representative and giving the Company's management and control bodies and, if so allowed, the designated representative to attend the same by telecommunication means.

The supplement is in agreement with the extraordinary provisions introduced by art. 106 of Decree Law No. 18 of March 17, 2020

The Board of Auditors ensures maximum attention, in close coordination with the managing body, in monitoring the economic and financial impacts that CoViD-19 outbreak will cause to the market and, therefore, to the Company in connection with the progress of the Plan of Arrangement with Creditors and the deviations from estimations.

As to the evolution of the procedure of arrangement with creditors, the Board of Auditors favourably acknowledges that, on June 23, 2020, a hearing was held in closed session in connection with the approval of the arrangement with creditors as per art. 180 of the Italian Bankruptcy Law. Voting operations regarding the proposal of arrangement with creditor as a going concern filed by Astaldi before the Court had a positive outcome and the proposal was upheld by a majority vote of 69.4% of the credit amount admitted to vote which, in the aggregate, amounts to approximately Euro 3 billion. No additional appeals or objections appear to have been filed against the Procedure and, at present, the decision of approval of the arrangement is being awaited from the Court, which is a sine qua non condition to start share capital increase operations and the consequent settlement of the Company's debt.

23. Proposals to the Shareholders' Assembly pursuant to art. 153(2) of D.Lgs. 58/1998

Taking into account the above, the Board of Auditors, to the extent of its own competence, has found no grounds for objecting the approval of both the financial statements as at December 31, 2019, as drawn up and approved by the Board of Directors' meeting of June

16, 2020, and the proposals of resolution made by the Board of Directors itself.

Rome, this 10th of July, 2020

On behalf of THE BOARD OF AUDITORS

The Chairman

Giovanni Fiori