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

# Annual Financial Report

## 31 DECEMBER 2018

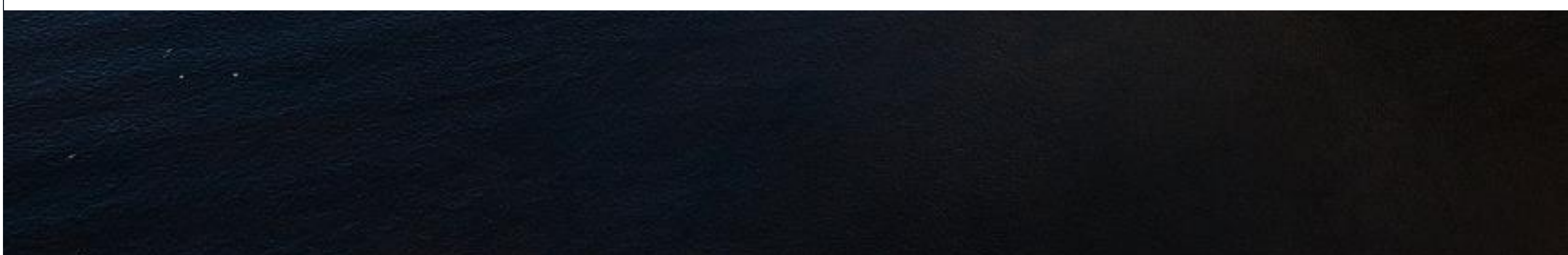
(Translation from the Italian original which remains the definitive version)


Chile ● *Arturo Merino Benitez* International Airport in Santiago

# General Index

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

Russia ● WHSD of St. Petersburg, *Petrovsky* Bridge



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

# Directors' report

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

Turkey ● Gebze–Orhangazi–Izmir Motorway

# 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*

## Honorary chairman

**Vittorio Di Paola**, Honorary chairman

## 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.**

[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

## 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[3]

**Paolo Citterio**
GENERAL MANAGER
Administration and finance

**Marco Foti**
GENERAL MANAGER
Italy and Maghreb area

**Fabio Giannelli**
GENERAL MANAGER
Turkey, Iran and Far East

**Mario Lanciani**
GENERAL MANAGER
Industrial services

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

**Francesco Maria Rotundi**
GENERAL MANAGER
Americas

[3]It should be noted that the group's organisational model was revised in January 2019. More information is available in the "Events after the reporting date – Additional significant events" section.

# 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[4] 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[5].

*Chart 1 – Key performance indicators[6]*

| STRONG TRACK RECORD | |
|---|---|
| TRANSPORT | **5,885+ km** of railways and metros<br>**15,260+ km** of roads and motorways<br>**320+ km** of bridges and viaducts |
| TUNNELLING | **726 km of tunnels**<br>of which<br>**~450 km** for railway/metro projects<br>**110 km** of road tunnels<br>**144 km** of hydraulic tunnels |
| WATER & ENERGY | **6,000+ MW** of installed capacity |
| CIVIL CONSTRUCTION | **25,700,000 $m^3$**<br>**24** healthcare facilities (9,923 beds)<br>**22** airports |

[4] Engineering, Procurement, Construction.
[5] Key Performance Indicators.
[6] 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 €9.3 billion[7], with a business spanning the world. Its long-standing base in Italy contributes orders of approximately €4.6 billion (49% of the total) while its foreign orders amount to €4.7 billion (the other 51%). Outside Italy, the group mostly works in Europe (Romania, Poland, Sweden and Turkey), Chile and North America (USA and Canada), Africa (Algeria) and Asia (India).

These figures are net of the effects of the reorganisation of the order backlog after 28 September 2018 and the additional discontinuation of activities, as described later (see the "Order backlog - Definition and structure" section).

At year end, the group's average annual workforce numbered 10,896 employees, of whom roughly 12% based in Italy and 88% 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.[8] 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.*

[7] Order backlog solely for its industrial activities (construction and O&M).
[8] 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. ("Astaldi" or the "parent") 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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**New contract in Italy** – In January, Astaldi announced it had been awarded the contract to build the Nuovo Ospedale del Sud-Est Barese in Monopoli-Fasano as part of a joint venture. The contract includes civil works and the systems for a new healthcare facility of excellence in Southern Italy (299 beds, nine operating rooms, total surface area of 178,000 square metres). The ceremony to lay the first stone in September 2018 heralded the start-up of the works.[9]

**New motorway contract in Romania** – In January, Astaldi announced it had been awarded a contract to build a suspension bridge over the Danube River in the Braila area in Romania as part of a joint venture. The contract includes the design and construction of a 1,975-metre suspension bridge as well as roughly 23 km of access roads.[10]

**Laying of the first stone of the I-405 highway in California (USA)** – In January, the ceremony to lay the first stone of the Interstate 405 highway in California, USA, took place. This is the largest project commenced to date by the Orange County Transportation Authority. The ceremony kick starts the formal commencement of the construction phase awarded to Astaldi Construction Corporation (Astaldi Group) as part of a joint venture.[11]

**Signing of the contract for the high speed/high capacity Bicocca-Catenanuova railway line section in Italy** – In February, RFI[12] signed the contracts for the executive designs and the work to double the Bicocca-Catenanuova section of the new high speed Palermo-Catania railway line, thus announcing commencement of the works. They have been assigned to Astaldi as part of a joint venture with Salini Impregilo (which subsequently changed its name to Webuild, "Webuild")[13] and other Italian companies.

**Authorisation from CIPE for the mega lot 3 of the state road Jonica in Italy** – In February, the CIPE[14] authorised the definitive design of the second section of mega lot 3 of the state road Jonica ("SS-106"). The authorisation sets out the conditions for the development of the executive design of the entire mega lot 3

[9] More information on the contract is available in the "Construction – Italy" section.
[10] More information on the contract is available in the "Construction – Europe" section.
[11] More information on the contract is available in the "Construction – Americas" section.
[12] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).
[13] 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 pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal" and "Construction - Italy" sections.
[14] Interministerial Committee for Economic Planning.

(functional sections 1 and 2) and the start-up of the preliminary activities of the works to be performed as part of a joint venture with Webuild (Astaldi is the general contractor).[15]

**New contracts in India** – In April, Astaldi was awarded a contract to build three lots of the Mumbai Metro Rail Project (North-South Metro Line 4, Wadala-Kasarwadavali section) as part of a joint venture with an Indian company. The contract includes the design and development of approximately 20 km of railway viaduct and 18 stations. This represents the parent's entrance into the Indian market.[16]

**Renewal of the parent's board of statutory auditors** – In April, the parent's shareholders appointed the new statutory auditors for the 2018-2020 three-year term. The new board of statutory auditors will remain in office until the shareholders' meeting called to approve the financial statements at 31 December 2020.[17]

**Additional new contract in India** – In May, Astaldi announced it had been awarded an EPC contract as part of a joint venture with an Indian company to build the Versova-Bandra Sea Link ("VBSL") in Mumbai. The new infrastructure will require complex seaworks and will stretch for a length of roughly 17.7 km, linking the neighbourhoods of Versova and Bandra in Mumbai.[18]

**Opening of the San Giovanni Station of Line C of the Rome Metro in Italy** – In May, the San Giovanni Station was opened to the public. This is the first of the interchanges planned for Line C of the Rome Metro in Italy. With the opening of the new station, complete with an archaeological exhibition, (the excavations unveiled the underground city to a depth of more than 20 metres), the entire line from Monte Compatri/Pantano to San Giovanni is fully operational.[19]

**New orders in Italy and abroad** – Between May and June, Astaldi announced it had been awarded a contract in Chile for the first stage of the Recursos Norte Project (tunnels of 5 km) for the underground development of the El Teniente copper mine, as well as works to extend the NATO base in Sigonella, Italy and to build the Gothenburg – Kvarnberget Rail Link in Sweden.[20]

**€300 million capital increase approved by Astaldi's shareholders** – In June, the parent's shareholders approved a divisible capital increase against payment for a maximum of €300 million, and the entry of a new shareholder Industriale IHI. More information is available in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Reasons for the financial difficulties" section.

**Closing of the sale of 59.4% of the operator of the Nuovo Ospedale dell'Angelo di Venezia-Mestre in Italy** – In September, Astaldi announced the sale of 59.4% of Veneta Sanitaria Finanziaria di Progetto ("VSFP"), the operator of the Ospedale dell'Angelo di Venezia-Mestre in Italy. Astaldi and its investee Astaldi Concessioni respectively sold 53.9% and 5.5% of the operator's share capital to Core Infrastruture II (a French infrastructure

[15] In May 2019, the signed works delivery document was filed and the works commenced. See the "Construction - Italy" section for more information.
[16]The "Order backlog - New orders" section provides more information about this contract.
[17]See the "Company bodies" section.
[18]The "Construction - Asia" section provides more information about this contract.
[19] More information on the contract is available in the "Construction – Italy" section.
[20] More information on these contracts is available in the "Construction" section.

fund - Mirova S.A.) while concurrently retaining 0.5% each to ensure the continuity of the hospital's operation under concession.[21]

**Astaldi commences the composition with creditors on a going concern basis procedure** – On 28 September 2018, the parent's board of directors resolved on the filing of an application for the composition with creditors on a going concern basis as per article 161.6 of the Bankruptcy Law to the bankruptcy section of the Rome Court (the "court") in order to subsequently present its proposal of composition with creditors on a going concern basis as per article 186-bis and following articles of the Bankruptcy Law. The court allowed the filing of the application with its ruling of 17 October 2018.[22]

**Commencement of the works for the NATO base in Sigonella, Italy** – In October, the ceremony to commence the works to extend the NATO base in Sigonella took place. Astaldi had been awarded the works in the first half of the year.[23]

**Commencement of the works for the high speed Naples-Cancello railway line section in Italy** – In November, following the official delivery of the areas, work started on the Naples-Cancello section of the high speed Naples-Bari railway line. Astaldi was awarded the contract, to be performed with Webuild, in 2017.[24]

[21] More information on this sale is available in the "Concessions" section.
[22] More information is available in the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law – Composition with creditors on a going concern basis" section.
[23] More information on the contract is available in the "Construction – Italy" section.
[24] More information on the contract is available in the "Construction – Italy" 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[25] (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.

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

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

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* – On 5 November 2018, 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. In addition, 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 authorised so that the effects of the Italian procedure would be valid in Chile. The Chilean bankruptcy law provides that authorisation 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. It should be noted that on 25 February 2019, the Chilean branch applied for the Chilean judicial reorganisation 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.

## 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 project (the "capital strengthening and refinancing 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 capital strengthening and refinancing 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 capital strengthening and refinancing manoeuvre, which had already been presented to the market on 14 November 2017 but had been revised. The new manoeuvre, 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 capital strengthening and refinancing manoeuvre and, accordingly, its new 2018-2022 business plan. On 15 March 2018, the parent announced the terms of the new project, 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 capital strengthening and refinancing 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 capital strengthening and refinancing 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)[26], 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

[26] See the "Concessions" section.

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.

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 capital strengthening and refinancing 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 ("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 "separate unit"). These assets include (a) the concessions business with the projects for the Third Bosphorus 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[27] of the separate unit which will give them the right to receive the proceeds from the sales[28]. More information on the set up of the separate 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.

[27] Participating financial instruments.

[28] 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.

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;
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 satisfied in full (and in the case of claims secured by guarantee, up to the limit of the underlying asset) within one year of 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[29]);

(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.

[29] 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 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 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.

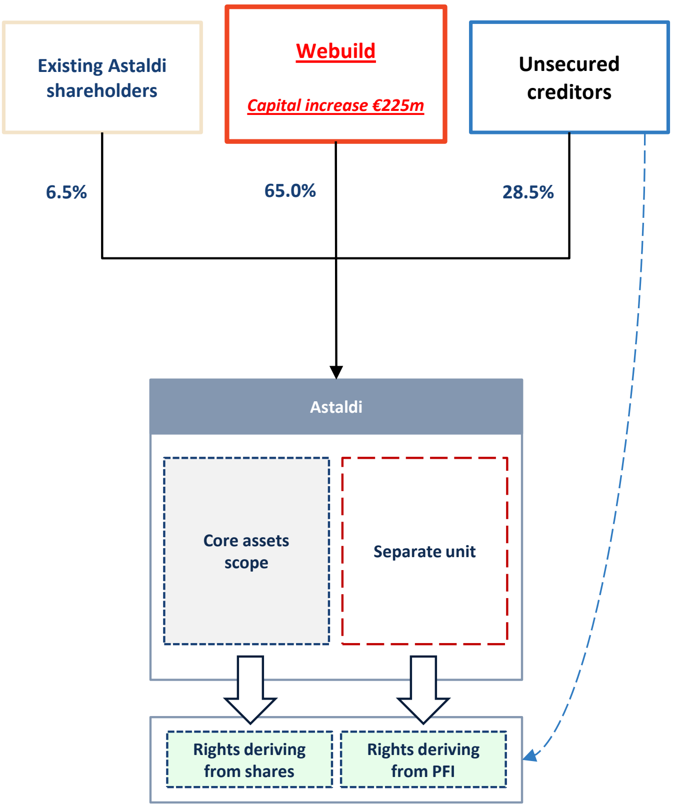
More information is available in the regulation of the participating financial instruments attached to the composition with creditors proposal available in the Investor Relations - Composition with Creditors section of the website www.astaldi.com.

*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:

a) 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;

b) amounts due from IFE (State Railways Institution) 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 trade receivables");

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

d) 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[30], 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.

[30] 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.

# Introduction

## Foreword

The Astaldi Group's 2018 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 2018 consolidated financial statements applying the same basis of preparation used to draw up the 2017 financial statements except for the standards and interpretations that have become applicable since 1 January 2018.[31]

The parent's board of directors approved the 2018 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.

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[31] 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 2018" sections in the consolidated financial statements which accompany this directors' report.

# The group’s financial position and performance

## The group’s performance

### RECLASSIFIED STATEMENT OF PROFIT OR LOSS

(€’000)

| | *Note no.* | 2018 | % of revenue | 2017 | % of revenue |
|---|---|---|---|---|---|
| Revenue | *1* | 1,028,289 | 98.7% | 2,888,319 | 94.4% |
| Fines for contract terminations | | (123,603) | -11.9% | | 0.0% |
| **Total revenue from contracts with customers** | | **904,686** | **86.8%** | **2,888,319** | **94.4%** |
| Other operating revenue | *2* | 137,396 | 13.2% | 172,414 | 5.6% |
| **Total revenue** | | **1,042,081** | **100.0%** | **3,060,733** | **100.0%** |
| Operating costs | *3-4* | (1,618,762) | -155.3% | (2,072,980) | -67.7% |
| **Added value** | | **(576,680)** | **-55.3%** | **987,752** | **32.3%** |
| Personnel expenses | *5* | (517,050) | -49.6% | (633,865) | -20.7% |
| Other operating costs | *6* | (103,932) | -10.0% | (34,708) | -1.1% |
| Change in costs capitalised to fulfil a contract | *7* | 1,995 | 0.2% | -- | 0.0% |
| Share of profits from joint ventures and associates | *8* | 92,082 | 8.8% | 47,196 | 1.5% |
| **Gross operating profit (loss)** | | **(1,103,585)** | **-105.9%** | **366,376** | **12.0%** |
| Amortisation and depreciation | *9* | (39,788) | -3.8% | (49,404) | -1.6% |
| Provisions | *10* | (280,694) | -26.9% | (5,097) | -0.2% |
| Impairment losses | *9* | (354,917) | -34.1% | (235,529) | -7.7% |
| **Operating profit (loss)** | | **(1,778,985)** | **-170.7%** | **76,345** | **2.5%** |
| Net financial expense | *11-12* | (202,674) | -19.4% | (192,180) | -6.3% |
| Pre-tax loss from continuing operations | | **(1,981,659)** | -190.2% | **(115,835)** | -3.8% |
| Income taxes | *13* | 69,489 | 6.7% | 18,108 | 0.6% |
| **Loss for the year** | | **(1,912,170)** | **-183.5%** | **(97,727)** | **-3.2%** |
| Profit (loss) attributable to non-controlling interests | *14* | (3,746) | 0.4% | 3,448 | -0.1% |
| **Loss attributable to the owners of the parent** | | **(1,908,424)** | -183.1% | **(101,175)** | **-3.3%** |

** The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.*

The group's results reflect the expected significant negative effects of commencement of the composition with creditors procedure (in September 2018) and, more generally, its financial difficulties and related lack of financial support to bolster its operations during the entire year.

The application of the composition with creditors procedure generated a state of generalised weakness for the group, including in its relationships with its partners and customers. This resulted in the termination of numerous contracts and led the group to more carefully evaluate a number of contracts that in normal conditions would have given more satisfactory results. The group also rolled out a project to reorganise its geographical base, focusing on less risky areas in line with that set out in the composition with creditors plan.

In addition, the lack of financial support to bolster its operations throughout the year triggered a serious liquidity crisis for the group which subsequently led to *(i)* a gradual slowdown of work at the work sites (especially in Italy) that, while continuing to generate fixed costs, were unable to produce the planned revenue, and *(ii)* the delayed kick-off of some more recently acquired contracts due to the group's serious lack of liquidity which often made it impossible for the group to present the contractually required guarantee in due time. In August 2019, the parent agreed a bonding facility of €384 million to support production (as provided for in the composition with creditors proposal) which became operational in autumn of that year.

The 2018 figures also reflect a much smaller scope of business compared to the previous year due to the termination of contracts worth approximately €2 billion (net of the acquisitions of the year), mostly due to the composition with creditors procedure, as described later in more detail[32].

In 2018, <u>total revenue</u> came to approximately €1.04 billion (-66% year-on-year, compared to €3.1 billion in 2017), being the sum of <u>revenue</u> of €1.02 billion (-64%, €2.9 billion for 2017) and <u>other operating revenue</u> of €137.4 million (-20%, €172.4 million for 2017) and after paying <u>fines for contract terminations</u> of €123.6 million (none in 2017).

The 2018 revenue was bolstered by the positive developments on the contracts performed as joint ventures, which were less affected by the composition with creditors procedure (the Brenner Base Tunnel contract in Italy, the Braila Bridge, the Frontieră–Curtici–Simeria Railway Line and the Brasov-Oradea Motorway in Romania and the Haga Station in Sweden) and the O&M segment's contribution (mostly the Tuscan hospitals in Italy). A year-on-year comparison shows that revenue was penalised by factors tied to the composition with creditors procedure such as the slowdown of some directly performed contracts, which were more affected by the group's financial difficulties (the Quadrilatero Marche-Umbria road system in Italy and the Chuquicamata mine in Chile), the closure of some contracts (mainly the Muskrat Falls hydroelectric project in Canada and the West Metropolitan Hospital in Santiago, Chile), the more modest contribution of the plant and engineering and facility management segments (due to the slowdown of NBI which commenced a separate procedure of composition with creditors on a going concern basis[33] in November 2018) and the small production output in Chile (as a result of the commencement of a local procedure similar to the composition with creditors procedure in Italy).Another negative factor was the slowdown of the start-up phase of certain important contracts/project phases (the mega lot 3 of the state road Jonica, the high speed/high capacity Verona-Padua Railway Line and

[32] See the "Order backlog - Definition and structure" section.

[33] See the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Other procedures linked to the Astaldi S.p.A. composition with creditors" section for more information about NBI and its separate procedure of composition with creditors.

the Pedemontana delle Marche Road in Italy), due to the delays in the bureaucratic procedures necessary to start the works (assignment of financial resources and/or approval of the executive designs), the contraction in the O&M business (following the smaller contribution of the Ospedale dell'Angelo di Venezia-Mestre in Italy as control of the operator was sold in September 2018[34]) and the non-contribution of works/project phases that had almost been completed in 2017 (mainly the high speed Naples-Afragola Station in Italy, the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway in Turkey).

A breakdown of revenue confirms the positive contribution by Italy (26% of revenue) and the foreign contracts' significant share (74%), mainly due to contracts in Europe, Chile, North America and Turkey as shown in the next table.

*Table 1 – Revenue by geographical segment*

(€m)

| | 2018 | % | 2017 | % | Annual variation |
|---|---|---|---|---|---|
| **ITALY** | **264** | **25.7%** | **700** | **24.2%** | **-435** |
| **ABROAD** | **764** | **74.3%** | **2,188** | **75.8%** | **-1,424** |
| Rest of Europe | 332 | *32.2%* | 1,032 | 35.7% | -700 |
| Americas | 451 | *43.8%* | 1,060 | 36.7% | -609 |
| Asia (Middle East) | -10 | *-1.0%* | 3 | 0.1% | -13 |
| Africa (Algeria) | -9 | *-0.9%* | 93 | 3.2% | -102 |
| **REVENUE (*)** | **1,028** | **100.0%** | **2,888** | **100.0%** | **-1,860** |

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

Specifically, Italy (€264 million compared to €700 million in 2017) shows a decrease due to *(i)* the slowdown in activities performed at the directly managed work sites (described earlier), *(ii)* the delayed start of some important contracts/project phases (described earlier), *(iii)* the mentioned contraction in the plant and engineering and O&M segments, as well as *(iv)* the non-completion of certain projects (the high speed/high capacity Naples-Afragola Station and the Rome offices of the pharmaceutical group Angelini). Conversely, the activities performed as part of joint ventures increased (especially the Brenner Base Tunnel contract).

Europe (€332 million compared to €1 billion in 2017) also decreased as a result of the completion of significant contracts/project phases in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) as well as Poland (road projects), only partly offset by the positive progress on contracts performed in joint ventures in Romania (the Braila Bridge, the Frontieră–Curtici–Simeria Railway Line and the Brasov-Oradea Motorway) and Sweden (the Haga Station).

The Americas (€451 million compared to €1.1 billion in 2017) decreased due to the smaller contribution by contracts in Chile (specifically, the Chuquicamata and the Santiago West Metropolitan Hospital projects, held

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

back by the effects of the composition with creditors procedure commenced in Italy[35]) and Canada (due to the termination of the contract for the Muskrat Falls hydroelectric project[36]).

Asia and Africa (-€19 million compared to €96 million in 2017) reflect *(i)* for Asia, the effects of the programmed exit from the Far East (where no significant activities took place in 2018), and *(ii)* for Africa, the lack of significant work in Algeria apart from the recognition of a reduction (€10 million) in claims recognised in previous years related to disputes about old projects with the customers in Morocco.[37]

A breakdown of revenue by business segment shows that the construction segment was the greatest contributor (94%), specifically with respect to transport infrastructure and civil and industrial construction. However, the O&M segment also made a satisfactory contribution to the total (6%) as shown in the next table.

*Table 2 – Revenue by business segment*

(€m)

| | 2018 | % | 2017 | % | Annual variation |
|---|---|---|---|---|---|
| **CONSTRUCTION** | **962** | **93.6%** | **2,802** | **97.0%** | **-1,840** |
| Transport infrastructure | 565 | 55.0% | 1,705 | 59.0% | -1,140 |
| *Roads and motorways* | 101 | 9.8% | 506 | 17.5% | -404 |
| *Railways and metros* | 359 | 34.9% | 1,078 | 37.3% | -719 |
| *Ports and airports* | 105 | 10.2% | 121 | 4.2% | -16 |
| Hydraulic plants and energy production | 39 | 3.8% | 458 | 15.9% | -419 |
| Civil and industrial construction | 208 | 20.2% | 286 | 9.9% | -78 |
| Industrial plants | 150 | 14.5% | 353 | 12.2% | -203 |
| **Operation & Maintenance** | **66** | **6.4%** | **86** | **3.0%** | **-20** |
| **REVENUE (*)** | **1,028** | **100.0%** | **2,888** | **100.0%** | **-1,860** |

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

Specifically, the construction segment (€962 million compared to €2.8 billion in 2017) continued the trends described earlier with *(i)* a large drop for transport infrastructure (€565 million compared to €1.7 billion in 2017), mostly due to the smaller production volumes in Turkey and Italy as a result of the late start to certain contracts/project phases (mega lot 3 of the state road Jonica, the high speed/high capacity Verona-Padua Railway Line, the lot for the Pedemontana Marche Road as part of the Quadrilatero Marche-Umbria road system) and the slowdown in activities performed at the directly managed work sites (specifically, the Quadrilatero Marche-Umbria road system site in Italy), only partly offset by the progress on road and railway projects (described earlier) carried out by joint ventures in Italy, Romania and Sweden, as well as *(ii)* a

[35]See the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Procedures linked to the Astaldi S.p.A. composition with creditors commenced abroad" section for information about the procedure commenced by the Chilean branch.

[36] See the "Construction - Americas" section for more information about the outcome of the contract.

[37] See the information provided in the consolidated financial statements attached hereto.

decrease for the hydraulic plants and energy production (€39 million compared to €458 million in 2017) due to the above-described termination of the Muskrat Falls hydroelectric project[38] in Canada. At the same time *(a)* the civil and industrial construction segment made a significant contribution (€208 million compared to €286 million in 2017) although it did decrease in 2018 mostly due to the termination of the construction contract for the West Metropolitan Hospital in Santiago[39], Chile, and *(b)* the industrial plants performed satisfactorily (€150 million compared to €353 million in 2017), with the decrease due to NBI's commencement of its independent composition with creditors procedure. The O&M segment (€66 million compared to €86 million in 2017) saw a reduction in its revenue as a result of the already mentioned sale of the group's investment in Veneta Sanitaria Finanza di Progetto, Italy, although the investee GE.SAT (operator of the four Tuscan Hospitals in Italy) contributed a positive €21.7 million.

As already noted, the statement of profit or loss includes fines for contract terminations, principally due to the estimate of the probable cost of reimbursing customers for the greater costs and damage incurred due to contract terminations that have already take place or are expected (mostly for contracts in Europe and Latin America). As a result, total revenue from contracts with customers amounts to €904.7 million (-69%, approximately €2.9 billion in 2017).

Other operating revenue was affected by the smaller gains on disposals recognised in 2018 compared to the previous year which included more than €31 million generated by the asset disposal programme (the sale of significant investments in Pacific Hydro Chacayes, Sociedad Concesionaria Metropolitana de Salud, SAT and M5, operators of the Chacages hydroelectric project and the West Metropolitan Hospital in Santiago, Chile and the four Tuscan hospitals and Line 5 of the Milan Metro in Italy, respectively[40]).

Costs were in line with production trends and the group's reorganisation decisions as part of the composition with creditors proposal. Operating costs decreased by 22% to €1.6 billion (€2.1 billion in 2017), reflecting the downturn in production. Personnel expenses dropped by 18% to €517.1 million (€633.9 million in 2017) due to the measures taken by the parent to streamline the organisation starting from the last quarter of 2018 as well as the termination of the Muskrat Falls hydroelectric project in Canada. The average annual workforce numbered 10,896 heads (+405 compared to 10,491 in 2017) and group employees were based mainly in countries with lower labour costs (Turkey, Romania and Russia).

The share of profit from joint ventures and associates increased to €92.1 million (+95%, €47.2 million in 2017), mostly due to the outcome of the measurement of the equity investments in the Turkish entities using the equity method (specifically, Otoyol Yatirim Ve Isletme A.S. and Ankara Etlik Hastane A.S., the operators of the Gebze–Orhangazi–Izmir Motorway and the Etlik Integrated Health Campus in Ankara, respectively).

The gross operating loss amounts to €1.1 billion (profit of €366.4 million with an EBITDA margin of 12% in 2017) as a result of the above captions.

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[38] See the "Construction - Americas" section for more information about the outcome of the contract.
[39] See the "Construction - Americas" section for more information about the outcome of the contract.
[40] Operators of the Chacages hydroelectric project and the West Metropolitan Hospital in Santiago, Chile and the four Tuscan hospitals and Line 5 of the Milan Metro in Italy, respectively. More information about the sales is provided in the 2017 Annual Report, available in the Investor Relations - Financial Reports section of the website www.astaldi.com.

The *(i)* provisions increased to €280.7 million (approximately €5.1 million in 2017), mostly to cover probable liabilities for the reimbursement to customers of the greater costs and damage incurred due to the terminations of onerous contracts that have already taken place or are expected to take place (chiefly in the US and Canada) that are not included in the core assets (as defined in the composition with creditors proposal to which reference should be made[41]) and the costs of out-of-court and court settlements related to disputes with suppliers and subcontractors as well as claims for damages from third parties (mainly in conjunction with construction contracts in Algeria, Italy and South America), as did the *(ii)* impairment losses at €354.9 million (31 December 2017: €235.5 million), mostly due to the non-recurring impairment losses of the Venezuelan trade receivables[42] and certain credit-impaired exposures in Turkey[43]. Amortisation and depreciation decreased to €39.8 million (€49.4 million in 2017), principally due to the changes made to the depreciation of contract rights acquired to develop the Quadrilatero Marche-Umbria road system contract (after application of IFRS 15[44]), the termination of the Muskrat Falls hydroelectric project in Canada and the completion of the Western High-Speed Diameter motorway ring road in St. Petersburg, Russia.

Net financial expense grew by 5% to €202.7 million (€192.2 million in 2017) as a result of the composition with creditors procedure which led to *(i)* the recognition of the outstanding transaction costs for the bond issues (equity-linked bonds of €140 million and senior unsecured notes of €750 million) and the parent's main corporate loans in profit or loss at the date of commencement of the composition with creditors procedure (28 September 2018) to align their carrying amounts with their nominal amounts, and *(ii)* higher interest expense on payment extensions for trade payables to suppliers and subcontractors.

The post-tax loss for the year amounts to just above €1.9 billion (€97.7 million in 2017), the loss attributable to non-controlling interests to €3.7 million (profit of €3.4 million in 2017) and the loss attributable to the owners of the parent to €1.9 billion (€101.2 million in 2017).

[41] See the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section.

[42] As defined earlier - see the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section.

[43] More information is available in the consolidated financial statements attached hereto.

[44] More information is available in the consolidated financial statements attached hereto.

# Analysis of the group's financial position

## RECLASSIFIED STATEMENT OF FINANCIAL POSITION (€'000)

| | *Note no.* | **31/12/2018*** | **31/12/2017** |
|---|---|---|---|
| Intangible assets | *17* | 53,740 | 79,187 |
| Property, plant and equipment | *15-16* | 162,676 | 179,073 |
| Equity investments | *18* | 487,770 | 390,527 |
| Other non-current assets, net | *13-19-20* | 413,330 | 463,403 |
| Non-current assets held for sale | *26* | 69,377 | 179,964 |
| **TOTAL non-current assets (A)** | | **1,186,892** | **1,292,154** |
| Inventories | *21* | 42,976 | 48,906 |
| Contract assets | *22* | 755,159 | 1,704,498 |
| Costs capitalised to fulfil a contract | *22* | 4,188 | |
| Trade receivables | *23* | 66,728 | 29,055 |
| Amounts due from customers | *23* | 542,020 | 447,798 |
| Other assets | *19-20* | 241,471 | 238,408 |
| Tax assets | *24* | 72,032 | 82,565 |
| Progress payments from customers | *22* | (289,925) | (520,777) |
| Sub total | | *1,434,649* | *2,030,453* |
| Trade payables | *31* | (59,278) | (62,326) |
| Amounts payable to suppliers | *20-31* | (1,031,871) | (1,056,770) |
| Other liabilities | *28-32-34* | (506,132) | (358,096) |
| Sub total | | *(1,597,281)* | *(1,477,191)* |
| **Operating working capital (B)** | | **(162,632)** | **553,262** |
| Employee benefits | *30* | (6,843) | (7,145) |
| Provisions for risks and charges | *33* | (379,645) | (21,781) |
| **Total provisions (C)** | | **(386,488)** | **(28,925)** |
| **Net invested capital (D) = (A) + (B) + (C)** | | **637,772** | **1,816,490** |
| Cash and cash equivalents | *25* | 210,974 | 576,401 |
| Current loan assets | *19* | 60,082 | 50,733 |
| Current portion of financial assets from concession activities | | -- | 10,194 |
| Securities | | -- | 303 |
| Current financial liabilities | *28* | (2,611,279) | (818,883) |
| Non-current financial liabilities | *28* | (21,793) | (1,391,415) |
| Non-recourse financial debt | *28* | (4,074) | (81,425) |
| Net financial debt of disposal groups | *26* | 194,132 | 183,763 |
| **Net loans and borrowings (E)** | | **(2,171,958)** | **(1,470,328)** |
| Financial assets from concession activities | | -- | 120,945 |
| Non-current loan assets | *19* | 95,313 | 82,335 |
| **Total net loans and borrowings (F)** | | **(2,076,645)** | **(1,267,049)** |
| (Equity) deficit attributable to the owners of the parent | *27* | 1,439,005 | (518,740) |
| Equity attributable to non-controlling interests | *27* | (132) | (30,702) |
| **Equity (deficit) (G) = (D) - (F)** | | **(1,438,873)** | **549,442** |

** The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated

The group's year-end financial position reflects its financial difficulties and related liquidity crisis that affected it during the year and led to the parent's decision to commence the composition with creditors procedure in September.

At 31 December 2018, total non-current assets amount to just under approximately €1.2 billion (31 December 2017: €1.3 billion), being the sum of *(i)* intangible assets of €53.7 million (31 December 2017: €79.2 million), *(ii)* property, plant and equipment of €162.7 million (31 December 2017: approximately €179.1 million), *(iii)* equity investments, which increased to €487.8 million (31 December 2017: €390.5 million), mostly due to the equity loans to the operators Otoyol Yatirim Ve Isletme A.S. and Ankara Etlik Hastane A.S. (described earlier), *(iv)* other non-current assets, net, which decreased to just over €413.3 million (31 December 2017: €463.4 million), and *(v)* non-current assets held for sale, down to €69.4 million (31 December 2017: approximately €180 million).

At 31 December 2018, the operating working capital amounts to a negative €162.6 million (31 December 2017: €553.3 million), both as the result of a combination of related factors and also the considerable misalignment between cash flows and the production cycle due to the group's significant financial difficulties that increased during the year. The caption includes, inter alia, *(i)* inventories of approximately €43 million (31 December 2017: €48.9 million), down mostly as a result of the allowance for inventory write-down set up as part of the group's strategic decision to no longer work in certain Central American countries[45], and *(ii)* contract work in progress, down to €759.3 million (31 December 2017: €1.7 billion), *(iii)* trade receivables of €609.6 million (31 December 2017: €476.8 million), an increase mostly due to the group's decision not to factor non recourse trade receivables as well as the positive contribution of progress on the works in Poland (the Southern Bypass and Line 2 of the Warsaw Metro), Romania (Line 5 of the Bucharest Metro and other railways works) and in Italy (the Brenner Base Tunnel and the O&M activities for the Tuscan hospitals), which offset the effect of the exclusion of Veneta Sanita Finanza di Progetto S.p.A. from the consolidation scope (after the parent's sale of its investment therein during the year), *(iv)* tax assets of €72 million (31 December 2017: €82 million), mostly down in Europe due to the use of direct tax assets to offset current taxes, *(v)* progress payments from customers of just under €290 million (31 December 2017: €520.7 million) as well as *(vi)* trade payables of just under €1.1 billion (31 December 2017: €1.1 billion) and *(vii)* other liabilities up to €506.1 million (31 December 2017: €358.1 million).

At 31 December 2018, past due trade receivables that had not been impaired amount to €244 million, including €153 million past due by more than one year. With respect to the largest exposures and, specifically, the trade receivables related to the railway contracts in Romania (Railway section 2, 3/4 (Lot 2) *(i)* following the various decisions of the Dispute Adjudication Board (DAB) in Astaldi's favour for approximately €71 million and the non-payment of the amounts due by the customer, Astaldi commenced two arbitration proceedings (one for each lot), which were then merged into a single proceeding, completed in October 2019 with the award issued by the International Chamber of Commerce (ICC) ordering the customer to pay €92.2 million (including interest) and related costs, and *(ii)* at the date of publication of this report, the parent has collected all the recognised fees.

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[45]See the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section.

At 31 December 2018, net invested capital amounts to €637.8 million (31 December 2017: €1.8 million), reflecting the trends described above and net of provisions of €386.5 million (31 December 2017: €28.9 million), mostly consisting of a provision for risks and charges of €379.6 million (31 December 2017: €21.8 million), including, inter alia *(i)* the provision for legal disputes of €41.6 million, set up to cover the cost of out-of-court and court settlements related to contractual disputes mainly commenced by suppliers or subcontractors or for damages claimed by third parties, mostly in conjunction with construction contracts in Algeria, Italy and South America, *(ii)* the provision for equity investments of €52.8 million which includes accruals made for the parent's legal obligations arising from the agreement with ICTAS for the contract to build the Moscow-St. Petersburg M11 motorway[46], *(iii)* the provision for onerous contracts of €212.2 million, mostly related to the probable liabilities for reimbursements of higher costs and damage to customers for the termination (which has already taken place or is expected) of some onerous contracts (mostly in the US and Canada) that are not part of the core assets, as already described.

Net loans and borrowings amount to €2.2 billion at 31 December 2018 (31 December 2017: €1.5 billion). Their composition clearly reflects the financial context in which the group operated during the year which led to commencement of the composition with creditors procedure in September 2018.

At 31 December 2018, cash and cash equivalents amount to approximately €211 million (31 December 2017: €576.4 million). Current loan assets of €60.1 million (31 December 2017: €50.7 million) mostly refer to the financing of some projects carried out as part of joint ventures in Italy and South America as well as finance leases for projects in Italy (the Brenner Base Tunnel) and Chile (Relaves). The current portion of financial assets from concession activities shows a nil balance (31 December 2017: €10.2 million).

Current financial liabilities increased to €2.6 billion (31 December 2017: €818.9 million) after the presentation of the application for the composition with creditors on a going concern basis on 28 September 2018. This led to the reclassification of financial liabilities related to the parent from non-current to current. Consequently, the non-current financial liabilities decreased to approximately €22 million (31 December 2017: €1.4 billion).

As a result of the above trends, total loans and borrowings amount to €2.1 billion (31 December 2017: €1.3 billion) offset by *(i)* financial assets from concession activities with a nil balance (31 December 2017: €120.9 million), due to the exclusion of Veneta Sanitaria Finanza di Progetto from the consolidation scope (following the parent's loss of control thereover) and *(ii)* non-current loan assets of €95.3 million (31 December 2017: €82.3 million), mostly referring to financing given to the concession operators mainly in the form of subordinated loans (semi-equity).

The deficit attributable to the owners of the parent amounts to €1.4 billion (equity of €518.7 million at 31 December 2017) as a result of the above trends. Together with the equity attributable to the non-controlling interests of €0.1 million (31 December 2017: €30.7 million), this led to a deficit of €1.4 billion at year end (equity of €549.4 million at 31 December 2017).

[46] See the "Events after the reporting date - Additional significant events" section for information about the agreement with ICTAS.

## Analysis of the group's net financial debt

NET FINANCIAL DEBT (AS PER CONSOB COMMUNICATION NO. DEM/606429/2006)
(€'000)

| | | 31/12/2018 | 31/12/2017 |
|---|---|---|---|
| Cash | | 210,974 | 576,401 |
| Securities held for trading | | -- | 303 |
| **Cash and cash equivalents** | **A** | **210,974** | **576,704** |
| Current loan assets | | 60,082 | 50,733 |
| Current portion of financial assets from concession activities | | -- | 10,194 |
| **Current loan assets** | **B** | **60,082** | **60,927** |
| Current bank loans and borrowings | | (1,468,951) | (542,522) |
| Current portion of bonds | | (907,068) | (1,584) |
| Current portion of non-current debt | | (39,459) | (268,426) |
| Other current loans and borrowings | | (195,802) | (6,351) |
| **Total current loans and borrowings** | **C** | **(2,611,279)** | **(818,883)** |
| Net current financial debt | | (2,340,223) | (181,252) |
| Non-current bank loans and borrowings | | (1,370) | (495,228) |
| Bonds | | **--** | (879,294) |
| Other non-current financial liabilities | | (20,423) | (16,893) |
| **Total non-current loans and borrowings** | **D** | **(21,793)** | **(1,391,415)** |
| **Total gross debt** | **E=C+D** | **(2,633,073)** | **(2,210,298)** |
| **Gross non-recourse debt** | **F** | **(4,074)** | **(81,425)** |
| **Total net financial debt** | **G=A+B+E+F** | **(2,366,090)** | **(1,654,091)** |
| Net financial position of disposal groups | **H** | **194,132** | **183,763** |
| **Total financial debt** | **I=G+H** | **(2,171,958)** | **(1,470,328)** |
| Non-current loan assets | | 15,723 | 31,503 |
| Subordinated loans | | 79,590 | 50,832 |
| Financial assets from concession activities | | -- | 120,945 |
| **Non-current loan assets** | **L** | **95,313** | **203,279** |
| **Total net financial debt** | **M=I+L** | **(2,076,645)** | **(1,267,049)** |
| Treasury shares in portfolio | **N** | **3,023** | **3,079** |
| **Net financial exposure of the group** | **O=M+N** | **(2,073,622)** | **(1,263,970)** |

See the previous sections and the consolidated financial statements attached hereto for an analysis of changes in the net financial debt during the year.

## STATEMENT OF CASH FLOWS
(€'000)

| | 2018* | 2017 |
|---|---|---|
| A) Net cash flows used in operating activities | (651,353) | (220,848) |
| B) Cash flows generated by (used in) investing activities | (57,190) | 75,981 |
| C) Cash flows generated by financing activities | 343,116 | 207,643 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) | (365,427) | 62,776 |
| OPENING CASH AND CASH EQUIVALENTS | 576,401 | 513,625 |
| CLOSING CASH AND CASH EQUIVALENTS | 210,974 | 576,401 |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated

Cash and cash equivalents decreased by €365.4 million during the year while they increased by €62.8 million in 2017.

**Cash flows used in operating activities**

Cash flows used in operating activities of €651.3 million (€220.8 million in 2017) reflect the group's financial difficulties encountered during the year.

**Cash flows generated by (used in) investing activities**

Cash flows used in investing activities amount to €57.2 million in 2018 while cash flows of €76 million were generated by investing activities in 2017. They relate to:

- net investments of €25.7 million in the concessions segment for equity and/or semi-equity loans granted to the operators in Turkey (Otoyol Yatirim Ve Isletme A.S and Ankara Etlik Hastane A.S.) and Chile (Sociedad Concesionaria Nuevo Pudahuel S.A.);
- items of €34.9 million related to the construction segment.

**Cash flows generating by financing activities**

In 2018, financing activities generated cash inflows of €343.1 million (€62.8 million in 2018).

**INVESTMENTS**

Information on investments made during the year is provided in the comments on the cash flows generated by investing activities and the notes to the separate and consolidated financial statements at 31 December 2018.

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

## The parent's performance

### RECLASSIFIED STATEMENT OF PROFIT OR LOSS

(€'000)

| | *Note no.* | **2018*** | | **2017** | |
|---|---|---|---|---|---|
| Revenue | *1* | 752,827 | 101.5% | 1,938,140 | 93.9% |
| Fines for contract terminations | | (116,803) | -15.8% | -- | 0.0% |
| **Total revenue from contracts with customers** | | **636,024** | **85.8%** | **1,938,140** | **93.9%** |
| Other operating revenue | *2* | 105,326 | 14.2% | 125,005 | 6.1% |
| **Total revenue** | | **741,351** | **100.0%** | **2,063,145** | **100.0%** |
| Operating costs | *3-4* | (1,297,963) | -175.1% | (1,496,579) | -72.5% |
| **Added value** | | **(556,613)** | **-75.1%** | **566,566** | **27.5%** |
| Personnel expenses | *5* | (328,998) | -44.4% | (302,073) | -14.6% |
| Other operating costs | *6* | (91,650) | -12.4% | (27,277) | -1.3% |
| Change in costs capitalised to fulfil a contract | *7* | 83 | 0.0% | -- | 0.0% |
| Share of profits (losses) from joint ventures and associates | *8* | (60,408) | -8.1% | 61,370 | 3.0% |
| **Gross operating profit (loss)** | | **(1,037,585)** | **-140.0%** | **298,586** | **14.5%** |
| Amortisation and depreciation | *9* | (32,625) | -4.4% | (38,682) | -1.9% |
| Provisions | *10* | (400,094) | -54.0% | (909) | 0.0% |
| Impairment losses | *9* | (328,855) | -44.4% | (233,492) | -11.3% |
| **Operating profit (loss)** | | **(1,799,158)** | **-242.7%** | **25,503** | **1.2%** |
| Net financial expense | *11-12* | (161,263) | -21.8% | (148,856) | -7.2% |
| Pre-tax loss from continuing operations | | **(1,960,421)** | -264.4% | **(123,353)** | -6.0% |
| Income taxes | *13* | 82,119 | 11.1% | 24,630 | 1.2% |
| **Loss for the year** | | **(1,878,302)** | **-253.4%** | **(98,723)** | **-4.8%** |

* The parent has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

Total revenue exceeds €741.3 million in 2018 (-64%, €2.1 billion in 2017) and includes revenue of €752.8 million[47] (-61%, €1.9 billion in 2017) and other operating revenue of €105.3 million (-16%, €125 million in 2017) offset by fines for contract terminations of €116.8 million (none in 2017 and related to estimated probable costs for the reimbursement to customers of higher costs/damage due to terminations that have already taken place in Europe and Latin America).

The parent's revenue performed in line with that of the group. It increased due to the positive production progress on the contracts carried out as joint ventures which have been less affected by the composition with creditors procedure (Brenner Base Tunnel in Italy, the Braila Bridge, the Frontieră–Curtici–Simeria Railway Line and the Brasov–Oradea Motorway in Romania) and the positive contribution by the O&M segment (the Tuscan hospitals in Italy). It was penalised by the composition with creditors procedure which led to the slowdown of production for the contracts performed directly in Italy (the Quadrilatero Marche-Umbria road system) and the smaller contribution of areas where significant contracts/projects phases were completed in 2017, i.e., in Turkey for the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway, Russia for the Western High-Speed Diameter motorway ring road in St. Petersburg, Poland for the road works for the S-5 and S-8 expressways and the Warsaw Metro) and Chile (due to the complexities of the contracts for the West Metropolitan Hospital in Santiago and the Chuquicamata project).

A breakdown of revenue by geographical segment shows Italy's positive contribution (roughly 22% of revenue), affected by, inter alia, the very complex reference context (due to the lack of resources and the very complicated bureaucratic authorisation processes) as well as that of the foreign contracts (78%), mostly in Europe and the Americas. A breakdown by business segment shows that the construction sector is the biggest contributor (98%), mainly for transport infrastructure and civil and industrial construction, with the O&M activities also making a contribution (roughly 2%).

*Table 3 – The parent's revenue by geographical segment*

(€m)

| | 2018 | % | 2017 | % | Annual variation |
|---|---|---|---|---|---|
| **ITALY** | **164** | **21.7%** | **469** | **24.2%** | **-306** |
| **ABROAD** | **589** | **78.3%** | **1,469** | **75.8%** | **-880** |
| Rest of Europe | 312 | *41.4%* | 889 | 45.9% | -577 |
| Americas | 274 | *36.3%* | 485 | 25.0% | -211 |
| Asia (Middle East) | 2 | *0.3%* | 3 | 0.2% | -1 |
| Africa (Algeria) | 2 | *0.2%* | 92 | 4.8% | -91 |
| **TOTAL REVENUE*** | **753** | **100.0%** | **1,938** | **100.0%** | **-1,185** |

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

[47] Excluding the effects of initial application of IFRS 15 and IFRS 9.

*Table 4 – The parent's revenue by business segment*

(€m)

| | 2018 | % | 2017 | % | Annual variation |
|---|---|---|---|---|---|
| **CONSTRUCTION** | **739** | **98.1%** | **1,924** | **99.3%** | **-1,185** |
| Transport infrastructure | 486 | 64.6% | 1,395 | 72.0% | -909 |
| *Roads and motorways* | 38 | 5.0% | 795 | 41.0% | -758 |
| *Railways and metros* | 344 | 45.7% | 479 | 24.7% | -135 |
| *Ports and airports* | 104 | 13.8% | 121 | 6.2% | -16 |
| Hydraulic plants and energy production | 16 | 2.2% | 83 | 4.3% | -67 |
| Civil and industrial construction | 129 | 17.1% | 218 | 11.2% | -89 |
| Industrial plants | 108 | 14.3% | 228 | 11.8% | -120 |
| **Operation & Maintenance** | **14** | **1.9%** | **14** | **0.7%** | |
| **TOTAL REVENUE*** | **753** | **100.0%** | **1,938** | **100.0%** | **-1,185** |

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

Costs are in line with production trends and the parent's decision to refresh its organisation as a result of the composition with creditors proposal. Operating costs decreased by 13% to €1.3 billion (€1.5 billion in 2017) in line with the contraction in production. Personnel expenses amount to €329 million (€302.1 million in 2017).

The gross operating loss amounts to €1 billion (profit of €298.6 million with an EBITDA margin of 14.5% in 2017) as a result of the above captions.

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

# Analysis of the parent's financial position

## RECLASSIFIED STATEMENT OF FINANCIAL POSITION
(€'000)

| | *Note no.* | 31/12/2018* | 31/12/2017 |
|---|---|---|---|
| Intangible assets | 17 | 41,243 | 44,964 |
| Property, plant and equipment | 15-16 | 137,578 | 150,450 |
| Equity investments | 18 | 517,591 | 613,210 |
| Other non-current assets, net | 13-19-20 | 389,835 | 506,845 |
| Non-current assets held for sale | 26 | 63,024 | 168,622 |
| **TOTAL non-current assets (A)** | | **1,149,271** | **1,484,092** |
| Inventories | 21 | 37,830 | 39,270 |
| Contract assets | 22 | 705,076 | 1,518,632 |
| Costs capitalised to fulfil a contract | 22 | 1,592 | -- |
| Trade receivables | 23 | 194,441 | 132,726 |
| Amounts due from customers | 23 | 409,236 | 303,018 |
| Other assets | 19-20 | 544,670 | 440,440 |
| Tax assets | 24 | 52,305 | 51,583 |
| Progress payments from customers | 22 | (258,674) | (419,095) |
| *Sub total* | | *1,686,476* | *2,066,574* |
| Trade payables | 31 | (339,675) | (377,702) |
| Amounts payable to suppliers | 20-31 | (739,828) | (725,588) |
| Other liabilities | 28-32-34 | (486,505) | (348,157) |
| *Sub total* | | *(1,566,008)* | *(1,451,447)* |
| **Operating working capital (B)** | | **120,468** | **615,127** |
| Employee benefits | 30 | (4,428) | (4,285) |
| Provisions for risks and charges | 33 | (504,327) | (34,517) |
| **Total provisions (C)** | | **(508,755)** | **(38,802)** |
| **Net invested capital (D) = (A) + (B) + (C)** | | **760,983** | **2,060,416** |
| Cash and cash equivalents | 25 | 145,561 | 393,585 |
| Current loan assets | 19 | 73,092 | 79,189 |
| Securities | | -- | 36 |
| Current financial liabilities | 28 | (2,588,566) | (832,691) |
| Non-current financial liabilities | 28 | (19,107) | (1,373,591) |
| Net financial debt of disposal groups | 26 | 185,224 | 180,767 |
| **Net loans and borrowings (E)** | | **(2,203,797)** | **(1,552,706)** |
| Non-current loan assets | 19 | 32,457 | 11,358 |
| **Total net loans and borrowings (F)** | | **(2,171,340)** | **(1,541,348)** |
| **Equity (deficit) (G) = (D) - (F)** | | **(1,410,357)** | **519,069** |

* The parent has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated

The parent's year-end financial position reflects that of the group and its financial difficulties and related liquidity crisis that affected it during the year as well as the effects of the composition with creditors procedure (from September 2018).

At 31 December 2018, total non-current assets amount to €1.2 billion (31 December 2017: €1.5 billion), being the sum of *(i)* intangible assets of €41.2 million (31 December 2017: €45 million), *(ii)* property, plant and equipment of €137.6 million (31 December 2017: €150.4 million), *(iii)* equity investments, which decreased to €517.6 million (31 December 2017: €613.2 million), mostly due to the exclusion of Veneta Sanitaria Finanza di Progetto from the consolidation scope as the parent sold control thereover), *(iv)* other non-current assets, net, which decreased to €389.9 million (31 December 2017: €506.8 million), and *(v)* non-current assets held for sale, down to €63 million (31 December 2017: approximately €168.6 million).

Operating working capital amounts to €120.5 million (31 December 2017: €615.1 million) reflecting the difficulties encountered during the year. It should be noted that the balance includes slow-moving trade receivables of €92.2 million (doubtful trade receivables in Romania) that the parent had fully collected at the date of approval of this report.

Al 31 December 2018, net invested capital approximates €761.1 million (31 December 2017: €2.1 billion) as a result of the factors described above and net of total provisions of €508.8 million (31 December 2017: €28.9 million).

Cash and cash equivalents decreased to €145.6 million (31 December 2017: €393.6 million) as a result of the liquidity crisis that affected the parent throughout the year.

Current financial liabilities increased to €2.6 billion (31 December 2017: €832.7 million) after the presentation of the application for the composition with creditors on a going concern basis on 28 September 2018. This led to the reclassification of financial liabilities related to the parent from non-current to current. As a result, the non-current financial liabilities decreased to approximately €19.1 million (31 December 2017: €1.4 billion).

The deficit amounts to €1.4 billion compared to equity of €519 million at 31 December 2017.

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

# Analysis of the parent's net financial debt

NET FINANCIAL DEBT
(€'000)

| | | 31/12/2018 | 31/12/2017 |
|---|---|---|---|
| Cash | | 145,561 | 393,585 |
| Securities held for trading | | | 36 |
| **Cash and cash equivalents** | **A** | **145,561** | **393,620** |
| Current loan assets | | 73,092 | 79,189 |
| Current portion of financial assets from concession activities | | | |
| **Current loan assets** | **B** | **73,092** | **79,189** |
| Current bank loans and borrowings | | (1,404,909) | (489,418) |
| Current portion of bonds | | (907,068) | (1,584) |
| Current portion of non-current debt | | (12,752) | (263,944) |
| Other current loans and borrowings | | (263,837) | (77,744) |
| **Total current loans and borrowings** | **C** | **(2,588,566)** | **(832,691)** |
| **Net current financial debt** | | **(2,369,913)** | **(359,881)** |
| Non-current bank loans and borrowings | | -- | (483,527) |
| Bonds | | -- | (879,294) |
| Other non-current financial liabilities | | (19,107) | (10,770) |
| **Total non-current loans and borrowings** | **D** | **(19,107)** | **(1,373,591)** |
| **Total gross debt** | **E=C+D** | **(2,607,673)** | **(2,206,282)** |
| **Total net financial debt** | **G=A+B+E+F** | **(2,389,020)** | **(1,733,473)** |
| Net financial position of disposal groups | **H** | **185,224** | **180,767** |
| **Total financial debt** | **I=G+H** | **(2,203,797)** | **(1,552,706)** |
| Non-current loan assets | | 12,646 | -- |
| Subordinated loans | | 19,811 | 11,358 |
| **Non-current loan assets** | **L** | **32,457** | **11,358** |
| **Total net financial debt** | **M=I+L** | **(2,171,340)** | **(1,541,348)** |
| Treasury shares in portfolio | **N** | **3,023** | **3,079** |
| **Net financial exposure** | **O=M+N** | **(2,168,317)** | **(1,538,269)** |

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

## STATEMENT OF CASH FLOWS
(€'000)

| | 2018* | 2017 |
|---|---|---|
| A) Net cash flows used in operating activities | (557,409,106) | (166,479,798) |
| B) Cash flows used in investing activities | (57,404,005) | (33,772,081) |
| C) Cash flows generated by financing activities | 366,790,036 | 193,449,584 |
| NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C) | (248,023,075) | (6,802,295) |
| OPENING CASH AND CASH EQUIVALENTS | 393,584,533 | 400,386,829 |
| CLOSING CASH AND CASH EQUIVALENTS | 145,561,238 | 393,584,533 |

** The parent has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.*

Cash and cash equivalents decreased by €248 million during the year while they decreased by €6.8 million in 2017.

### Cash flows used in operating activities

Cash flows used in operating activities in 2018 amount to €557.4 million (2017: €166.5 million) and reflect the financial difficulties of both the parent and the group during the year.

### Cash flows used in investing activities

Cash flows used in investing activities amount to €57.4 million for 2018 compared to €33.8 million in 2017, mostly due to items related to the construction sector as well as net investments in the concession segment for the equity and/or semi-equity loans to the operators in Turkey (Otoyol Yatirim Ve Isletme A.S and Ankara Etlik Hastane A.S.) and Chile (Sociedad Concesionaria Nuevo Pudahuel S.A.).

### Cash flows generated by financing activities

In 2018, financing activities generated cash inflows of €366.8 million (2017: approximately €193.5 million).

### INVESTMENTS

Information on investments made during the year is provided in the comments on the cash flows generated by investing activities and the notes to the separate financial statements at 31 December 2018.

# 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, *(ii)* for the O&M segment, the projects for which contracts have been signed or for which the group has a contractual obligation, and *(ii)* for the concessions segment, the projects which are financed, i.e., that have achieved their financial closing.

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.

EFFECTS OF THE COMPOSITION WITH CREDITORS PROCEDURE ON THE ORDER BACKLOG

When it prepared the business plan based on the composition with creditors proposal assisted by its advisors, the parent performed an in-depth analysis of the economic and financial characteristics of the production to be completed of the contracts included in the order backlog at 30 September 2018 to identify the main projects for which it should assess potential alternatives to continuing the works (termination of the contract, suspension of the works, etc.).

It analysed its order backlog considering the following factors in particular:

- economic and financial performance indicators, such as the cash flows for the fourth quarter of 2018 and the whole of 2019, the financial requirements to complete contracts, the capital already invested at the reference date (carrying amount) and future investments (these latter indicators relate to the concessions and include both an equity and shareholder loan component);

- risks and opportunities, especially as regards claims, the guarantees already given and possible risks related to termination of the contracts or the early termination of the contracts.

Based on these factors and additional quantitative information (guarantees to be given, trade receivables, investments in equity) and qualitative information (socio-political risks of the country where the contract is being carried out and relationships with the customers and any partners), the parent divided its order backlog into the following groups:

- self-financing contracts;
- contracts with an initial negative cash flow in 2018 and 2019 but subsequent positive cash flows meaning that they will generate a profit;
- loss-making contracts or contracts with negative cash flows.

As a result, the parent identified those contracts to be included in its continuity plan (core assets), mainly located in Europe, Poland, Romania, Turkey, Sweden and the Americas.

Therefore, the order backlog for contracts (“construction”) amounts to €7.3 billion at year end compared to €9.1 billion at 28 September 2018. Considering the new orders of the year and net of the production carried out in the fourth quarter of 2018, the contracts show a decrease due to order backlog decreases of €1.8 billion (net of acquisitions).

Unlike in previous years, the order backlog of €9.3 billion 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. It should be noted that this proposal provides for completion of the investments for certain of the concession contracts which are in progress.[48]

***

A breakdown of changes in the order backlog by geographical segment during the year is provided below. This shows that, net of the order backlog decreases, it amounts to €9.3 billion for the group, including €4.6 billion for contracts in Italy, €2.7 billion in the rest of Europe (Poland, Romania, Sweden and Turkey), €1.6 billion in the Americas (mainly Chile, but also the US and Canada) and €0.3 billion in Africa (Algeria) and Asia (India).

[48]See the “Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal” section.

*Table 5 – Change in the order backlog by geographical segment (€m)*

| (€m) | 1/01/2018 | Increases/Decreases | Decreases for production | 1/12/2018 |
|---|---|---|---|---|
| Italy | 6,041 | -1,182 | -264 | 4,595 |
| Abroad | 11,465 | -6,013 | -764 | 4,688 |
| *Europe* | *7,991* | *-4,913* | *(332)* | *2,746* |
| *Americas* | *3,332* | *-1,326* | *(451)* | *1,555* |
| *Africa* | *80* | *28* | *9* | *117* |
| *Asia* | *62* | *198* | *10* | *270* |
| **ORDERS IN PROGRESS BY GEOGRAPHICAL SEGMENT** | **17,506** | **-7,195** | **-1,028** | **9,283** |

*Table 6 – Changes in the order backlog by business segment (€m)*

| (€m) | 31/12/2018 |
|---|---|
| Construction | 7,310 |
| **Transport infrastructure of which:** | **5,828** |
| *Railways and metros* | *3,188* |
| *Roads and motorways* | *2,316* |
| *Airports and ports* | *324* |
| **Hydraulic works and energy generation plants** | ***108*** |
| **Civil construction** | ***923*** |
| **Industrial plants** | ***451*** |
| O&M | 1,973 |
| INDUSTRIAL PORTFOLIO | *9,283* |

The backlog decreases for the year (approximately €3.3 billion), including the decrease for production of the year, mostly refers to (i) the termination of contracts for approximately €1 billion and the discontinuation of the project for the Puerto Cabello-La Encrucijada railway line in Venezuela after commencement of an international arbitration (described later[49]), only partly offset by acquisitions of new orders during the year.

The following table shows the main terminations of contracts during the year, mostly due to the commencement of the composition with creditors procedure as well as the measures to reorganise the order backlog as described earlier.

## New orders

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

*Table 7 – Key new orders of the year*[50]

| COUNTRY | PROJECT | ASTALDI'S SHARE (€m) |
|---|---|---|
| **ITALY** | | |
| ITALY | High speed/high capacity Palermo–Catania railway line, Bicocca–Catenanuova section | 65.3 |
| ITALY | NATO base in Sigonella | 62.6 |
| ITALY | Nuovo Ospedale del Sud-Est Barese in Monopoli–Fasano | 51.3 |
| **EUROPE** | | |
| ROMANIA | Braila Bridge | 279.8 |
| SWEDEN | Gothenburg – Kvarnberget Rail Link | 80.4 |
| **AMERICAS** | | |
| CHILE | Recursos Norte mining project (Miniera El Teniente) | 118.0 |
| CANADA | Ashbridges Bay Treatment Plant Outfall | 49.9 |
| **ASIA** | | |
| INDIA | Versova–Bandra Sea Link in Mumbai | 229.0 |
| INDIA | Mumbai Metro | 42.9 |

**ITALY // High speed/high capacity Palermo–Catania railway line, Bicocca–Catenanuova section** – €186 million (Astaldi's share: 34.226%). The construction contract includes the executive design and doubling of the track of the Bicocca-Catenanuova railway section of roughly 38 km, including roughly 10 km for variations to the track, which is part of the Palermo-Catania line in Italy. The new infrastructure will improve the railway

[49] See the "Main risks and uncertainties - Significant contractual events" section for information about the arbitration commenced in Venezuela.

[50] Non-exhaustive list which, however, is representative of the orders acquired which contribute more than €40 million to the order backlog and which are not subject to the order backlog reorganisation provided for by the composition with creditors plan (described earlier). The "Construction" section provides more details on the significant contracts.

connections in Sicily and the island's connections to the TEN-T network. The works will be performed as part of a joint venture with Salini Impregilo (now Webuild) and other Italian companies.

**ITALY // NATO base in Sigonella** – roughly €63 million (Astaldi's share: 100%) for the extension of the NATO base in Sigonella, Sicily. The contract includes the executive design and construction of 14 buildings occupying a total net surface area of 26,700 square metres to be used as military offices and aircraft storage and fitting out, with the specific radio/data plant engineering for specialist military air operations. The works are slated to take approximately three years.

**ITALY // Nuovo Ospedale del Sud-Est Barese in Monopoli–Fasano** – €73 million (Astaldi's share: 70%). The construction contract covers all the civil works and systems for the new healthcare facility of excellence in Southern Italy, 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.

**ROMANIA // Braila Bridge** – €435 million, plus price revisions (Astaldi's share: 60%). The contract covers the construction of a 1,975-metre suspension bridge over the Danube and roughly 23 km of access roads as part of a joint venture. The design stage will take one year and construction works three years.

**SWEDEN // Gothenburg Rail Link (Westlink – Lot E03 Kvarnberget)** – over €78 million (SEK823 million) (Astaldi's share: 40%). The EPC contract provides for the construction of roughly 600 metres of railway tunnel as part of the project to upgrade the Gothenburg Rail Link. The planned duration of works is approximately 3 years with completion slated for June 2021.

**CHILE // El Teniente Mine (Recursos Norte Mining Project)** – €73 million (CLP53.4 billion at the award date). The contract includes the first phase works of the Recursos Norte Mining Project (5 km of tunnels) for the underground development of the El Teniente copper mine. The contract will be terminated when the local composition with creditors procedure is commenced in Chile and subsequently reassigned to Astaldi for a value equal to the equivalent of €118 million.

**CANADA // Ashbridges Bay Treatment Plant Outfall** – €50 million (Astaldi Group's share: 30%). This contract includes the construction of the Ashbridges Bay Treatment Plant in Toronto. It provides for the construction of a new outfall tunnel which will allow the release of the treated water into Lake Ontario. ATBP is one of the largest and oldest wastewater treatment plants in Canada. Astaldi Canada Design and Construction (Astaldi Group, 30% share) will perform the contract as a joint venture with Southland (Canada, 70%).

**INDIA // Versova–Bandra Sea Link ("VBSL") in Mumbai** – INR62.4 billion (the equivalent of €780 million, including €390 million for Astaldi, of which €228.5 million already included in its order backlog, as already described). The EPC contract includes the works to upgrade Mumbai's urban viability as part of a joint venture with an Indian customer. 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. 30% of the contract's total value (€228.5 million) was included in the 2018 new orders while the other 20% is classified as an option and will be included in the new orders when it has been authorised by the customer (as per the agreements already signed with Astaldi's partner).

**INDIA // Mumbai Metro (North–South Metro Line 4, Wadala–Kasarwadavali section)** – INR13.5 billion (€168 million at the reporting date; Astaldi's share: 26%). The EPC contract includes three lots of the Mumbai Metro to be built as a joint venture with an Indian company. It entails the design and development of roughly 20 km of railway viaduct and 18 stations to facilitate the north-south link in the city.

# Construction

## 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[51].

At 31 December 2018, the order backlog of the Italian construction segment is worth approximately €3.4 billion and includes:

- new orders for the high speed/high capacity Palermo-Catania railway line (Bicocca-Catenanuova section), the NATO base in Sigonella and the Nuovo Ospedale del Sud-Est Barese in Monopoli-Fasano;
- backlog decreases, which mainly refer to the following projects:
  - Project Nuraghe (reclamation of the industrial area of Porto Torres in Sardinia): the termination requested by the customer is due to the risk that Astaldi may default given its current financial difficulties. Astaldi's opposition to the termination has led to a settlement process;
  - Monti Nieddu Dam, see later[52];
  - HVDC Italy–France "Piedmont–Savoia" interconnection project, see later[53].

A brief description of the main contracts included in the Italian construction 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[54]. 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

[51] See the "Concessions" section for more information.
[52] See the "Main risks and uncertainties – Significant contractual events" section.
[53] See the "Events after the reporting date - Significant contractual events after the reporting date" section.
[54] Tunnel boring machine.

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[55] could go ahead. The project subsequently underwent delays due to the costs-benefits analyses commenced by the government. It should be noted that, 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/high 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[56] 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. It should be noted that 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** – Included in the new orders for the year, 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 (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.

**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. It should be noted that, 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

[55] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).
[56] Italferr S.p.A. (Ferrovie dello Stato Italiane Group).

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 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" section.

**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. During the year, work continued regularly. It should be noted that, 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.

**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 2018, 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), although progress is affected by Astaldi's financial difficulties. The customer has authorised commencement of the preliminary analyses of the executive designs for the Parco San Paolo Station, approved in August. In the same month, part of the works on the currently financed Pozzuoli Port was completed, specifically those related to the under billow pier - first phase of the new ferry dock. More information is provided in the "Main risks and uncertainties - Significant contractual events" section on Infraflegrea Progetti S.p.A..

**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.

**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. It should be noted that the executive design sent by the general contractor (Sirjo, in which Astaldi has an investment) to the customer (ANAS[57]) 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. It should be noted that, 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 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

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

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[58] 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. It should be noted that, 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** – Included in the new orders in 2018, 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. It should be noted that, 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** – Included in the new orders in 2018, 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[59] of the Bari Province. The contract was awarded to Astaldi (70%) as part of a joint venture with Guastamacchia (Italy, 30%).[60]

**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.

[58] European Regional Development Fund.
[59] ASL, local health authority.
[60] See the "Order backlog - New orders" section.

# 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[61]).[62]

At 31 December 2019, the European construction order backlog is worth €2 billion and mainly consists of contracts in *(i)* Romania (roughly €866 million), *(ii)* Poland (€393 million), *(iii)* Sweden (€335 million), and *(iv)* Turkey (€391 million). These amounts include, inter alia:

- new orders in Romania (the Braila Bridge) and Sweden (the Gothenburg Rail Link);
- backlog decreases due mainly to the E-59 railway line and the Deblin-Lublin railway line no. 7 in Poland. Astaldi notified the customer of the termination of the contract due to the extraordinary and unforeseeable change in the economic situation 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. More information is available in the "Main risks and uncertainties - Significant contractual events" section.

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** – Acquired in 2018, 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[63]. 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. It should be noted that 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[64]. 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

[61] See the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section for more information about the plan.
[62] See the "Concessions" section for information about the concessions in Turkey.
[63] Large Infrastructure Operational Programme
[64] European Rail Traffic Management System.

of the LIOP and 25% by the state. It should be noted that 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 (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)** – Acquired in 2018, 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) 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 2018, the American construction order backlog's value is €1.6 billion, including contracts in *(i)* Chile (€925 million), *(ii)* the US (€426 million), and *(iii)* Canada (€205 million). These values include, inter alia:

- new orders in Canada (Ashbridges Bay Treatment Plant Outfall and orders acquired through TEQ Construction Enterprise) and Chile (the Recursos Norte mining project);
- backlog decreases mostly related to:
  - the closure of the Muskrat Falls hydroelectric project in Canada (see the "Main risks and uncertainties - Significant contractual events" section for more information);
  - the step-in of the sureties for the road projects in Florida *(i)* SR-429/SR-46 - Wekiva Parkway Section 7A), *(ii)* SR-43 (US-301 from SR-675 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 (see the "Main group companies - Astaldi Construction Corporation" section for more information);
  - termination of the contract for the West Metropolitan Hospital in Santiago, Chile due to non-fulfilment (see the "Events after the reporting date - Significant contractual events after the reporting date" section for more information);
  - suspension of the contract for the ESO-ELT (European Extremely Large Telescope) Observatory in Chile. In January 2019, Astaldi's partner will request the dilution of Astaldi's investment in the joint venture to 0.01%, which means it will no longer be the general contractor, due to the non-presentation of guarantees for the project (see the "Main risks - Significant contractual events" section for more information).

This section provides a brief description of the main contracts comprising the American construction order backlog in progress at 31 December 2018, including the new orders referred to above. It also comprises a synthetic presentation of the Central American countries where the group is steadily closing its contracts.

## 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[65]) 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 expressed its willingness to continue the works through a new contract, depositing the amounts obtained from enforcing the guarantees in a bank account as a guarantee for any greater costs to complete the works and with the intention of returning any remaining amounts at the end of the 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. It should be noted that, 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.

**CHUQUICAMATA MINE – CONTRACT CC13 –** The contract is part of the project for the underground development of Chuquicamata, the largest open-pit copper mine in the world, to develop another 23 km of tunnels (in addition to those excavated by the group earlier as part of the same project). During 2018, the works continued at a faster pace than contractually provided for, which led to the anticipation of the completion date to before the end of 2019. 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 €44 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, depositing the amounts obtained from enforcing the guarantees in a bank account as a guarantee for any greater costs to complete the works and with the intention of returning any remaining amounts at the end of the 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. It should be noted that 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.

[65] The “Main group companies – NBI” section provides more information about this group company.

## 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 the main structures as well as the activities to demolish the existing structures to be replaced and for traffic management. It should be noted that, 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** – Acquired in 2018, 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%).

## CENTRAL AMERICA

The requalification of the order backlog at 28 September 2018 (described earlier) led to the group's substantial exit from this geographical segment. Specifically, the projects ended (or being ended) mostly related to contracts that had been terminated or for which termination had been requested in Honduras, Nicaragua and Panama. Specifically:

- Arenal Hydroelectric Project (Honduras). On 6 December 2018, the customer sent the joint venture a notice of substantial default of the contract setting a period of time to remedy it. The customer subsequently 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. More information is available in the "Main risks and uncertainties - Significant contractual events" section.
- Comejen Waslala – Sections I and II (Nicaragua). More information is available in the "Events after the reporting date - Significant contractual events after the reporting date" section.
- Alto Piura Hydro Project (Peru). More information is available in the "Events after the reporting date - Significant contractual events after the reporting date" section.
- Carretera Omar–Torrijos (Panama).

# Africa

At 31 December 2018, this segment mostly refers to Algerian contracts and has a construction order backlog of €117 million, mainly in the transport infrastructure sector (railways).

A brief description of the main contracts in the African construction order backlog at 31 December 2018 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 to km 154 for a total of 45.5 km of a single track non-electrified railway line.

# Asia

At 31 December 2018, this geographical segment mainly comprises India, which the group has recently entered, with an order backlog of €270 million. The main sector of interest is transport infrastructure (roads, motorways and complex works). The order backlog includes, inter alia, new orders for VBSL and the Mumbai Metro (see earlier in this report[66]).

A brief description of the main projects included in the Asian construction order backlog at 31 December 2018 is as follows:

## INDIA

**VERSOVA–BANDRA SEA LINK ("VBSL") IN MUMBAI** – Acquired in 2018, 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.

[66] See the "Order backlog - New orders" section.

# Operation & Maintenance

The group has decided to leverage 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 2018, 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 Etlik 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[67].

**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. At 31 December 2018, 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

[67] 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 “Concessions” and “Events after the reporting date - Significant contractual events after the reporting date” sections for more information).

# Concessions

Unlike in previous years, the order backlog at 31 December 2018 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[68]). 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 2018, the group's concessions include:

- projects under operation in Italy, Turkey and Chile, i.e.:
  - five car parks in Italy (remaining interest of 5% - to be sold in 2019[69] - after the sale of the other 95% to two infrastructure funds in July 2014);
  - 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 to an English infrastructure fund; the group still has a 5% interest[70])
    - the Ospedale dell'Angelo di Venezia–Mestre (sold in 2018 to a French infrastructure fund, as described later in this report);
  - two motorways in Turkey:
    - the Third Bosphorus Bridge and North Marmara Highway ("3BB" or "Third Bridge", to be sold in 2020[71])
    - the Gebze-Orhangazi-Izmir Motorway ("GOI");
  - an international airport in Chile:
    - Arturo Merino Benitez International Airport of Santiago ("Santiago Airport");
- Projects under construction in Italy, Turkey and Chile:
  - a metro line in Italy:
    - Line 4 of the Milan Metro[72];
  - two healthcare facilities abroad;
    - Etlik Health Integrated Campus in Ankara, Turkey[73];

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[68] See the "Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section.

[69] Sold in November 2019. More information is available in the "Events after the reporting period - Additional significant events" section.

[70] See the "Events after the reporting date - Additional significant events" section for more information.

[71] See the "Events after the reporting date - Additional significant events" section for more information.

[72] The "Construction" section provides information about its stage of construction.

[73] The "Construction" section provides information about its stage of construction.

- 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).

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. This division also affects Astaldi Concessioni, as described earlier[74].

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[75], with more progress made in 2018. The key steps undertaken in 2018 are described below.

## Progress on the asset disposal plan

**Closing for the sale of 59.4% of the operator of the Nuovo Ospedale dell’Angelo di Venezia–Mestre, Italy** – In September 2018, the group signed an agreement with the infrastructure fund Core Infrastructure II S.à.r.l.[76] for the sale of 59.4% of Veneta Sanitaria Finanziaria di Progetto (“VSFP”), the operator of the Ospedale dell’Angelo di Venezia-Mestre, Italy. Following this transaction, Core Infrastructure II acquired control of VSFP, while Astaldi and Astaldi Concessioni retained 0.5% as non-controlling investors to ensure continuity both for the development of the infrastructure’s operation and the relationships with the grantor.

It should be noted that, at the date of preparation of this report, the following disposals were completed *(i)* the remaining investment in the car parks business unit in Italy (November 2019), *(ii)* the investment held in the operator of the four Tuscan hospitals in Italy (in December 2019), and *(iii)* the Third Bosphorus Bridge operator in Turkey (in March 2020).[77]

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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.

[74] See the “Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal” section.
[75] See the “Composition with creditors on a going concern basis pursuant to article 186-bis of the Bankruptcy Law - Composition with creditors proposal” section.
[76] Owned by the infrastruture fund Mirova S.A., OSTRUM AM Group (formerly Natixis AM).
[77] See the “Events after the reporting date - Additional significant events” section for information about the above disposals.

## 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 2018, the operation activities continued regularly and in full compliance with the related concession contract. At 31 December 2018, the appeal hearing ruling on the parties' appeal against the award handed down in 2015 is still pending. The award provided for the application of the provisions of Legislative decree no. 95/2012 (the spending review) to the concession. 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. The agreement also provided for the option for Astaldi Concessioni to set up an O&M company by December 2019 to receive all the services assigned directly by the SPE to the services provided at that date.

**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: 5% 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. It should be noted that, 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).[78]

**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

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

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

**AST B PARKING and AST VT PARKING | Italy**
*Infrastructure*: Piazza VIII Agosto and Riva Reno car parks in Bologna, Porta Palazzo and Corso Stati Uniti car parks in Turin, Piazza Cittadella car park in Verona
*Project KPI*: 3,675 parking spaces
*Operators*: AST B Parking and AST VT Parking (Astaldi Group's investment: 5% at 31 December 2018)
Al 31 December 2018, Astaldi Concessioni had 5% stakes in the SPEs AST B Parking S.r.l. and AST VT Parking S.r.l., which had previously received the business units comprising the Piazza VIII Agosto and Riva Reno car parks in Bologna, Porta Palazzo and Corso Stati Uniti car parks in Turin and Piazza Cittadella car park in Verona. It will sell these investments in 2019.[79]

**CONSORCIO NUEVO PUDAHUEL | Chile**
*Infrastructure*: Arturo Merino Benitez 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 Benitez 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. Total passengers transiting the infrastructure numbered 23.3 million in 2018, including 12.3 million from national flights and 10.89 million from international flights. Construction work for Phase 2 (the new terminal) is ongoing while Phase 1 (the existing terminal) is under operation[80].

**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: 18.86%).
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. It should

[79] See the "Events after the reporting date - Additional significant events" section for more information.
[80] The "Construction - Americas" section provides more information about the stage of construction.

be noted that the motorway section was opened in August 2019 and the concession will be sold once the infrastructure has been completed.[81]

**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 2018).
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 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. In 2018, the daily average of equivalent vehicles using the bridge approximated 41,200. The daily average of equivalent vehicles using just the motorway section in the same period was roughly 41,400, considering the guaranteed revenue per kilometre. The motorway was opened to the public in September 2018. It should be noted that the concession was sold in 2020.[82]

## 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[83]. 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.[84]

**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%)

[81]See the "Construction - Europe" section for more details on the stage of construction.
[82] See the "Events after the reporting date - Additional significant events" section for more information.
[83] Communication Based Train Control.
[84] See the "Construction - Italy" section.

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. It should be noted 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 Ministry for Health, the lenders and the companies).[85]

**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[86]. 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. 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 January 2019, the related EPC contract awarded to Astaldi was terminated by SCMS. 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.[87]

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[85] See the "Construction - Europe" section for more details on the stage of construction.

[86] See the "Construction – Americas" and "Operation & Maintenance" sections for more information.

[87] See "Events after the reporting date - Significant contractual events after the reporting date" section for more information.

**SCAP | Chile**

*Infrastructure*: Punilla multi-purpose dam

*Project KPI:* 94 MW of installed capacity

*Operator*: Astaldi

The project refers to the design, construction and operation of a multi-purpose hydroelectric power plant with a storage capacity of 625 million cubic metres and installed capacity of 94 MW. The plant will be used to improve the irrigation water storage capacity and the electrical energy generation capacity in the Bío region and the Sistema Interconectado Central serving the city of Santiago. Starting from September 2018, the originally-envisaged investment was decreased significantly, deferring sine die the injection of funds and delaying the works commencement date and the preliminary works such as expropriations. The slowdown in the project is due to the disputes with the grantor about the areas on which the plant is to be built and the incompleteness of the documentation presented by the competent ministry to obtain the environmental authorisations. Specifically, in 2018, SCAP informed the Ministry of Public Works of a significant event, namely the smaller water storage capacity (563.9 million cubic metres compared to the storage capacity of 625 cubic metres established in the concession contract). Given the complexity of the issue and as part of the project to reorganise the order backlog as per the composition with creditors plan, this project was identified as one to be closed[88]. It was not included in the order backlog, except as an option, as the financial closing had not taken place.

[88] See the “Order backlog - Definition and structure” section for information about the reorganisation of the backlog.

# 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 2018 (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 €323.5 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. ("illimity") 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:
   - 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 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 2018 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 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 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[89]) - 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.

**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

[89] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

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.

**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 // 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.

**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. Reference should be made to the notes for more details.

**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 are reflected in the separate and consolidated financial statements at 31 December 2018. Reference should be made to the notes for more details.

**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 2018, 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 are reflected in the separate and consolidated financial statements at 31 December 2018.

**VENEZUELA // ICC ARBITRATION 2438/JPA** – On 13 June 2019, Astaldi, Ghella and Salini Impregilo (now Webuild), members of the Consorzio di Imprese Italiane ( the "joint venture"), with the legal assistance of their advisers, 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 2018 regarding the recoverable amount of the parent and group's exposure to the Venezuelan government.

**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.

**NICARAGUA // EL COMEJEN–WASLALA ROAD (SECTIONS I AND II)** – There were significant delays in the project during the year 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.

# 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 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
(€'000)

| | Equity (deficit) at 31/12/2018 | 2018 loss | Equity (deficit) at 31/12/2017 | 2017 profit (loss) |
|---|---|---|---|---|
| **Astaldi S.p.A.** | **(1,410,356)** | **(1,878,302)** | **519,069** | **(98,723)** |
| - Elimination of carrying amount of investments in subsidiaries and share of profit or loss of equity-accounted associates | (94,491) | 152,490 | (256,560) | (17,820) |
| - Equity and profit (loss) of subsidiaries net of non-controlling interests and other minor adjustments | (175,768) | (387,466) | 233,158 | 15,853 |
| - Elimination of the loss allowances of subsidiaries | 38,998 | 25,315 | | |
| - Elimination of the provisions for risks on equity investments | 202,612 | 179,539 | 23,073 | (485) |
| **Consolidated financial statements (portion attributable to the owners of the parent)** | **(1,439,005)** | **(1,908,424)** | **518,740** | **(101,175)** |
| **Consolidated financial statements (portion attributable to the non-controlling interests)** | **132** | **(3,746)** | **30,702** | **3,448** |
| **Consolidated financial statements** | **(1,438,873)** | **(1,912,169)** | **549,442** | **(97,727)** |

# 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 concessions 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).

Astaldi Concessioni generated revenue of approximately €14.5 million in 2018, mostly earned on its activities in Chile and Italy.

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[90]. 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.

[90] 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

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.

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. Huge steps were made in designing the main structures and bridges during the year and the existing structures were demolished.

# 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 2019.*[91]

Based on the analyses carried out by ANCE, the optimism seen in early 2018 was gradually dampened by the rather disappointing performance of the year, projecting into 2019 the systemic weaknesses caused by the weight of bureaucracy and the convoluted legislative framework that heavily hinder attempts to use government funding to set up construction sites (since 2016, €140 billion has been put aside for infrastructure to be spread over 15 years, but only 4% has been used).

This historical inability to transform investments in public works into expenditure has led to an infrastructural deficit of €84 billion (-50% in the past ten years), making it impossible to fill the employment gap left by over 120 thousand companies and 600 thousand jobs since 2008, equating to cutting production levels by one-third.

The factors behind the economic slowdown are both global (international trade tensions, contraction in China's GDP, global economic downturn) and domestic. The latter factors include interest rate fluctuations, considerable risk of a rise in the deficit/GDP ratio, along with current spending choices ("Quota 100" pension reform, VAT freezing, universal basic income), which have led to falling support for investments. Together these critical factors prevent the construction sector fully contributing to reviving the GDP (weighing approximate 8% of the total). According to ANCE estimates, the construction sector as a whole would lead to a 1.5% growth in the GDP if it were fully up and running.

The scenario in Italy has also been impacted by revisions to projects and uncertainties regarding contracts for certain large works such as the high speed Brescia-Verona-Padua and Turin-Lyon railway lines, which may cause delays to scheduled investments, the reorganisation of resources earmarked for ANAS and the rescheduling of investments linked to Ferrovie dello Stato.

This has led ANCE to revise downwards its growth forecasts for the construction sector in 2019 pending expected simplifications to accounting and regulations.

[91] Source: "Osservatorio Congiunturale sull'Industria delle Costruzioni – Gennaio 2019", by Direzione Affari Economici e Centro Studi ANCE.

## 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).*[92]

**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.[93]

**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).[94]

**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.[95]

**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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[92] See the "Events after the reporting date – The spread of Covid–19 (the Coronavirus)" section.

[93] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/quadro_macroeconomico.php?id_paesi=87) by the Ministry of Foreign Affairs and International Cooperation ("MFAIC").

[94] 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.

[95] 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.[96]

**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.[97]

**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.[98]

[96] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/dove_investire.php?id_paesi=40), by the MFAIC.
[97] Source: InfoMercatiEsteri (http://www.infomercatiesteri.it/dove_investire.php?id_paesi=39#info_mercati_esteri_3), by the MFAIC.
[98] 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)

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[99].

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 Coluccio as the delegated judge for the procedure (the "delegated judge"), *(iii)* calling a creditors' meeting to vote on the composition with creditors proposal before the delegated judge (the "creditors' meeting") 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 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 in early 2020).

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 on 17 March 2020 transferring the entire investment in the SPE[100] that holds the concession to build and operate the Third Bosphorus Bridge in Turkey.

[99] 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.
[100] Special Purpose Entity.

In full compliance with the agreements, the transaction entailed:

i. 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;
ii. 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 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, 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 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*".

## Other procedures linked to the Astaldi S.p.A. composition with creditors (updates after the reporting date)

This section provides an overview of the additional procedures linked to the parent's composition with creditors procedure. 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 on the procedure commenced by NBI (Astaldi Group) and the judicial reorganisation procedure in Chile.

*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.

## Financing agreements and contracts signed during the interim period

This section provides an overview of the financing agreements and contracts signed during the interim period[101], as authorised pursuant to the authorisations of the bankruptcy section of the Rome Court under the ongoing composition with creditors procedure.

**First issue bonds – €75 million due 12 February 2022**

On 12 February 2019, Astaldi issued 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"). These 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 Law.

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[102]) set out in the plan, the regulation applicable to the first issue bonds (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.

**€400 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 issue. However, the time necessary to draft the contract for the second issue was not compatible with Astaldi's need for financing, so Astaldi decided to look for financial backers willing to back it until the second issue. It received an offer from 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

[101] 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.
[102] As defined earlier – see the "Main risks and uncertainties – Going concern" section.

composition plan and proposal (the "illimity loan"). The loan was fully used and then entirely repaid on 2 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 the interim financing (in addition to that obtained with the first issue bonds) needed up until authorisation of the composition with creditors procedure (and, therefore, the second issue bonds), the plan provides that Webuild[103] (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.

[103] Salini Impregilo was renamed Webuild in May 2020.

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:

11. 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;
12. 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 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-along 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 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 pledged their assets as collateral) but instead 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.

## Significant contractual events after the reporting date

Reference should also be made to the “Main risks and uncertainties – Significant contractual events” section for further details.

**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 19 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.

**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.

**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.

**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.

**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.

## 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

**€608 million contract for a new lot of the high speed Naples–Bari railway line** – In January, Astaldi announced that it had been awarded a contract worth €608 million (with a 40% stake for Astaldi) to develop another 18.7 km of the high speed Naples-Bari railway line in Italy in a joint venture with Webuild (formerly Salini Impregilo). The new lot includes the construction of the Apice-Hirpinia section, the Hirpinia Station, three bored tunnels and four viaducts. The customer is RFI[104].

[104] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

**Reorganisation of the group's organisational model** – In January 2019, the parent's board of directors approved a number of organisational changes to streamline the decision-making processes by reducing the general management departments.[105]

**Paolo Amato appointed chief restructuring officer** – In May 2019, the parent's board of directors appointed Paolo Amato as its chief restructuring officer to aid the group with its ongoing restructuring.[106]

**Gebze–Orhangazi–Izmir Motorway inaugurated in Turkey** – In August 2019, 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[107] contract, with a concession term of 21 years. The new motorway is 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).[108]

**New contract for the Hurontario Light Rail Transit Project in Canada** – In October 2019, 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 worth roughly CAD1.3 billion (the equivalent of €917 million at the award date). 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. Astaldi has a 28% stake (€257 million) in the consortium.

**Closing of the sale of remaining investments in the car parks business** – In November 2019, 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.

**Signing of the contract for Yaciretà Hydroelectric Power Plant in Paraguay** – In November 2019, Astaldi signed a USD150 million contract (with a 55% stake for Astaldi) to upgrade Yaciretà Hydroelectric Power Plant on the Río Paraná which runs along the border between Argentina and Paraguay (the "Brazo Aña Cuá Project"). 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

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[105] Specifically, on 14 January 2019, the board of directors (*i*) 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. Subsequently, on 21 March 2019, Vittorio Di Paola resigned from his position as honorary chairman of Astaldi S.p.A..

[106] On 31 May 2019, the parent's board of directors appointed Paolo Amato chief restructuring officer to supervise the general implementation of the composition plan., also to comply with the terms of Webuild's binding offer. As of such 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, as defined in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors proposal" section.

[107] Build, Operate, Transfer.

[108] More information is available on the contract in the "Construction – Europe" section.

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.

**Roll out of works for the New Linares Hospital in Chile** – In November 2019, 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.[109]

**Closing of the sale of the investments in the operator of the four Tuscan hospitals** – In December 2019, the group and its partners Techint and Pizzarotti sold their investments in SAT, the operator of the four Tuscan hospitals (Ospedale San Luca di Prato, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Lucca and Ospedale delle Apuane di Massa-Carrara). 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 transaction 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, Ospedale delle Apuane di Massa-Carrara, was opened in January 2016.

**Astaldi on the short-list for the Edmonton LRT project in Canada** – In May 2020, in a joint venture with Webuild, 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 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.

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[109] More information is available on the contract in the "Construction – Americas" section.

**Disengaging from geographical segments no longer considered strategic** – 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 analyses 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) where the group will disengage from activities as they no longer meet revised commercial and business planning strategies. In line with the business plan guidelines, Astaldi: (i) 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; (ii) suspended the operations of its Honduras branch after the local judicial authorities appointed a "court-appointed administrator" on 25 May 2019 in order to sell the branch's assets to satisfy its creditors; (iii) in 2019, discontinued its business activities in the other geographical segments identified under the parent's new business plan.

# Human resources

## Changes in the workforce and actions taken to contain labour costs

The group's **average workforce** for 2018 numbered **10,896 employees**, more or less unchanged (+3.8%) on the previous year (10,491 employees) also in relation to the breakdown by qualification. However, this average number does not show the effects of the new HR management policy rolled out mid-way through the year - and expected to manifest its full numeric and financial effects in 2019 - due to the rapid deterioration of the financial situation leading to the application for the composition with creditors procedure in September.

The policy comprises the following gradual measures:

- hiring freeze and actions aimed at instilling greater efficiency in the parent's structures, the branches and work sites;
- freezing all remuneration policies;
- amending and streamlining benefit and business trip policies;
- starting from 1 December 2018, enforcing the extraordinary government-sponsored lay-off scheme for 439 employees at the production units of Italian offices and sites, resulting in a 305 decrease in the full time equivalent units.

The actions implemented in 2018 have already generated a roughly €17.5 million yoy drop in costs (of which €8.8 million applying to 2018).

## Trade union relations

In relation to the personnel management measures put in place to minimise the impacts of the financial crisis and the resulting composition with creditors procedure, relations with the national and regional trade unions in 2018 were focused on fully and transparently keeping them informed of the situation and discussing tools to manage it via a series of meetings held with senior management towards the end of the year.

Even in such a sensitive situation, the group's long-standing positive labour relations model held fast and both sides showed responsibility by introducing actions less detrimental as possible to the employees. This meant cost cutting goals were achieved without internal strife and with a reduced impact on the workforce.

Upon the request of the national trade unions, the parent held crisis talks with the Ministry of Economic Development at the end of the year during which the parent's situation was included in the crisis of the entire Italian construction industry and brought to the attention of the government in order to monitor the repercussions of the parent's rescue plan on employment.

## Recruitment and training

Personnel recruitment and training had to severely drop off in 2018.

Nevertheless, the parent's Corporate Academy provided roughly 7,800 hours of training on: company information systems, HR management, safety and environmental management, engineering and planning, internal audit, legal matters, foreign languages and the quality management system.

In addition, approximately 850 hours was dedicated to the "Managers of the future" programme aimed at training recent university graduates.

That training was funded by intragroup training funds.

# Organisation

In early 2018, the group commenced a critical review of the organisational model with the support of a consultancy company. The aim is 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.

# Sustainability

Reference should be made to the non-financial statement for the year ended 31 December 2018 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 2018 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

As part of the parent's buy-back plan rolled out during the year, it bought back 46,000 shares in 2018 and sold 32,000. Accordingly, it had 553,834 treasury shares in its portfolio at year end.

## 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 2018, 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 2018 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 2018

Reference should be made to the 2018 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 2018 is provided below.

| | |
|---|---|
| **Abu Dhabi**<br>rat Business Development<br>Al Markaziyah (West)<br>P.O.BOX – 113660<br>Abu Dhabi – UAE | **Algeria**<br>Bureau Administratif et Financier<br>Lotissement 19/20<br>Aissat Idir Cheraga<br>W Alger |
| **Argentina**<br>Desvío a Pescadores, Km. 8.9,<br>Ciudad de San Luis,<br>Provincia de San Luis | **Bolivia**<br>4to Anillo Zona Equipetrol<br>Calle Victor Pinto Nro. 4,200<br>Edificio Torre Duo Piso 19<br>Dpto. 19A. Santa Cruz |
| **Bulgaria**<br>19, I. Denkoglu Str., floor 2<br>1000 – Sofia | **Canada**<br>780 Brewster Street<br>Suite 3-300 Montreal Quebec, H4C 2K1 |
| **Chile**<br>Avenida Américo Vespucio N° 01199<br>Business Lo Boza, Quilicura<br>Santiago | **Costa Rica**<br>Carretera Interamericana Sur, frente a Servicentro El Guarco en Tejar de Cartago<br>Costa Rica |
| **El Salvador**<br>Boulevard El Hipódromo<br>Pasaje 10, Casa 139<br>Colonia San Benito<br>San Salvador | **Georgia**<br>Saburtalo District, Vaja-Pshavela Ave. N71,<br>6 Floor, Block 10, Office 6,<br>Tbilisi, Georgia |

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

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

<u>EBITDA (gross operating profit (loss))</u>. 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.

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

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

<u>Profit from continuing operations</u>. Calculated as EBT net of income tax.

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

<u>Non-recourse financial debt</u>. 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.

<u>Net financial exposure</u>. 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 2018 show a loss attributable to the owners of the parent of €1.9 billion. The separate financial statements of the parent at the same date show a loss of €1.9 billion.

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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**(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 2018, 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 2018 show a loss for the year and a deficit attributable to the owners of the parent of €1,908 million and €1,439 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 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 9 "Amortisation, depreciation and impairment losses", note 20.1 "Other non-current assets" and note 36.4 "Credit risk"*

| **Key audit matter** | **Audit procedures addressing the key audit matter** |
|---|---|
| The consolidated financial statements at 31 December 2018 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:<br>— analysing the accounting policies used by the parent's directors to estimate the recoverable amount of trade receivables and contract assets relating to work |

| 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.<br><br>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. | carried out in Venezuela and recognised as other non-current assets;<br>— 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;<br>— 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;<br>— 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 22 "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 2018 include contract assets of €755 million, contract liabilities of €290 million and contract revenue of €976 million recognised using the percentage of completion method based on incurred cost (cost to cost model). They also present fines for contract terminations of -€124 million.<br><br>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:<br>— claims for additional consideration for contract variations, price escalation | Our audit procedures included:<br>— 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.<br>— For a sample of contracts:<br>  – analysing construction contracts in order to check that the significant factors have been appropriately considered by the group;<br>  – checking the recognition of costs and their allocation to the contract |

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| clauses, incentives and claims compared to that contractually agreed;<br>— disputes with customers for fines and compensation for damages;<br>— the contract activities' long timeframe, size and engineering and operating complexity;<br>— the risk profile of certain countries in which the work is carried out.<br>Therefore, we believe that the measurement of contract assets and liabilities and the recognition of contract revenue are a key audit matter. | work in progress by analysing supporting documentation;<br>– visiting work sites;<br>– 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;<br>– 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;<br>– analysing the events after the reporting date to gather useful information for the measurement of contract assets and liabilities and recognition of contract revenue;<br>– 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 18.1 "Equity investments – Impairment testing"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The consolidated financial statements at 31 December 2018 include investments of €457 million in associates and joint ventures.<br>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. | Our audit procedures included:<br>— understanding the process adopted to prepare the impairment test approved by the parent's board of directors;<br>— 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 |

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| Impairment testing entails a high level of judgement, in addition to the uncertainty inherent in any forecast, especially in relation to:<br>— 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;<br>— the financial parameters to be used to discount the above cash flows.<br>Therefore, we believe that the recoverability of investments in associates and joint ventures is a key audit matter. | engaged by the parent to prepare the impairment test;<br>— 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;<br>— comparing the income and cash flows used for impairment testing to the flows forecast in the investees' plans and analysing any discrepancies for reasonableness;<br>— 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;<br>— analysing the events after the reporting date to gather useful information for the measurement of investments in associates and joint ventures;<br>— 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 2018 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 2018 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 2018 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.

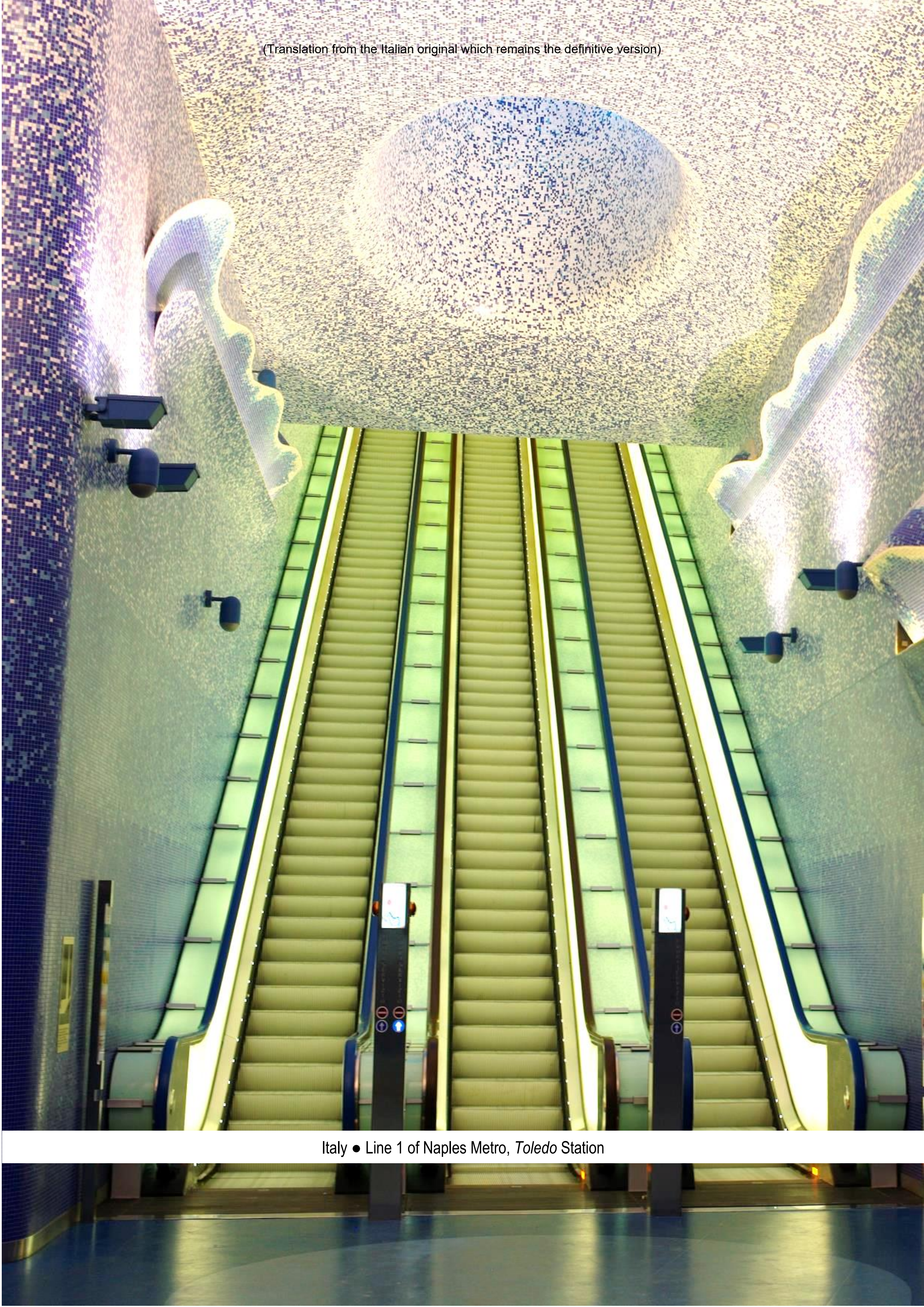
Rome, 10 July 2020

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

# Consolidated financial statements

## Statement of profit or loss

| (€'000) | Note | 2018 | 2017* |
|---|---|---|---|
| Revenue | 1 | 1,028,289 | 2,888,319 |
| Fines for contract terminations | | (123,603) | 0 |
| **Total revenue from contracts with customers** | | **904,686** | **2,888,319** |
| *of which: related parties* | | *161,121* | *570,288* |
| Other operating revenue | 2 | 137,396 | 172,414 |
| *of which: related parties* | | *9,263* | *11,511* |
| **Total operating revenue** | | **1,042,082** | **3,060,733** |
| Purchase costs | 3 | (373,698) | (369,803) |
| Service costs | 4 | (1,245,064) | (1,703,178) |
| *of which: related parties* | | *(97,094)* | *(63,635)* |
| Personnel expenses | 5 | (517,050) | (633,865) |
| Other operating costs | 6 | (103,932) | (34,708) |
| *of which: related parties* | | *(1,181)* | *(85)* |
| **Total operating costs** | | **(2,239,744)** | **(2,741,553)** |
| Change in costs capitalised to fulfil a contract | 7 | 1,995 | 0 |
| Share of profits from joint ventures and associates | 8 | 92,082 | 47,196 |
| **Gross operating profit (loss)** | | **(1,103,585)** | **366,376** |
| Amortisation, depreciation and impairment losses | 9 | (394,706) | (284,933) |
| Provisions | 10 | (280,694) | (5,097) |
| Capitalised internal costs | | 0 | 0 |
| **Operating profit (loss)** | | **(1,778,985)** | **76,345** |
| Financial income and expense | | | |
| Financial income | 11 | 130,461 | 120,507 |
| *of which: related parties* | | *36,745* | *22,717* |
| Financial expense | 12 | (333,135) | (312,687) |
| *of which: related parties* | | *(7,329)* | *(643)* |
| **Net financial expense** | | **(202,674)** | **(192,180)** |
| | | | |
| **Pre-tax loss from continuing operations** | | **(1,981,659)** | **(115,835)** |
| Income taxes | 13 | 69,489 | 18,108 |
| **Loss from continuing operations** | | **(1,912,169)** | **(97,727)** |
| **Profit (loss) from discontinued operations** | | **0** | **0** |
| **LOSS FOR THE YEAR** | | **(1,912,170)** | **(97,727)** |
| Loss attributable to the owners of the parent | | 1,908,424 | 101,175 |
| (Profit) loss attributable to non-controlling interests | | 3,746 | (3,448) |
| | | | |
| Loss per share | 14 | | |
| *Basic* | | (19.50) | (1.03) |
| *Diluted* | | (19.50) | (1.03) |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of comprehensive income

| *(€'000)* | note | 2018 | 2017* |
|---|---|---|---|
| **Loss for the year (A)** | | **(1,912,170)** | **(97,727)** |
| | | | |
| Change in fair value of cash flow hedging derivatives | | 13,052 | 931 |
| Exchange differences from translation of financial statements in foreign currencies | | 19,938 | (48,222) |
| Change in fair value of financial assets measured at FVTOCI | | 10,329 | 0 |
| Share of other comprehensive income (expense) of equity-accounted investees | | 24,009 | (35,814) |
| Share of other comprehensive income of disposal groups | | 0 | 31,414 |
| Tax effect | | (10,067) | (6,710) |
| **Other comprehensive income (expense), net of tax, that will be subsequently reclassified to profit or loss (b1)** | 27 | **57,261** | **(58,401)** |
| | | | |
| Change in fair value of equity instruments measured at FVTOCI | | (21,771) | 0 |
| Actuarial gains on defined benefit plans | | 143 | 33 |
| Share of other comprehensive income of equity-accounted investees | | 0 | 5 |
| **Other comprehensive income (expense), net of tax, that will not be subsequently reclassified to profit or loss (b2)** | 27 | **(21,629)** | **38** |
| | | | |
| **Total other comprehensive income (expense), net of tax (B1)+(B2)=(B)** | | **35,632** | **(58,363)** |
| | | | |
| **COMPREHENSIVE EXPENSE (A)+(B)** | 27 | **(1,876,537)** | **(156,090)** |
| | | | |
| attributable to the owners of the parent | | (1,877,080) | (155,101) |
| attributable to non-controlling interests | | 543 | (989) |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of financial position
## Assets

| *(€'000)* | note | 31/12/2018* | 31/12/2017* |
|---|---|---|---|
| **ASSETS** | | | |
| ***Non-current assets*** | | | |
| Property, plant and equipment | 15 | 162,541 | 178,930 |
| Investment property | 16 | 135 | 143 |
| Intangible assets | 17 | 53,740 | 79,187 |
| Equity investments | 18 | 487,770 | 390,527 |
| *of which: equity-accounted investments* | | 457,078 | 344,948 |
| Non-current financial assets | 19 | 96,150 | 207,086 |
| *of which: related parties* | | *60,648* | *34,904* |
| Other non-current assets | 20 | 136,109 | 316,539 |
| Deferred tax assets | 13 | 276,383 | 143,057 |
| **Total non-current assets** | | **1,212,828** | **1,315,469** |
| ***Current assets*** | | | |
| Inventories | 21 | 42,976 | 48,906 |
| Amounts due from customers | 22 | n.a. | 1,704,498 |
| *of which: related parties* | | n.a. | *276,903* |
| Contract assets | 22 | 755,159 | n.a. |
| *of which: related parties* | | *50,938* | *n.a.* |
| Costs capitalised to fulfil a contract | 22 | 4,188 | n.a. |
| Trade receivables | 23 | 608,748 | 476,853 |
| *of which: related parties* | | *65,835* | *62,973* |
| Current financial assets | 19 | 72,166 | 62,661 |
| *of which: related parties* | | 11,272 | *14,871* |
| Tax assets | 24 | 72,032 | 82,565 |
| Other current assets | 20 | 375,150 | 344,507 |
| *of which: related parties* | | *48,424* | *69,679* |
| Cash and cash equivalents | 25 | 210,974 | 576,401 |
| **Total current assets** | | **2,141,393** | **3,296,392** |
| Non-current assets held for sale | 26 | 263,509 | 363,727 |
| *of which: related parties* | | *191,067* | *183,763* |
| **Total assets** | | **3,617,730** | **4,975,588** |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of financial position

| Equity and liabilities *(€'000)* EQUITY AND LIABILITIES | note | 31/12/2018 | 31/12/2017* |
|---|---|---|---|
| ***Equity (deficit)*** | 27 | | |
| Share capital | | 196,850 | 196,850 |
| Treasury shares | | (3,023) | (1,080) |
| Legal reserve | | 34,347 | 33,163 |
| Extraordinary reserve | | 198,632 | 297,568 |
| **Retained earnings** | | 229,751 | 231,467 |
| Other reserves | | (86,793) | (1,461) |
| Other comprehensive expense | | (108,944) | (154,879) |
| Deferred tax on other comprehensive expense | | 8,599 | 18,287 |
| **Total capital and reserves** | | **469,419** | **619,915** |
| Loss for the year | | (1,908,424) | (101,175) |
| **Equity (deficit) attributable to the owners of the parent** | | **(1,439,005)** | **518,740** |
| (Profit) loss attributable to non-controlling interests | | (3,746) | 3,448 |
| Other comprehensive income (expense) attributable to non-controlling interests | | 103 | (5,550) |
| Deferred tax on other comprehensive income attributable to non-controlling interests | | 0 | 1,364 |
| Capital and other reserves attributable to non-controlling interests | | 3,775 | 31,439 |
| **Equity attributable to non-controlling interests** | | **132** | **30,702** |
| **Total equity (deficit)** | | **(1,438,873)** | **549,442** |
| ***Non-current liabilities*** | | | |
| Non-current financial liabilities | 28 | 24,457 | 1,474,645 |
| *of which: related parties* | | *1,290* | *14,833* |
| Employee benefits | 30 | 6,843 | 7,145 |
| Deferred tax liabilities | 13 | 76,233 | 106,248 |
| Other non-current liabilities | 29 | 2,974 | 7,837 |
| **Total non-current liabilities** | | **110,507** | **1,595,873** |
| ***Current liabilities*** | | | |
| Amounts due to customers | 22 | n.a. | 520,777 |
| *of which: related parties* | | *n.a.* | *88,655* |
| Contract liabilities | 22 | 289,925 | n.a. |
| *of which: related parties* | | *93,817* | *n.a.* |
| Trade payables | 31 | 1,236,912 | 1,226,626 |
| *of which: related parties* | | *51,555* | *50,770* |
| Current financial liabilities | 28 | 2,624,210 | 844,298 |
| *of which: related parties* | | *27,600* | *0* |
| Tax liabilities | 32 | 63,439 | 67,204 |
| Provisions for risks and charges | 33 | 308,093 | 21,781 |
| Other contract liabilities | 34 | 71,552 | 0 |
| Other current liabilities | 29 | 351,966 | 149,587 |
| *of which: related parties* | | *2,598* | *5,222* |
| **Total current liabilities** | | **4,946,096** | **2,830,273** |
| **Total liabilities** | | **5,056,603** | **4,426,147** |
| **Total equity (deficit) and liabilities** | | **3,617,730** | **4,975,588** |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. 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* | Equity (deficit) attributable to the owners of the parent | *Non-controlling interests* | Total equity (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)** | | **(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) | (8,703) | | | | **31,344** | 4,289 | **35,633** |
| **COMPREHENSIVE EXPENSE** | | | | | **15,525** | **35,836** | **127** | **(11,442)** | **(8,703)** | | | **(1,908,424)** | **(1,877,080)** | **543** | **(1,876,537)** |
| **Owner transactions and other changes in equity:** | | | | | | | | | | | | | | | |
| Dividends | | | | | | | | | | | | | | (7,334) | **(7,334)** |
| Reserve as per article 27 | | | | | | | | | | | | | | | |
| 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** |
| Transactions with non-controlling investors | | | | | | | | | | | (293) | | **(293)** | 293 | **0** |
| Change in consolidation scope | | | | | | | | | | | | | | (24,030) | **(24,030)** |
| Other changes | | (1,915) | | 1,915 | | | | | | | | | | | **0** |
| **Closing balance** | **196,850** | **(3,023)** | **34,347** | **198,632** | **(43,388)** | **(59,670)** | **(333)** | **(5,553)** | **8,599** | **(86,793)** | **229,751** | **(1,908,424)** | **(1,439,005)** | **132** | **(1,438,873)** |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated

# Statement of changes in equity for the year ended 31 December 2017

| (€'000) | Share capital | Treasury shares | Legal reserve | Extraordinary reserve | Hedging reserve | Translation reserve | Actuarial reserve | Deferred taxes on OCI | Other reserves | Retained earnings | Profit for the year | Equity attributable to the owners of the parent | Non-controlling interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Opening balance** | 196,850 | (1,315) | 33,062 | 314,663 | (119,364) | 10,858 | (501) | 26,341 | (1,917) | 161,250 | 72,457 | 692,384 | 6,101 | 698,485 |
| Loss from continuing operations | | | | | | | | | | | (101,175) | **(101,175)** | 3,448 | **(97,727)** |
| Other comprehensive expense | | | | | 60,450 | (106,363) | 41 | (8,054) | | | | **(53,926)** | (4,437) | **(58,363)** |
| **COMPREHENSIVE EXPENSE** | | | | | 60,450 | (106,363) | 41 | (8,054) | | | (101,175) | (155,101) | (989) | (156,090) |
| **Owner transactions and other changes in equity:** | | | | | | | | | | | | | | |
| Treasury shares* | | 235 | | 550 | | | | | (331) | | | **454** | | **454** |
| Dividends | | | | (19,556) | | | | | | | | **(19,556)** | (446) | **(20,002)** |
| Transactions with non-controlling investors | | | | | | | | | | (231) | | **(231)** | 231 | **0** |
| Change in consolidation scope | | | | | | | | | | | | | 25,805 | **25,805** |
| Allocation of 2016 profit from continuing operations | | | | | | | | | | 72,457 | (72,457) | **0** | | **0** |
| Other changes | | | 101 | 1,911 | | | | | | (2,012) | | **0** | | **0** |
| Stock grant reserve | | | | | | | | | 789 | | | **789** | | **789** |
| **Closing balance** | * 196,850 | (1,080) | 33,163 | * 297,568 | (58,913) | (95,506) | (460) | 18,287 | (1,461) | 231,467 | (101,175) | 518,740 | 30,702 | 549,442 |

*The amount is net of the investment in treasury shares totalling €3,079 thousand, including the nominal amount of shares of €1,080 thousand, which was offset against share capital, and €1,999 thousand offset against the extraordinary reserve.

# Statement of cash flows
## Operating activities

| *(€'000)* | 2018* | 2017 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| **Loss for the year** | **(1,912,169)** | **(97,727)** |
| Income taxes | (69,489) | (18,108) |
| **Pre-tax loss** | **(1,981,659)** | **(115,835)** |
| *Adjustments for:* | | |
| **• Non-monetary items** | | |
| Amortisation and depreciation | 39,788 | 49,404 |
| Impairment losses | 372,620 | 235,529 |
| Effects of equity accounting | (92,082) | (47,196) |
| Post-employment benefits and defined benefit plan costs | 1,073 | 1,461 |
| Stock grant plan costs | 0 | 1,248 |
| Accrual to provisions for risks and charges | 280,694 | 5,097 |
| Fair value gains following adoption of fair value measurement and other | (15,769) | (17,737) |
| **Sub total** | **586,325** | **227,806** |
| **• Monetary items** | | |
| (Gains) losses on disposals | 1,676 | (22,059) |
| • Other adjustments to reconcile the loss for the year to the cash flows from operating activities | | |
| Net interest income and expense and dividends received | 74,288 | 84,509 |
| **Sub total** | **75,964** | **62,450** |
| **Cash flows from (used in) operating activities before changes in net working capital** | **(1,319,370)** | **174,420** |
| **Changes in working capital** | | |
| Trade receivables | (206,638) | 1,214 |
| *of which: related parties* | *(2,862)* | *(8,322)* |
| Inventories and amounts due from customers | n.a. | (297,112) |
| *of which: related parties* | *n.a.* | *(46,535)* |
| Inventories | (7,555) | n.a. |
| Contract assets | 646,311 | n.a. |
| *of which: related parties* | *225,965* | *n.a.* |
| Costs capitalised to fulfil a contract | (2,183) | n.a. |
| Trade payables | 41,460 | 130,838 |
| *of which: related parties* | *785* | *(4,281)* |
| Provisions for risks and charges | 3,595 | (896) |
| Amounts due to customers | n.a. | 19,246 |
| of which: related parties | *n.a.* | *(77,069)* |
| Contract liabilities | 3,014 | n.a. |
| *of which: related parties* | *5,161* | n.a. |
| Other operating assets | (13,488) | (55,794) |
| *of which: related parties* | *21,255* | *(19,576)* |
| Other operating liabilities | 261,365 | (36,778) |
| *of which: related parties* | *(2,624)* | *4,260* |
| Payment of post-employment benefits and defined benefit plans | (1,081) | (2,064) |
| **Sub total** | **724,799** | **(241,345)** |
| Exchange differences on the translation of financial statements of foreign operations | 20,532 | (49,189) |
| **Cash flows used in operating activities** | **(574,039)** | **(116,114)** |
| Interest and dividends received | 24,683 | 25,874 |
| Interest paid | (78,578) | (107,760) |
| Taxes paid | (23,419) | (22,848) |
| **A) Net cash flows used in operating activities** | **(651,353)** | **(220,848)** |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of cash flows
## Investing and financing activities

| (€'000) | 2018* | 2017 |
|---|---|---|
| Net investment in intangible assets | (685) | (18,345) |
| Investment in property, plant and equipment | (10,650) | (32,050) |
| Proceeds from the sale or reimbursement of property, plant and equipment | 5,668 | 26,579 |
| Change in financing of equity investments | 2,970 | (270) |
| *of which: related parties* | *2,396* | *(22)* |
| Payments to acquire investments or subscribe shares/quotas of associates and other companies | (10) | (8) |
| Proceeds from the sale or reimbursement of investments in associates and other companies | 0 | 3,602 |
| Sale or purchase of securities | (23,765) | 545 |
| Change in other loan assets, net | (3,729) | (7,479) |
| **Total construction** | **(30,202)** | **(27,427)** |
| Change in financial assets from concession activities | 3,032 | (10,488) |
| Net investment in intangible assets | 0 | (1,927) |
| Change in financing of equity investments | (21,415) | (9,251) |
| *of which: related parties* | *(21,584)* | *9,472* |
| Payments to acquire investments or subscribe shares/quotas of associates and other companies | (9) | (14,216) |
| Proceeds from the sale or reimbursement of investments in associates and other companies | 0 | 67,019 |
| Change in other loan assets, net | 0 | 3,483 |
| Change in lease receivables | 770 | 3,746 |
| **Total concessions** | **(30,454)** | **38,366** |
| Sale of business unit/subsidiaries | 3,466 | 65,043 |
| **B) Cash flows generated by (used in) investing activities** | **(57,190)** | **75,981** |
| Dividends distributed to the owners of the parent | 0 | (19,556) |
| Dividends distributed to non-controlling investors | (7,334) | (446) |
| Net investment in treasury shares | 56 | 785 |
| Net loss on the trading in treasury shares | (92) | (332) |
| Loans from parents | 20,000 | 0 |
| *of which: related parties* | *20,000* | |
| Net use of credit facilities | 362,972 | 241,900 |
| Changes in other financial liabilities | (12,405) | (2,621) |
| *of which: related parties* | *(13,543)* | *771* |
| Payment of finance leases | (20,929) | (8,525) |
| Changes in non-controlling interests and other changes | 847 | (3,560) |
| **C) Cash flows generated by financing activities** | **343,116** | **207,643** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)** | **(365,427)** | **62,776** |
| **OPENING CASH AND CASH EQUIVALENTS** | **576,401** | **513,625**** |
| **CLOSING CASH AND CASH EQUIVALENTS** | **210,974** | **576,401** |

* The group has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

** It includes bank deposits of €7,155 thousand related to disposal groups.

# 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[1] 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 2018 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

As described in great detail in the directors' report, 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[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 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 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.

[1] Engineering, Procurement, Construction.

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

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

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 2018 (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**"), 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. 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 group to continue as a going concern, as follows:

a. **<u>Authorisation of the composition with creditors</u>:** 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 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 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 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

The following is a brief overview of the significant events occurring in contracts during the year, mostly caused by the parent's financial difficulties as already described in detail in the composition with creditors application. Events after the reporting date are also included for a more accurate presentation. See also the "Events after the reporting date - Significant contractual events" 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 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 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[4]) - 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 Bankruptcy Law. 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 Bankruptcy Law. 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 consolidated financial statements at 31 December 2018.

**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 €1.6 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 consolidated financial statements at 31 December 2018.

[4] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

**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 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 PLN248.7 million, 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 works manager. Also based on the opinions of its external legal advisers, the parent recognised the estimated penalties of terminating the contract in the consolidated financial statements at 31 December 2018.

**CHILE // LA 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 // 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 consolidated 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.

**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 consolidated financial statements at 31 December 2018. Reference should be made to the relevant section later in these notes for more details.

**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 are reflected in the consolidated financial statements at 31 December 2018. Reference should be made to the relevant section later in these notes for more details.

**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 consolidated financial statements at 31 December 2018, also based on the opinions of its external legal advisers. Reference should be made to the relevant section later in these notes for more details.

**PERU // PROJECT IDROELETTRICO CERRO DEL AGUILA** – 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 will commence a procedure which the local companies expect 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 consolidated financial statements at 31 December 2018.

**VENEZUELA // ICC ARBITRATION 2438/JPA** – On 13 June 2019, assisted by their advisors, Astaldi, Ghella and Salini Impregilo (subsequently renamed 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 later in these notes regarding the recoverable amount of the parent's and the group's exposure to the Venezuelan government.

**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 consolidated financial statements at 31 December 2018.

**NICARAGUA // EL COMEJEN–WASLALA ROAD (SECTIONS I AND II)** – There were significant delays in the project during the year 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 consolidated financial statements at 31 December 2018, also based on the opinions of its external legal advisers.

# Basis of presentation and segment reporting

The Astaldi Group's consolidated financial statements as at and for the year ended 31 December 2018 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.

# Consolidation scope

At 31 December 2018, 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* | | | *28* | *2* | *10* | *40* |
| Joint ventures | Joint control | Equity accounting | 14 | 4 | 0 | 18 |
| - *of which: Italy* | | | *10* | *0* | *0* | *10* |
| Associates | Significant influence | Equity accounting | 30 | 6 | 2 | 38 |
| - *of which: Italy* | | | *25* | *2* | *2* | *29* |

## Astaldi group companies

### Subsidiaries

| Construction | Registered office | Operating office | Share/quota capital/consortium fund Nominal amount | Functional currency | Investment % | Direct investment | Indirect investment | Indirect investor |
|---|---|---|---|---|---|---|---|---|
| **Italy** | | | | | | | | |
| Afragola FS S.c.r.l. | 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% | |
| Astaldi Infrastructure S.p.A. | Rome | Italy | €100,000 | EUR | 100.00% | 100.00% | 0.00% | |
| Astaldi Enterprise S.p.A. | Rome | Italy | €100,000 | EUR | 100.00% | 100.00% | 0.00% | |
| Bussentina S.c.r.l. in liquidation | Rome | Italy | €25,500 | EUR | 78.90% | 78.90% | 0.00% | |
| C.Or.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 liquid. | 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 S.C.p.A. | 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 | Bucharest | 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 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 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 | Congo | CDF0.5 | EUR | 100.00% | 75.00% | 25.00% | Astaldi International Ltd. |
| 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 | 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.<br>NBI S.p.A. |
| Sociedad Concesionaria Aguas de Punilla S.A. | Santiago | Chile | CLP40,000,000,000 | CLP | 99.99% | 0.00% | 99.99% | 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. |
| Valle Aconcagua S.A. | Santiago | Chile | CLP19,064,993,360 | USD | 84.31% | 0.00% | 84.31% | Astaldi Concessioni S.p.A. |

## Plant engineering and facility management

### Italy

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| NBI S.p.A. | Rome | Italy | €7,500,000 | EUR | 100.00% | 100.00% | 0.00% | |
| A10 S.c.r.l. | Bologna | Italy | €10,000 | EUR | 62.52% | 0.00% | 62.52% | NBI S.p.A. |
| Bielle Impianti S.c.a.r.l. in liq. | Bologna | Italy | €100,000 | EUR | 75.00% | 0.00% | 75.00% | NBI S.p.A. |
| CO.VA S.r.l. in liquidation | Bologna | Italy | €10,000 | EUR | 60.00% | 0.00% | 60.00% | NBI S.p.A. |
| Consorzio Stabile Busi | Bologna | Italy | €100,000 | EUR | 95.00% | 0.00% | 95.00% | NBI S.p.A.<br>3E System S.r.l. |
| DEAS S.c.a.r.l. | Bologna | Italy | €10,000 | EUR | 57.00% | 0.00% | 57.00% | NBI S.p.A. |
| Laguna S.c.a r.l. | Bologna | Italy | €10,000 | EUR | 84.70% | 0.00% | 84.70% | NBI S.p.A. |
| 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 |
| 3E System S.r.l. | Bologna | Italy | €10,000 | EUR | 100.00% | 0.00% | 100.00% | NBI S.p.A. |

### 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.<br>Astur Construction and Trade A.S. |

## Key joint arrangements, associates and joint ventures*

| Joint ventures | Registered office | Operating office | Operating segment | Share/quota capital/consortium fund Nominal amount | Functional currency | Invest-ment % | Direct investment | Indirect investment | Indirect investor |
|---|---|---|---|---|---|---|---|---|---|
| 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.p.A. |

### Joint operations

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| AGP Metro Polska | Warsaw (Poland) | Poland | C | - - - - | EUR | 50.00% | 50.00% | 0.00% | |
| Asocierea Astaldi – FCC – Salcef – Thales, Lot 2a | Bucharest (Romania) | Romania | C | - - - - | RON | 49.50% | 49.50% | 0.00% | |
| Asocierea Astaldi – FCC – Salcef – Thales, Lot 2b | Bucharest (Romania) | 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) | Romania | C | - - - - | RON | 40.00% | 40.00% | 0.00% | |
| ASOCIEREA LOT 3 FCC-ASTALDI-CONVENSA | Bucharest (Romania) | Romania | C | - - - - | RON | 49.50% | 49.50% | 0.00% | |
| Astaldi-Turkerler Joint Venture | Ankara (Turkey) | Turkey | C | - - - - | EUR | 51.00% | 51.00% | 0.00% | |
| Gebze-Izmir Otoyolu Insaati | Ankara (Turkey) | Turkey | C | - - - - | USD | 17.50% | 17.50% | 0.00% | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (Nomayg) Adi Ortakligi | | | | | | | | | |
| IC Ictas Astaldi Simple Partnership – M11 Project | St. Petersburg (Russia) | Russia | C | - - - - | RUB | 50.00% | 50.00% | 0.00% | |
| UJV Astaldi S.p.A. Chilean branch, Vinci CGP Chilean branch and VCGP | Santiago (Chile) | 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) | 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) | 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.

[5] Special commissioner of Impresa and SAF.

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 although it holds more than half of their voting rights.

- **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 (18.86%). 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.

- **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 |
|---|---|---|
| AGN Haga AB | Subsidiary | Incorporation |
| Astaldi Infrastructure S.p.A. | Subsidiary | Incorporation |
| Astaldi Enterprise S.p.A. | Subsidiary | Incorporation |
| A10 S.c.r.l. | Subsidiary | Incorporation |
| Nuovo Ospedale Sud Est Barese S.c.r.l. - NOSEB S.c.r.l. | Subsidiary | Incorporation |
| Transmisora del Sur S.p.A. | Subsidiary | Incorporation |
| Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A. | Investee (Subsidiary in December 2017) | Sale of part of investment |
| Consorcio Rio Pallca | (Subsidiary in December 2017) | Winding up |
| Inversiones Assimco Limitada | (Subsidiary in December 2017) | Winding up |

[6] Mostly relating to the consortium companies that entail the recharging of costs provided for by the Italian Civil Code.

## Loss of control over investees during the year

**Veneta Sanitaria Finanza di Progetto S.p.A. (VSFP)**

On 18 September 2018, the group signed an agreement with the infrastructure fund Core Infrastructure II S.à.r.l.[7] for the sale of 59.4% of Veneta Sanitaria Finanziaria di Progetto ("VSFP"), the operator of the Ospedale dell'Angelo di Venezia-Mestre, Italy. Following this transaction, Core Infrastructure II acquired control of VSFP, while Astaldi and Astaldi Concessioni retained 0.5% each as non-controlling investors to ensure continuity both for the development of the infrastructure's operation and the relationships with the grantor Azienda U.L. S.S. 3 Serenissima. The transaction price, net of the costs to sell, amounts to €46.4 million and was paid partly upfront (€36.7 million) with the balance to be paid by the first half of 2020. The sales agreement also provided for additional variable consideration that may be due to the group depending on the outcome of the ongoing arbitration proceedings between the SPE and the grantor. Given the current uncertainty about its outcome, the group has not included these variable components in the transaction price.

The SPE's cash and cash equivalents amounted to €30,778 thousand at the sale date and were shown under cash flows from investing activities in the statement of cash flows because the SPE was excluded from the consolidation scope as a result of the loss of control thereover.

Given the above, since the group has lost control over the subsidiary, as required by paragraph 25 of IFRS 10 - Consolidated financial statements, it has:

a) derecognised the assets and liabilities of the former subsidiary from the statement of financial position;

b) recognised the investment retained at its fair value;

c) recognised the loss associated with the transaction in profit or loss as other operating costs (€3.8 thousand);

d) reclassified the amounts previously recognised in OCI and specifically in the hedging reserve (gain of €2.2 million net of the related tax) to profit or loss.

## Changes in the group's investments in subsidiaries that did not entail loss of control

The main changes for the year are summarised below:

- in June and October 2018, the shareholders of Valle Aconcagua S.A., approved a capital increase from CLP16,552,991,411 to CLP19,064,993,360, by issuing 2,512,001,949 new shares. Through the subsidiary Astaldi Concessioni S.p.A., the group subscribed the entire approved capital increase, increasing its stake from 81.93% to 84.31%. As a result of this transaction, after having paid the portion of capital increase theoretically attributable to non-controlling interests (€513 thousand), the group acquired a portion of equity equal to €219 thousand.

## 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.

7 Owned by the infrastruture fund Mirova S.A., OSTRUM AM Group (formerly Natixis Asset Management).

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.

# Accounting policies

The main accounting policies adopted in the preparation of the consolidated financial statements at 31 December 2018 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 2018** | **Average rate 2018** | **Closing rate 31 December 2017** | **Average rate 2017** |
|---|---|---|---|---|
| Algerian dinar | 135.4881 | 137.6525 | 137.8343 | 125.3194 |
| New Bulgarian lev | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Canadian dollar | 1.5605 | 1.5294 | 1.5039 | 1.4647 |
| Chilean peso | 794.3700 | 756.9400 | 737.2900 | 732.6075 |
| United Arab Emirates dirham | 4.2050 | 4.3371 | 4.4044 | 4.1475 |
| Indonesian rupiah | 16,500.0000 | 16,803.2200 | 16,239.1200 | 15,118.0167 |
| Moroccan dirham | 10.9390 | 11.0820 | 11.2360 | 10.9505 |
| Nicaraguan cordoba oro | 37.2491 | 37.3355 | 36.9280 | 33.9680 |
| Peruvian nuevo sol | 3.8630 | 3.8793 | 3.8854 | 3.6833 |
| Pound sterling | 0.8945 | 0.8847 | 0.8872 | 0.8767 |
| Polish zloty | 4.3014 | 4.2615 | 4.1770 | 4.2570 |
| Romanian new leu | 4.6635 | 4.6540 | 4.6585 | 4.5688 |
| Russian rouble | 79.7153 | 74.0416 | 69.3920 | 65.9383 |
| US dollar | 1.1450 | 1.1810 | 1.1993 | 1.1297 |
| New Turkish lira | 6.0588 | 5.7077 | 4.5464 | 4.1206 |
| Venezuelan bolivar | **n.a** | **n.a** | 4,008.3152 | 2,430.7497 |
| Venezuelan bolivar soberano | 729.8027 | **n.a** | **n.a.** | **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.

The Venezuelan government introduced a new currency, the bolivar soberano, with decree no. 3,548 published in the Official Journal no. 41,446 of 25 July 2018. Equal to 100,000 bolivar fuerte[8], the new currency was used for all financial transactions after 20 August 2018. During the year, no significant financial or economic transactions took place using the bolivar fuerte as nearly all manufacturing activities have been substantially at a standstill in the country for some years.

# Property, plant and equipment

Property, plant and equipment are measured at purchase or production cost, net of accumulated depreciation

[8] Domestic currency valid until 19 August 2018

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

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

In some types of leases, due to its economic substance, a *transaction* qualifies as a lease even without having the legal form of a lease.

Under IFRIC 4, determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

b) the arrangement conveys a right to control the use of the asset.

The first condition is met only if a given supply of goods/services can be made exclusively through the use of a specific asset, or when it is not economically feasible or practical for the supplier to perform its obligation through the use of alternative assets to that specified including implicitly.

The second condition is satisfied if any one of the following conditions is met:

a) the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;

b) the purchaser has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;

c) facts and circumstances indicate that it is remote that one or more parties other than the purchaser will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

IAS 17 distinguishes two categories of lease:

- **Finance leases**
  At the commencement of the lease term, property, plant and equipment held under ***finance leases***, which substantially transfer all the risks and rewards incidental to ownership to the group, are recognised at amounts equal to their fair value or, if lower, the present value of the minimum lease payments, including the payment required to exercise the purchase option. The corresponding liability to the lessor is classified as a financial liability.
  If there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

- **Operating leases**
  A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## 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 2018

No business combinations were carried out in 2018.

## 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.

In addition to the provisions of IAS 36, at each reporting date, the parent'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 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[9]. 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 parent has a dedicated procedure (compliant with the requirements of IAS 36) for impairment testing. The parent's board of directors approved this procedure in its meeting of 11 June 2020 (separately and prior to approval of the consolidated 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 18 | Otoyol Yatirim Ve Isletme A.S. | Concession for the Gebze - Orhangazi – Izmir Motorway | External sources | Concessions | 356.9 | Ke 10.83% | 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 | 67.5 | Ke 13.57% | DDM |
| Goodwill (IFRS 3) | Note 17 | "Plant engineering and facility management" | Net assets of NBI S.p.A. and its investees | Obligation arising from goodwill | Construction | 11.6[10] | WACC 8.7% | UDCF |
| Goodwill (IFRS 3) | Note 17 | T.E.Q. Construction Enterprise Inc. | Net assets of T.E.Q. | Obligation arising from goodwill | Construction | 3.1[11] | | |
| Contractual right (IAS 38) | Note 17 | Quadrilatero industrial complex | Maxi lot 2 of the Quadrilatero Marche-Umbria road system | Internal sources | Construction | 18.2 | WACC 8.7% | UDCF |

[9] 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.

[10] Carrying amount solely related to goodwill

[11] Carrying amount solely related to goodwill

| Asset | Ref. | CGU | Description | Impairment indicators | Business segment | Carrying amount (€m) | Rate | Method |
|---|---|---|---|---|---|---|---|---|
| Contractual right (IAS 38) | Note 17 | Infraflegrea project | Cumana and Monte Sant'Angelo (Naples) railway line | Internal sources | Construction | 27.6 | WACC 8.7% | UDCF |

Finally, as is customary, the parent'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 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[12], LGD[13] and EAD[14]) 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[15].

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[16]. At 31 December 2018, 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 group prudently impaired its exposure by €230 million given the delays in collecting payments and the country's current and expected conditions. It increased this impairment loss to €381 million given the recent macroeconomic developments in Venezuela.
As a result of this additional impairment loss, the group's exposure amounts to approximately €52 million.

12 PD: Probability of Default.
13 LGD: Loss Given Default.
14 EAD: Exposure At Default.
15 More information is available in the analysis of the recoverability of the amounts due from the Venezuelan government.
16 Puerto Cabello-La Encrucijada, San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections.

### 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 2018.

### Conclusions

Based on the technical analyses performed (including with the assistance of an independent expert), management deemed the range of the recovery rate of the financial assets to be between 12% and 22% of their nominal amount. Given that Venezuela's macroeconomic situation has not improved nor is it expected to do so, but rather uncertainty about the social and political situations 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, which is the bottom end of the above range.

## 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 provider substantially of the following types of services:

- construction or upgrade services: the operator constructs or upgrades infrastructure used, by the same operator, to provide a public service;
- operation service: 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:

- *a financial asset*, to the extent that the operator has an unconditional contractual right 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 | % |
|---|---|---|---|---|---|---|---|
| **Subsidiaries** | | | | | | | |
| Sociedad concesionaria Aguas de Punilla | Energy | Hydroelectric plant | Yes | Financial asset | 2061 | Chile | 99.9975% |
| **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 | 2036 | Turkey | 18.86% |
| Sociedad Concesionaria Metropolitana de Salud s.a. | Healthcare | Felix Bulnes Hospital | Yes | Financial asset | 2033 | Chile | 51.00% |
| ICA Ic ICTAS - Astaldi Üçüncü Bogaz Köprüsü ve Kuzey Marmara Otoyolu Yatirim ve Isletme AS | Motorways | Third bridge over the Bosphorus River and North Marmara Highway | Yes | Financial asset | 2026 | Turkey | 20.00% |
| **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[17] non-controlling interests as financial assets at fair value through other comprehensive income[18]. 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

[17] The measurement method for equity investments was selected on a case-by-case basis as allowed by the new standard.
[18] Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

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 group presents:

(i) the unconditional right to consideration related to work performed (invoices issued or to be issued) <u>as a trade receivable;</u>

(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) <u>as a contract asset</u>. 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 <u>as a contract liability;</u>

(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 <u>other contract liabilities</u>.

## 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[19] 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.

## 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.

[19] 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 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 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 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 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.

## 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 2018

The EU regulations effective as of 1 January 2018 are summarised below.

**Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in Official Journal L 295 of 29 October 2016: Adoption of IFRS 15 - Revenue from contracts with customers**

IFRS 15 (the new standard) defines how to recognise and measure revenue from contracts with customers (including the contracts giving rise to contract work in progress).

In short, the new standard requires the application of the following five steps for the recognition of revenue: *(i)* identify the contract(s) with a customer; *(ii)* identify the performance obligations in the contract; *(iii)* determine the transaction price; *(iv)* allocate the transaction price to the performance obligations in the contract; *(v)* recognise revenue.

The group has adopted IFRS 15 retrospectively, recognising the cumulative effect of initial application of the new standard as an adjustment to the opening equity at 1 January 2018 (IFRS 15.C3.b - Cumulative effect method). As provided by IFRS 15.C7, the new provisions of IFRS 15 are only applied to contracts that are not completed contracts at the date of initial application (i.e., 1 January 2018).

**Main scope of application**

The group's analyses showed that the following areas are affected by the new standard:

**Pre-operating costs**
IFRS 15 no longer allows the inclusion of bidding costs in contract costs. However, under IFRS 15.95[20], the group may be able to treat all costs incurred to generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future as contract costs (i.e., preliminary and/or final design of works, geognostic surveys, topographical surveys, etc.). The new provisions about pre-operating costs led to a negative adjustment of €30,450 thousand to opening equity at 1 January 2018.

**Combination of contracts**
Pursuant to IAS 11, in certain limited cases, the group considered a group of contracts from the same customer as a single contract work in progress.
Because of the new provisions introduced by the new standard, notwithstanding their meeting the other conditions set out in IFRS 15.17.a/b/c, the group will no longer be able to combine these contracts as they had not been negotiated as a package.
The new provisions about the combination of contracts led to a negative adjustment of €17,369 thousand to opening equity at 1 January 2018.

[20] Paragraph 95 of IFRS 15 states that an entity shall recognise an asset from the costs incurred to fulfil a contract only if all those costs: a) relate directly to a contract or to an anticipated contract; b) generate or enhance resources of an entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and c) the costs are expected to be recovered.

**Separation of performance obligations**[21]

As required by the new standard, the group identified the performance obligations in the construction contracts. Based on its analyses, it deemed that the strong interrelation and integration of the various elements making up construction contracts means that, in most cases, they may be considered as giving rise to a single performance obligation as they are the inputs necessary to produce a combined output specified by the customer.

However, in some instances, the group has identified multiple obligations in a single contract, such as for example, (i) maintenance of complete works; (ii) distinct works (i.e., distinct functional lots), etc..

The new provisions about the separation of performance obligations led to a negative adjustment of €26,828 thousand to opening equity at 1 January 2018.

**Satisfaction of performance obligations**

The group's analyses show that revenue earned on the group's business activities is usually recognised over time as:

- the customer controls the infrastructure as it is created or enhanced (see IFRS 15.B5);
- the asset created by the group's performance does not have an alternative use (see IFRS 15.36) and the group has the enforceable right to payment for performance completed to date (see IFRS 15.37).

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. While this method does not differ significantly from that set out in IAS 11 to measure the stage of completion of contracts, the group reviewed the cost to cost calculation method for a few cases to better match the costs considered (the input) with the transfer of control of the asset under construction to the customer. This led to a negative adjustment of €660 thousand to operating equity at 1 January 2018.

**Significant financing components in the contract**

In certain countries where the group operates, it is customary that customers pay contractors a contractual advance to be recovered over the contract term, according to the agreed methods and timing. Based on the analyses carried out, the group does not believe that the advances for its construction business segment include a significant financing component, since:

(i) they are substantially a guarantee that the customer will duly fulfil its contractual obligations as is common sector practice;

(ii) they are substantially a tool to allow the development of large works that take several years to complete and require large investments by the contractor during the start-up phases (purchase of machinery and equipment, preparation of work site areas, etc.);

(iii) the contract consideration is in line with the effective stage of completion, different payment terms would not lead to an additional consideration for the services rendered.

**Variable consideration**

The contractual consideration in the construction business segment often includes variable amounts (i.e., price adjustments and/or penalties). Under the new standard, an entity shall estimate the variable consideration at its expected value or most likely amount. Furthermore, the new standard requires that the variable consideration be recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The new provisions about the variable consideration do not affect the measurement of contract profit or loss, therefore, the related financial statements captions recognised at the FTA have not been adjusted.

**Enforceability of rights and obligations arising from contract modifications**

Based on the status of the ongoing negotiations with customers for the recognition of additional consideration due to contract modifications and considering the technical and legal evaluations performed with third party experts, the group has not identified any critical issues with respect to the enforceability of rights and

[21] The promise to transfer to the customer: a) a good or service (or a bundle of goods or services) that is distinct, or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

obligations arising from contract modifications to its main contracts in place at FTA.

**Other adjustments**
In addition to that set out above, the group's equity was increased by €18,618 thousand to reflect the deferred tax effect of the adjustments arising from first-time adoption of IFRS 15.

**Presentation and disclosure**
As noted earlier, the group has adopted the new standard with the cumulative effect method described in IFRS 15.C3.b. Accordingly, it has not restated the corresponding figures of the previous year. Therefore, it has recognised the assets and liabilities at 31 December 2018 and the revenue and costs for the year then ended in accordance with IFRS 15 while the comparative figures were presented pursuant to IAS 11 - Construction contracts and IAS 18 - Revenue. The "Accounting effects of the first-time adoption of the new standards" section shows the amount by which each financial statements line item is affected in the current reporting period by the application of IFRS 15 (paragraph C8.a).
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:

(v) the unconditional right to consideration related to work performed (invoices issued or to be issued) <u>as a trade receivable;</u>

(vi) 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) <u>as a contract asset</u>. This caption also includes the additional consideration due to contract variations (work variations and claims) being negotiated with the customers;

(vii) the group's obligation to transfer goods or services to a customer for which it has received advances and progress payments <u>as a contract liability;</u>

(viii) 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 <u>as other contract liabilities.</u>

A single net balance of the rights and obligations arising from each contract is presented in the financial statements[22], which is the sum of: (i) the carrying amount of contract work in progress (i.e., the total of the costs incurred plus the profits made less the losses incurred), (ii) progress payments received (invoices and progress reports), (iii) contractual advances, and (iv) any fines for contract terminations. If the balance is positive, it is recognised as a "Contract asset" in the statement of financial position, otherwise it is recognised as a "Contract liability". If the group is expected to reimburse the customer as a result of a contract termination but this is not certain, the group recognises the amounts under "Other contract liabilities". This presentation differs slightly from the previous rules, as under IAS 11 - Construction contracts, contractual advances were always recognised as "Amounts due to customers" on the liabilities side of the statement of financial position. Since 2018, the provision for losses to complete construction contracts (recognised under "Amounts due from/to customers"[23] up until 31 December 2017) is recognised under "Provisions for risks and charges" as a liability[24].
The group has provided a breakdown of revenue from contracts with customers by category (i.e., nature of the revenue, geographical segment, type of work, methods used to transfer the assets and services to the customer) which show the main factors that can affect the amount, timing and degree of uncertainty about the revenue and related cash flows. This information is provided in note 1 "Revenue from contracts with customers".

**<u>Commission Regulation (EU) no. 2016/2067 of 22 November 2016</u>, published in Official Journal L 323 of 29 November 2016: Adoption of IFRS 9 - Financial instruments**

On 1 January 2018, IFRS 9 - Financial instruments replaced IAS 39 - Financial instruments: recognition and measurement with a new set of accounting rules applicable to the classification and measurement of financial

[22] Excluding that described for trade receivables.
[23] IAS 11.36.
[24] Paragraphs 66-69 of IAS 37 - Provisions, contingent liabilities and contingent assets.

instruments, impairment of loans and receivables and hedge accounting.

The group adopted the new classification and measurement requirements for financial instruments, including the impairment of financial assets, retrospectively accounting for the cumulative effect of the initial application of the new standard as an adjustment to opening equity at 1 January 2018 (IFRS 9.7.2.15). As allowed, the group did not restate the prior periods given the objective complexity in restating the prior periods without the use of information available subsequently. Instead, it applied the new hedge accounting requirements of IFRS 9 prospectively (IFRS 9.7.2.22).

**Main scope of application**

Based on the gap analysis carried out, the group has identified the following three macro-areas:

**Classification and measurement**

**Financial assets**

The group checked the contractual characteristics of the cash flows of its financial assets (SPPI test) and the business model used to manage them, in order to identify how to classify them into the categories provided for by IFRS 9[25]. Based on the analysis of the business model the group intends to use to manage its subordinated loans (semi-equity) given to the group's concession SPEs[26], it had to classify them as "Financial assets at FVTOCI". It also identified individual financial instruments to be classified as "Financial assets at FVTPL" as the related contractual cash flows are not solely payments of principal and interest. The new requirements about the classification and measurement of financial assets led to a negative adjustment of €34,095 thousand to opening equity at 1 January 2018.

Pursuant to IFRS 9, the group has measured non-controlling interests in unlisted entities at fair value and has solely used the cost method when fair value cannot be determined reliably. Management also decided to avail of the option to designate some[27] non-controlling interests as assets at FVTOCI[28]. In this case, any dividends distributed will be recognised in profit or loss while any fair value gains or losses will be recognised under other comprehensive income without going through profit or loss.

The measurement of non-controlling interests in unlisted entities at fair value led to a positive adjustment of €1,714 thousand to the equity attributable to the owners of the parent at 1 January 2018.

**Financial liabilities**

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.

In the light of the changes introduced by the new standard, the group has recalculated the effects of its main debt refinancing transactions[29] still to be repaid at the date of first-time adoption of such standard. This led to an increase of €7,122 thousand in opening equity at 1 January 2018.

**Impairment**

Adoption of IFRS 9 - Financial instruments has drastically changed the method 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).

25 Financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

26 The group will manage these assets using the contractual cash flows collected on the related expiry dates and through the sale of the financial assets.

27 The measurement method for equity investments was selected on a case-by-case basis as allowed by the new standard.

28 Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

29 Reverse bookbuilding of equity-linked bonds (June 2017) and amendment of the terms of the forward start facility (November 2014).

Based on the analyses performed in 2017, the group identified the financial assets to be tested for impairment and the most appropriate valuation method to calculate the expected credit losses[30]. The effect of the valuation of the ECL on opening equity at 1 January 2018 was a decrease of €4,236 thousand.

**Hedge accounting**

At the FTA date (i.e., 1 January 2018), the group had checked the IFRS 9 requirements for application of the new measures to recognise hedges. Based on its analyses, all the existing hedges meet the hedge accounting application criteria. Adoption of the new requirements has not significantly affected measurement of the financial statements captions.

**Other adjustments**

In addition to that set out above, equity attributable to the owners of the parent was increased by €7,350 thousand to reflect the deferred tax effect of the adjustments made to apply IFRS 9 for the first time. This first-time adoption also led to (i) a negative adjustment of €1,580 thousand to equity attributable to the owners of the parent due to application of the new standard to investments in associates and joint ventures measured using the equity method (mainly due to the new impairment requirements), and (ii) a decrease of €42 thousand in equity attributable to non-controlling interests.

**Presentation and disclosure**

As noted earlier, the group has adopted the new standard in line with that set out in paragraphs 7.2.15 and 7.2.22 of IFRS 9 without restating the corresponding figures of the previous year. Therefore, it has recognised the assets and liabilities at 31 December 2018 and the revenue and costs for the year then ended in accordance with IFRS 9 while the comparative figures were presented pursuant to IAS 39 - Financial instruments: recognition and measurement. The “Accounting effects of the first-time adoption of the new standards” section shows the amount by which each financial statements line item is affected in the current reporting period by the application of IFRS 9.

Pursuant to paragraph 7.2.15 of IFRS 9 and paragraphs 42L and 42O of IFRS 7 - Financial instruments: disclosures, the following table provides a reconciliation of the previous classification of the group’s main financial assets under IAS 39 with the classification methods of IFRS 9:

| | IAS 39 | | | IFRS 9 | | | |
|---|---|---|---|---|---|---|---|
| Financial instrument category | 31/12/2017 | [31]Classification | [32]Measurement | 01/01/2018 | Business model[33] | SPPI test[34] | Classification and measurement[35] |
| Investments in other companies | 45,579 | AFS | FVTOCI/cost | 47,293 | Other (equity) | NA | FVTOCI/FVTPL/cost |
| Trade receivables | 476,853 | L&R | AC | 475,926 | HTC | C | AC |
| Subordinated loans | 250,046 | L&R | AC | 215,951 | HTC and SELL | NC | FVTOCI/FVTPL |
| Other loan assets | 201,183 | L&R | AC | 201,062 | HTC | C | AC |

**Commission Regulation (EU) no. 2017/1987 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IFRS 15 - Revenue from contracts with customers**

[30] Reference should be made to the “Impairment of other financial instruments” section for details of the valuation techniques used to calculate the ECL.

[31] AFS: Available-for-sale financial assets; L&R: Loans & receivables.

[32] FVTOCI: • Fair value through other comprehensive income; AC: Amortised cost.

[33] HTC: The group will manage these assets using the contractual cash flows collected on the related expiry dates; HTC and SELL: The group will manage these assets using the contractual cash flows collected on the related expiry dates and through the sale of the financial assets.

[34] N.A.: Not applicable; C: The entire portfolio is SPPI compliant; NC: Part of the portfolio is not SPPI compliant.

[35] FVTPL: Financial assets measured at fair value through profit or loss; FVTOCI: Financial assets measured at fair value through other comprehensive income; AC: Financial assets measured at amortised cost.

The amendments are applicable from 2018 and clarify certain aspects of the implementation of the new standard and provide additional transitional provisions for first-time adoption of IFRS 15.

**Commission Regulation (EU) no. 2017/1988 of 3 November 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IFRS 4 - Insurance contracts (Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts)**

The amendments to IFRS 4 - Insurance contracts, applicable from 2018, are intended to address concerns about the different effective dates of IFRS 9 - Financial instruments and the forthcoming new insurance contracts standard which will replace IFRS 4 (IFRS 17 - Insurance contracts).
Adoption of the amendments to IFRS 4 has not had significant effects on the measurement of consolidated financial statements captions and disclosures, as they are mainly addressed to entities operating in the insurance market.

**Commission Regulation (EU) no. 2018/182 of 7 February 2018, published in Official Journal L 34 of 8 February 2018, endorses the Annual improvements to IFRS Standards (2014-2016 cycle) which introduces amendments to IAS 28 - Investments in associates and joint ventures, IFRS 1 - First-time adoption of International Financial Reporting Standards and IFRS 12 - Disclosure of interests in other entities**

The objective of the annual improvements is to resolve non-urgent issues about inconsistencies in the IFRS or to provide terminology clarifications discussed by the IASB over the project cycle.
Adoption of the new amendments has not had any significant effects on the measurement of the consolidated financial statements captions and disclosures.

**Commission Regulation (EU) no. 2018/289 of 26 February 2018, published in Official Journal L 55 of 27 February 2018: Amendments to IFRS 2 - Share-based payment**

The amendments are applicable from 2018 and aim to clarify the following: *(i)* the vesting conditions for granting equity instruments; *(ii)* the measurement of goods or services received as consideration for cash-settled share-based payment transactions; *(iii)* share-based payment transactions settled net of tax withholdings.
Adoption of the new amendments has not had any significant effects on the measurement of consolidated financial statements captions.

**Commission Regulation (EU) no. 2018/400 of 14 March 2018, published in Official Journal L 72 of 15 March 2018: Amendments to IAS 40 - Investment property - Transfers of investment property**

The amendments provide guidance on transfers to, or from, investment property. Their adoption, effective for periods beginning on or after 1 January 2018, has not affected the measurement of the consolidated financial statements captions.

**Commission Regulation (EU) no. 2018/519 of 28 March 2018, published in Official Journal L 87 of 3 April 2018: Adoption of IFRIC 22 - Foreign currency transactions and advance considerations**

The interpretation clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The new interpretation provides that when the consideration paid or received is to be accounted for under the IFRS[36] for a non-monetary asset or liability, the date of the transaction, for the purpose of determining the exchange rate to be applied to the asset, cost or revenue, is the date of initial recognition of the non-monetary asset or liability.
The group applied the new interpretation prospectively from 2018. This has not had a significant effect on the

36 The Interpretations Committee clarified that the interpretation's objective was not to establish when an item is monetary or non-monetary but identified a number of references in the IFRS and the Framework that may be useful (paragraph 16 of IAS 21 - The effects of changes in foreign exchange rates, paragraph AG11 of IAS 32 - Financial instruments: presentation and paragraph 4.17 of the Framework).

measurement and presentation of the captions in these consolidated financial statements.

## Accounting effects of FTA of the new standards

The effects of the application of the new standards on the group's consolidated financial statements at 31 December 2018 are set out below:

| **Statement of profit or loss** (€'000) | 2018 | Effects of applying IFRS 15 | Effects of applying IFRS 9 | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 |
|---|---|---|---|---|
| Operating revenue | 1,042,082 | (53,466) | 0 | 988,616 |
| Operating costs | (2,239,744) | 0 | (68) | (2,239,812) |
| Change in costs capitalised to fulfil a contract | 1,995 | (1,995) | 0 | 0 |
| Share of profits of joint ventures and associates | 92,082 | 0 | 422 | 92,504 |
| **Gross operating loss** | **(1,103,585)** | **(55,461)** | **354** | **(1,158,692)** |
| Amortisation, depreciation and impairment losses | (394,706) | 3,277 | (20,923) | (412,352) |
| Provisions | (280,694) | 0 | 0 | (280,694) |
| **Operating loss** | **(1,778,985)** | **(52,184)** | **(20,569)** | **(1,851,738)** |
| Net financial expense | (202,674) | 883 | (26,806) | (228,597) |
| **Pre-tax loss** | **(1,981,659)** | **(51,301)** | **(47,375)** | **(2,080,335)** |
| Income taxes | 69,489 | 12,136 | 6,658 | 88,283 |
| **LOSS FOR THE YEAR** | **(1,912,170)** | **(39,166)** | **(40,717)** | **(1,992,053)** |
| Loss attributable to the owners of the parent | (1,908,424) | (39,165) | (40,717) | (1,988,306) |
| Loss attributable to non-controlling interests | (3,746) | (1) | 0 | (3,746) |
| | | | | |
| Basic loss per share | -19.50 | | | -20.03 |
| Diluted loss per share | -19.50 | | | -20.03 |

| **Statement of comprehensive income** | 2018 | Effects of applying IFRS 15 | Effects of applying IFRS 9 | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 |
|---|---|---|---|---|
| Loss for the year (A) | (1,912,170) | (39,166) | (40,717) | (1,992,053) |
| **Other comprehensive income, net of tax (B)** | **35,632** | **(257)** | **8,947** | **44,322** |
| **COMPREHENSIVE EXPENSE (a ) + ( b)** | **(1,876,537)** | **(39,423)** | **(31,770)** | **(1,947,731)** |
| attributable to the owners of the parent | (1,877,080) | (39,423) | (31,770) | (1,948,274) |
| attributable to non-controlling interests | 543 | | | 543 |

| **Statement of financial position** | 31/12/2018 | Effects of applying IFRS 15 | Effects of applying IFRS 9 | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 |
|---|---|---|---|---|
| **Non-current assets** | **1,212,828** | **(7,826)** | **(6,586)** | **1,198,416** |
| Intangible assets | 53,740 | (5,831) | | 47,909 |
| Non-controlling investments | 30,692 | | | 30,692 |
| Equity-accounted investments | 457,078 | | 2,003 | 459,081 |
| Non-current financial assets | 96,150 | 8,205 | (10,037) | 94,318 |
| Other non-current assets | 136,109 | (3,718) | | 132,391 |
| Deferred tax assets | 276,383 | (6,482) | 1,448 | 271,349 |
| **Current assets** | **2,141,393** | **96,678** | **3,067** | **2,241,138** |
| Amounts due from customers | 0 | 856,968 | | 856,968 |
| Contract assets | 755,159 | (756,102) | 943 | 0 |
| Costs capitalised to fulfil a contract | 4,188 | (4,188) | | 0 |
| Trade receivables | 608,748 | | 1,262 | 610,010 |
| Current financial assets | 72,166 | | 30 | 72,196 |

| | | | | |
|---|---|---|---|---|
| Other current assets | 375,150 | | 720 | 375,870 |
| Cash and cash equivalents | 210,974 | | 112 | 211,086 |
| **Non-current assets held for sale** | **263,509** | **0** | **0** | **263,509** |
| **Total assets** | **3,617,730** | **88,852** | **(3,518)** | **3,703,064** |

| **Statement of financial position** | **31/12/2018** | **Effects of applying IFRS 15** | **Effects of applying IFRS 9** | **31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9** |
|---|---|---|---|---|
| **Deficit attributable to the owners of the parent** | **(1,439,005)** | **17,653** | **(3,518)** | **(1,424,870)** |
| Other reserves | (86,793) | 56,689 | 28,551 | (1,553) |
| Other comprehensive expense | (108,944) | 130 | 5,167 | (103,647) |
| Deferred tax on other comprehensive expense | 8,599 | 0 | 3,481 | 12,080 |
| Loss for the year | (1,908,424) | (39,166) | (40,717) | (1,988,307) |
| **Equity attributable to non-controlling interests** | **132** | **0** | **0** | **132** |
| Capital and other reserves attributable to non-controlling interests | 3,775 | 0 | 0 | 3,775 |
| **Total non-current liabilities** | **110,507** | **0** | **0** | **110,507** |
| **Total current liabilities** | **4,946,096** | **71,199** | **0** | **5,017,295** |
| Amounts due to customers | 0 | 573,370 | 0 | 573,370 |
| Contract liabilities | 289,925 | (289,925) | 0 | 0 |
| Current financial liabilities | 2,624,210 | 0 | 0 | 2,624,210 |
| Provisions for risks and charges | 308,093 | (212,246) | 0 | 95,847 |
| Other contract liabilities | 71,552 | 0 | 0 | 71,552 |
| **Total equity and liabilities** | **3,617,730** | **88,852** | **(3,518)** | **3,703,064** |

The next table shows the effect of applying the new standards on equity (deficit) attributable to the owners of the parent and non-controlling interests at 1 January 2018 net of the related tax effect:

| (€'000) | **Share capital** | **Reserves and undistributed earnings** | **Other items of comprehensive income** | **Deficit attributable to the owners of the parent** | **Equity attributable to non-controlling interests** | **Equity** |
|---|---|---|---|---|---|---|
| **Opening balance Without effects of adopting new standards** | **195,770** | **459,562** | **(136,592)** | **518,740** | **30,702** | **549,442** |
| Measurement of financial assets | 0 | (38,192) | 4,097 | (34,095) | 0 | (34,095) |
| Measurement of non-controlling interests at fair value | 0 | 0 | 1,714 | 1,714 | 0 | 1,714 |
| Impairment | 0 | (4,236) | 0 | (4,236) | (42) | (4,278) |
| Measurement of financial liabilities | 0 | 7,122 | 0 | 7,122 | 0 | 7,122 |
| Effect of adoption of IFRS 9 on associates and joint ventures | 0 | (1,580) | 0 | (1,580) | 0 | (1,580) |
| Related tax effect | 0 | 8,335 | (985) | 7,350 | 0 | 7,350 |
| **Total effect of adopting IFRS 9** | **0** | **(28,551)** | **4,826** | **(23,725)** | **(42)** | **(23,767)** |
| Bidding costs | 0 | (30,450) | 0 | (30,450) | 0 | (30,450) |
| Combination of contracts | 0 | (17,369) | 0 | (17,369) | 0 | (17,369) |
| Separation of performance obligations | 0 | (26,828) | 0 | (26,828) | 0 | (26,828) |
| Satisfaction of performance obligations | 0 | (660) | 0 | (660) | 0 | (660) |
| Related tax effect | 0 | 18,618 | 0 | 18,618 | 0 | 18,618 |
| **Total effect of adopting IFRS 15** | **0** | **(56,689)** | **0** | **(56,689)** | **0** | **(56,689)** |
| **Opening balance with effects of adopting new standards** | **195,770** | **374,322** | **(131,766)** | **438,326** | **30,660** | **468,986** |

## 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. 2017/1986 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Adoption of IFRS 16 - Leases**

IFRS 16 covers the recognition, measurement, presentation of and disclosures about leases and will replace 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 in 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.

Starting from the last quarter of 2017, the group 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 that will be made at the date of initial application, the group will avail 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.

Based on the analyses carried out to date and the transition option the group intends to adopt, the application of the new standard should not require adjustment to equity at 31 December 2018. With respect to the impact on the group's net financial debt of the application of the standard to leases classified as operating leases under IAS 17, the lease liabilities are expected to increase by €23.7 million.

**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.
Management does not deem that its application, starting from 1 January 2019, will have a significant effect on the 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[37] 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. Based on its analyses, management believes that the adoption of IFRIC 23 will not have 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. Based on its analyses, management believes that the adoption of the new amendments will not have any significant effects on the measurement of 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.
Management believes that the adoption of the amendments will not have any significant effects on the measurement of 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

[37] 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.

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.

Management believes that the adoption of the amendments will not have any significant effects on the measurement of consolidated financial statements captions.

**Commission Regulation (EU) no. 2019/2075 of 29 November 2019, published in Official Journal L 316 of 6 December 2019: amendments to references to the conceptual framework in IFRS Standards**

The amendments update the existing references to the previous Conceptual Framework in several standards and interpretations, replacing them with revised references. The group will apply these amendments starting from 1 January 2020.

# Notes to the consolidated financial statements

## 1 Revenue from contracts with customers

### 1.1 Revenue

The following table shows a breakdown of revenue for 2018 and 2017:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Contract revenue | 976,253 | (53,466) | 922,787 | 2,788,327 | (1,865,540) |
| Concessions - Commercial services under arrangement | 47,078 | 0 | 47,078 | 86,117 | (39,039) |
| Plant maintenance fees | 4,964 | 0 | 4,964 | 13,875 | (8,911) |
| Change in inventories, buildings and plant under construction | (6) | 0 | (6) | | (6) |
| **Total** | **1,028,289** | **(53,466)** | **974,823** | **2,888,319** | **(1,913,496)** |

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. It decreased by €1,812,074 thousand on 2017 (€1,865,540 thousand without the effect of the adoption of IFRS 15 and IFRS 9). This decrease is mainly due to the combined effect of *(i)* the slowdown of production activities carried out directly by Astaldi - both in Italy and abroad - due to the financial difficulties which led it to commence the composition with creditors on a going concern basis procedure in September 2018, *(ii)* smaller production volumes abroad following the definitive completion of some significant joint venture contracts in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway), and *(iii)* the lower contribution from Canada in relation to the Muskrat Falls hydroelectric project.

Revenue from O&M activities (included under concessions - commercial services under arrangement) amounts to €47,078 thousand in 2018, down €39,039 thousand on the previous year, chiefly due to the lower contribution from the Ospedale dell'Angelo di Venezia-Mestre project[38].

The decrease in plant maintenance fees, related to the plant engineering and facility management sub-segment, reflects the slowdown in the subsidiary NBI's production activities.

#### 1.1.1 Revenue by geographical segment

The following table shows a breakdown of revenue for 2018 and 2017 by geographical segment:

[38] Concession developed through Veneta Sanitaria Finanza di Progetto S.p.A., over which the parent lost control in September 2018.

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C)-(D) |
|---|---|---|---|---|---|
| Italy | 264,516 | (9,018) | 255,497 | 700,557 | (445,058) |
| Europe | 331,606 | (3,025) | 328,581 | 1,031,547 | (702,966) |
| Americas | 450,833 | (39,229) | 411,604 | 1,059,726 | (648,122) |
| Africa | (8,757) | 0 | (8,757) | 93,401 | (102,158) |
| Asia | (9,909) | (2,194) | (12,103) | 3,089 | (15,192) |
| **Total** | **1,028,289** | **(53,466)** | **974,823** | **2,888,319** | **(1,913,496)** |

**Italy**

Revenue from operations in Italy amounts to €264,516 thousand in 2018 (€255,497 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €436,040 thousand on 2017 (€445,058 thousand without the effect of the adoption of IFRS 15 and IFRS 9) mainly due to:

- slowdowns in production activities on some contracts performed directly by the parent (including maxi lot 2 of the Quadrilatero Marche-Umbria road system project) mainly originating from the parent's financial difficulties which have been exacerbated by the unfavourable macroeconomic situation affecting the entire sector due to delays in payments by public administrations;
- postponements of the start-up phase of certain important contracts (chiefly the mega lot DG-41 of the state road Jonica 106, the high speed/high capacity Verona-Padua Railway Line and the third and fourth lots of the Pedemontana delle Marche road), due to the delays in the bureaucratic procedures necessary to start the works (assignment of financial resources and/or approval of the executive designs), which prevented the organic turnover of some significant contracts completed in 2017 (the high speed/high capacity Naples-Afragola Station and the Angelini property);
- the lower contribution of the plant engineering sub-segment and the O&M segment, respectively due to the slowdown of the subsidiary NBI's production activities and the loss of control over the SPE Veneta Sanitaria Finanza di Progetto S.p.A..

The effects of the above were only partly mitigated by the uptick in industrial activities performed as part of joint ventures (especially lot "Mules 2-3" of the Brenner Base Tunnel contract).

**Europe (excluding Italy)**

Revenue from operations in Europe amounts to €331,606 thousand in 2018 (€328,581 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €699,941 thousand on 2017 (€702,966 thousand without the effect of the adoption of IFRS 15 and IFRS 9) mainly due to:

- the definitive completion of some significant contracts in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) and Poland (motorways and extension of Line II of the Warsaw Metro). This was partially mitigated by the positive development of joint venture activities in Romania (lots 2A, 2B and 3 of the Curtici-Simeria railway line, the Ogra-Campia Turzii Motorway Section and the Braila Bridge over the Danube) and Sweden (Haga Station of the Gothenburg rail link).

**Americas**

Revenue from operations in the Americas amounts to €450,833 thousand in 2018 (€411,604 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €608,893 thousand on 2017 (€648,122 thousand without the effect of the adoption of IFRS 15 and IFRS 9) mainly due to the smaller contribution of contracts in Canada (the Muskrat Falls hydroelectric project) and Chile (the Chuquicamata Mining project and the West Metropolitan Hospital in Santiago de Chile).

**Asia (Middle and Far East)**

There were no significant activities in Asia (Middle and Far East) during the year following the group's exit from the area. In addition, the Saudi customer applied some accounting deductions (roughly €12 million) in 2018 with regard to works performed in previous years that the subsidiary Astaldi Arabia Ltd. accordingly applied to the relevant subcontractors.

**Africa**
No significant activities took place in Africa either in 2018. Following the final outcome of some pending disputes with Moroccan customers, the group reduced claims recognised in previous years by approximately €10 million.

## 1.1.2 Revenue by business segment

The following table shows a breakdown of revenue by business segment (construction and O&M) for 2018 and 2017, along with a further breakdown by sub-segment.

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Transport infrastructure | 565,154 | (17,003) | 548,151 | 1,705,393 | (1,157,242) |
| *- Railways and metros* | *358,929* | *(2,478)* | *356,451* | *506,454* | *(150,003)* |
| *- Roads and motorways* | *101,514* | *(14,525)* | *86,989* | *1,078,293* | *(991,304)* |
| *- Ports and airports* | *104,711* | *-* | *104,711* | *120,646* | *(15,935)* |
| Hydraulic plants and energy production | 39,358 | (17,858) | 21,500 | 457,978 | (436,478) |
| Civil and industrial construction | 208,135 | - | 208,135 | 286,136 | (78,001) |
| Industrial plants | 149,522 | (18,605) | 130,917 | 352,696 | (221,779) |
| **Construction** | **962,169** | **(53,466)** | **908,703** | **2,802,203** | **(1,893,500)** |
| **Operation & maintenance** | **66,120** | **-** | **66,120** | **86,116** | **(19,996)** |
| **Operating revenue** | **1,028,289** | **(53,466)** | **974,823** | **2,888,319** | **(1,913,496)** |

The breakdown of revenue by business segment for 2018 shows a decrease in revenue from the construction segment mainly caused by the contraction in (i) the transport infrastructure sub-segment (due to lower volumes recorded following the definitive completion of the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway in Turkey), and (ii) the hydraulic plants and energy production sub-segment (due to the lower contribution of the Muskrat Falls hydroelectric project in Canada).

Revenue from the O&M segment contribution also decreased, mostly as a result of the lower contribution of the hospital segment (Ospedale dell'Angelo di Venezia-Mestre) following the sale of the subsidiary Veneta Sanitaria Finanza di Progetto S.p.A..

**Transport infrastructure**
Revenue from the transport infrastructure sub-segment amounts to €565,154 thousand in 2018 (€548,151 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €1,140,239 thousand (€1,157,242 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€1,705,393 thousand), mainly due to:

- a drop in revenue from the roads and motorways sub-segment due to the gradual definitive completion of some significant motorway contracts (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway in Turkey and the extension of Line II of the Warsaw Metro in Poland) in addition to the slowdown of industrial activities on maxi lot 2 of the Quadrilatero Marche-Umbria road system project in Italy;
- a contraction in volumes in the railways and metros sub-segment, chiefly due to slowdowns in the performance of Algerian railway contracts and the high speed/high capacity Naples-Afragola Station (completed in 2017). Conversely, there were positive developments in (i) the Brenner Base Railway Tunnel in Italy, (ii) the new railway lots in Romania (lots 2A, 2B and 3 of the Curtici-Simeria Railway Line), and (iii) Haga Station for the Gothenburg rail link in Sweden.

**Hydraulic plants and energy production**
Revenue from the hydraulic plants and energy production sub-segment amounts to €39,358 thousand in 2018 (€21,500 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €418,620 thousand (€436,478 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€457,978 thousand), mainly due to the lower contribution of the Muskrat Falls hydroelectric project in Canada.

**Civil and industrial construction**
Revenue from the civil and industrial construction sub-segment amounts to €208,135 thousand in 2018, down €78,001 thousand on 2017 (€286,136 thousand), above all due to the termination of activities on the West Metropolitan Hospital in Santiago de Chile.

**Industrial plants[39]**
Revenue from the industrial plants sub-segment amounts to €149,522 thousand in 2018 (€130,917 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €203,174 thousand (€221,779 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€352,696 thousand), mainly due to smaller production volumes on the subsidiary NBI's projects in progress in Italy and abroad.

**Operation & maintenance**
Revenue from the operation & maintenance segment amounts to €66,120 thousand[40] in 2018, down €19,996 thousand on 2017 (€86,116 thousand) mainly due to the lower contribution of 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..
Revenue from this segment in 2018 was chiefly earned in the Italian healthcare sector via the investees GE.SAT (the four Tuscan Hospitals: €12,747 thousand) and Veneta Sanitaria Finanza di Progetto S.p.A. (Ospedale dell'Angelo di Venezia-Mestre: €29,609 thousand).
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 2018, the combined amount of contractual consideration of construction contracts in progress allocated to performance obligations not yet satisfied is €7.3 billion (of which €1.5 billion after 2022). The group will recognise these amounts in revenue of future years in line with available forecasts. Contracts in place include contracts with customers if they meet the conditions of IFRS 15.9. The caption includes variable consideration to the extent that it is highly probable that it will be realised.
Note 38 - Segment reporting pursuant to IFRS 8 provides more information about this caption.

### 1.2 Fines for contract terminations

Fines for contract terminations of €123,603 thousand in 2018 (nil balance in 2017) relate 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).

More information is provided in the "Significant contractual events" section.

## 2 Other operating revenue

Other operating revenue amounts to €137,396 thousand in 2018, down €35,018 thousand on 2017 (€172,414 thousand).

[39] Also includes revenue from mining projects

[40] Adoption of IFRS 15 and IFRS 9 has not affected the measurement and recognition of revenue from the operation & maintenance segment.

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Revenue from the sale of goods | 6,567 | 16,533 | (9,966) |
| Services - third parties | 65,766 | 63,690 | 2,076 |
| Services - management of joint projects | 507 | 805 | (298) |
| Leases and rent | 2,609 | 2,052 | 557 |
| Gains on sales | 8,146 | 34,252 | (26,106) |
| Other | 53,802 | 55,082 | (1,280) |
| **Total** | **137,396** | **172,414** | **(35,018)** |

"Other" mainly includes *(i)* prior year income related to the updating of prior years' estimates (€39,661 thousand), and *(ii)* compensation received for larger costs incurred by the group companies in previous years for the performance of contracts in the construction segment in Italy, Canada and Poland (€7,200 thousand). The €1,280 thousand decrease is essentially due to the one-off effects (€12,732 thousand) in 2017[41] that mainly derived from the business combination of Veneta Sanitaria Finanza di Progetto S.p.A..

Further to the above, the decrease in other operating revenue was chiefly due to:

(i) lower gains on sales (dropping €26,106 thousand from €34,252 thousand in 2017 to €8,146 thousand in 2018). In 2017, this caption had benefited from the gain on the sale of the investments in the SPEs Pacific Hydro Chacayes (€9.3 million), Sociedad Concesionaria Metropolitana de Salud S.A. (€7.4 million) and SA.T. S.p.A. (€6.1 million);

(ii) the €9,966 thousand decrease in revenue from the sale of goods (from €16,533 thousand in 2017 to €6,567 thousand in 2018), basically due to the completion of the Western High-Speed Diameter motorway ring road project in St. Petersburg, Russia.

# 3 Purchase costs

Purchases of and changes in raw materials and consumables amount to €373,698 thousand for the year, a rise of €3,895 thousand on the previous year.

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Purchase costs | 377,976 | 367,596 | 10,380 |
| Change in raw materials, consumables and supplies | (4,278) | 2,207 | (6,485) |
| **Total** | **373,698** | **369,803** | **3,895** |

The caption may be broken down by geographical segment as follows:

| | 2018 | % | 2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 70,769 | 18.94% | 94,196 | 25.47% | (23,427) |
| Europe | 206,588 | 55.28% | 161,396 | 43.64% | 45,192 |
| Americas | 93,196 | 24.94% | 105,350 | 28.49% | (12,154) |
| Africa | 2,662 | 0.71% | 8,853 | 2.39% | (6,191) |
| Asia | 483 | 0.13% | 8 | 0.00% | 475 |
| **Total** | **373,698** | **100.00%** | **369,803** | **100.00%** | **3,895** |

Substantially in line with 2017, this caption reflects a decisive decrease in Italy, mainly due to smaller production volumes recorded on maxi lot 2 of the Quadrilatero Marche-Umbria road system contract, and a more than proportionate increase abroad, specifically attributable to the S-7 Expressway between Naprawa and Skomielna Biała, the Deblin-Lublin railway line no. 7 in Poland and the M-11 Motorway in Russia.

[41] See the notes to the consolidated financial statements at 31 December 2017 for more information.

# 4 Service costs

Service costs decreased by €458,114 thousand to €1,245,064 thousand in 2018. They may be analysed as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Consortium costs | 98,114 | 124,893 | (26,779) |
| Subcontracts and other services | 866,129 | 1,333,417 | (467,288) |
| Technical, administrative and legal consultancy | 143,439 | 117,448 | 25,991 |
| Directors' and statutory auditors' fees | 3,826 | 3,935 | (109) |
| Utilities | 9,360 | 7,532 | 1,828 |
| Business trips and travel | 6,957 | 7,219 | (262) |
| Insurance | 16,818 | 16,604 | 214 |
| Leases and other costs | 68,266 | 62,900 | 5,366 |
| Lease and building management costs | 12,892 | 11,967 | 925 |
| Maintenance on third party assets | 401 | 725 | (324) |
| Other | 18,861 | 16,538 | 2,323 |
| **Total** | **1,245,064** | **1,703,178** | **(458,114)** |

The consortium costs incurred to carry out contracts with other construction companies decreased by €26,779 thousand on the previous year, basically due to smaller production volumes recorded in Italy.

Subcontracts and other services fell by €467,288 thousand over the previous year and are broken down as follows by geographical segment:

| | 2018 | % | 2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 182,774 | 21.10% | 285,829 | 21.44% | (103,055) |
| Europe | 353,287 | 40.79% | 658,828 | 49.41% | (305,542) |
| Americas | 323,774 | 37.38% | 357,577 | 26.82% | (33,803) |
| Africa | 5,197 | 0.60% | 30,855 | 2.31% | (25,658) |
| Asia | 1,098 | 0.13% | 328 | 0.02% | 770 |
| **Total** | **866,129** | **100.00%** | **1,333,417** | **100.00%** | **(467,288)** |

The variations in this caption are mainly due to production of the year which, as described in note 1 on revenue from contracts with customers, recorded a contraction in volumes related to ongoing projects in Italy (Quadrilatero Marche-Umbria road system maxi lot 2 and the high speed/high capacity Naples-Afragola Station), Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway), Russia (WHSD in St. Petersburg), Algeria (the Saida - Moulay Slissen Railway Line and the Saida - Tiaret Railway Line) and Canada (the Muskrat Falls hydroelectric project).

Conversely, technical, administrative and legal consultancy costs increased, especially for (i) services provided by the advisers assisting the parent in the composition with creditors procedure (€8.3 million), (ii) in addition to the capital strengthening and refinancing project (approved by the parent's board of directors on 14 November 2017) which was never finalised (€11.8 thousand).

# 5 Personnel expenses

This caption may be analysed as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Wages and salaries | 395,099 | 464,767 | (69,668) |
| Social security contributions | 61,790 | 91,858 | (30,068) |
| Other costs | 59,087 | 74,511 | (15,424) |
| Other post-employment benefits | 1,073 | 1,481 | (408) |
| Cost of share-based payments | 0 | 1,248 | (1,248) |
| **Total** | **517,050** | **633,865** | **(116,815)** |

Personnel expenses amount to €517,050 thousand in 2018, down 18.4% (€116,815 thousand) on 2017 (€633,865 thousand).

Other personnel expenses mainly comprise costs for staff training, bed and board and the accrual for post-employment benefits which are comparable to a defined contribution plan under IAS 19.

The accrual for post-employment benefits, as part of the defined benefit plans, is recognised in the caption "Other post-employment benefits".

A breakdown of personnel expenses by geographical segment is as follows:

| | 2018 | % | 2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 101,568 | 19.64% | 108,868 | 17.18% | (7,300) |
| Europe | 95,215 | 18.42% | 82,501 | 13.02% | 12,714 |
| Americas | 311,095 | 60.17% | 427,640 | 67.47% | (116,545) |
| Africa | 6,582 | 1.27% | 12,467 | 1.97% | (5,885) |
| Asia | 2,590 | 0.50% | 2,389 | 0.38% | 201 |
| **Total** | **517,050** | **100.00%** | **633,865** | **100.00%** | **(116,815)** |

With regard to the geographical breakdown of personnel expenses, there was a considerable decrease in Canada following the completion of the Muskrat Falls hydroelectric project.

The parent took a series of actions in the last quarter of 2018 to boost the efficiency of personnel and, more generally, the parent's organisational structure. This was one of the main elements underpinning the composition with creditors plan approved in 2019.

## 5.1 Average number of employees

The average number of employees by category is as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Managers | 276 | 278 | (2) |
| Junior managers | 230 | 223 | 7 |
| White collars | 3,514 | 3,371 | 143 |
| Blue collars | 6,876 | 6,619 | 257 |
| **Average number of employees** | **10,896** | **10,491** | **405** |

The average number of employees is 10,896 in 2018. On a combined basis, though more or less unchanged on the previous year, the number reflects (i) the sharp contraction in Canada (which has high labour costs), and (ii) nearly proportionate growth in Turkey, Romania and Russia (which have lower labour costs).

## 5.2 Senior management incentive plans

The parent did not recognise any cost from the 2016-2018 stock grant plan approved by the shareholders on 20 April 2016 or from the success fee/MBO plan during the year following the board of directors' resolution of 12 November 2018 to suspend such senior management incentive plans 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

The other operating costs increased by €69,224 thousand to €103,932 thousand. They are made up as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Prior year expense and fair value losses | 28,672 | 1,510 | 27,162 |
| Taxes and duties | 9,275 | 5,298 | 3,977 |
| Other administrative and sundry costs | 65,985 | 27,900 | 38,085 |
| **Total** | **103,932** | **34,708** | **69,224** |

The increase in prior year expense is chiefly due to the reimbursement of costs to be paid to a subcontractor following the adverse outcome of a dispute related to the Cerro Del Aguila hydroelectric project.

Other administrative and sundry costs mainly include:
- the losses realised on the sale of plant and equipment, mostly as part of contracts in Peru and Turkey that are no longer active (€13,228 thousand);
- ordinary group administration costs (stationery, photocopies, visas, etc.) (€7,282 thousand);
- the outcome of settlement agreements signed by certain subsidiaries and joint ventures regarding disputes arisen in prior years in Oman, Morocco and Russia (€10,200 thousand);
- fines for non-payment (ascribable to the commencement of the composition with creditors procedure) of the parent’s taxes (€8,806 thousand);
- impairment losses on certain credit-impaired exposures in Italy (€17,291 thousand).

## 7 Change in costs capitalised to fulfil a contract

This caption of €1,995 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

The share of profits of equity-accounted investees grew by €44,886 thousand compared to the previous year (€45,308 thousand without the effect of the adoption of IFRS 15 and IFRS 9) and is made up as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C)-(D) |
|---|---|---|---|---|---|
| Associates | 48,499 | 154 | 48,653 | 40,718 | 7,935 |
| Joint ventures | 43,583 | 268 | 43,851 | 6,478 | 37,373 |
| **Total** | **92,082** | 422 | **92,504** | **47,196** | **45,308** |

The balance mostly refers to *(i)* Otoyol Yatirim Ve Isletme A.S. (Gebze-Orhangazi-Izmir Motorway, €48,835 thousand), and *(ii)* Ankara Etlik Hastane A.S. (Etlik Integrated Health Campus, €44,780 thousand).

# 9 Amortisation, depreciation and impairment losses

This caption may be analysed as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Amortisation | 8,411 | 754 | 9,164 | 12,709 | (3,544) |
| Depreciation | 31,378 | 0 | 31,378 | 36,695 | (5,317) |
| Other impairment losses on non-current assets | 30,879 | 20,057 | 50,936 | | 50,936 |
| Impairment losses | 324,038 | (3,165) | 320,873 | 235,529 | (85,344) |
| **Total** | **394,706** | **17,646** | **412,352** | **284,933** | **127,419** |

Amortisation for the first quarter of 2018 (letter A of the above table) mainly refers to the contractual rights acquired to develop works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€1,158 thousand) and the Infraflegrea project (€2,562 thousand). As a result of adoption of IFRS 15 - Revenue from contracts with customers and the related breakdown of the maxi lot 2 contract into performance obligations, the amortisation criteria for the contractual rights were revised in order to match them to the new accounting treatment whereby the economic benefits of the contract will be accounted for in the group's accounts.

The decrease in depreciation is mainly due to the completion of the WHSD contract in St. Petersburg, Russia and the Muskrat Falls hydroelectric project in Canada.

Other impairment losses on non-current assets mostly refer to:

- impairment losses recognised following the relevant impairment tests on goodwill relating to the cash-generating units: (i) "Plant engineering and facility management related to NBI" (€11,634 thousand); and (ii) T.E.Q. Construction Enterprise Inc. (€3,111 thousand); see note 17 for further information;
- impairment losses recognised on the basis of specific technical appraisals carried out by independent experts on certain land and buildings in Italy and Turkey (€8,597 thousand);
- impairment losses on machinery that had been particularly worn out during intense usage for projects performed in previous years as part of contracts nearing completion mainly in Peru, Canada and Chile (€4,667 thousand);
- impairment losses on the investments in the SPEs Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu (€105,599 thousand), Sociedad Concesionaria Metropolitana de Salud S.A. (€5,108 thousand) and Ankara Etlik Hastante A.S. (€11,012 thousand). See note 26 for further information;
- impairment losses on contractual rights related to the Monte Sant'Angelo contract (€2,478 thousand).

Impairment losses refer to:

- the one-off effects of the impairment losses on the Venezuelan financial assets (€150,931 thousand) as explained in greater detail in the "Impairment of other financial instruments" section;
- impairment losses on certain credit-impaired exposures in Turkey (€26,214 thousand);
- impairment losses on tax assets deemed no longer recoverable related to certain projects in South America (€9,908 thousand);
- write-downs of inventories related to some countries in the Americas where the group has decided to discontinue its operations (€13,485 thousand). 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 as soon as possible;
- impairment losses on costs capitalised to fulfil a contract (i.e., bidding costs) in light of new considerations made by management on the probability of being granted the new contracts also in relation to (i) the group's changed economic and financial situation and (ii) its intention to exit certain foreign areas (€4,031 thousand);
- the updated estimate of expected credit losses following the impairment test carried out on a collective basis pursuant to IFRS 9 – Financial instruments (which led to a €866 thousand

reduction of the loss allowances).

## 10 Provisions

Provisions for risks and charges mainly refer to:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Accruals to the provision for onerous contracts | 199,665 | 1,071 | 198,594 |
| Accruals to the provision for equity investments | 51,070 | 0 | 51,070 |
| Accruals to the provision for legal disputes | 29,960 | 4,026 | 25,934 |
| **Total** | **280,694** | **5,097** | **275,597** |

The accruals to the provision for onerous contracts of €199,665 thousand refer 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, Canada, Chile, Italy and Poland. One such accrual (€129,105 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 and Canada) that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal. More information is provided in the "Significant contractual events" section.

The accruals to the provision for equity investments of €51,070 thousand include the accruals for the parent's legal obligation to cover the losses exceeding the equity of the related investees. The balance mainly refers to the accrual made following the losses recorded by the joint venture Ic Içtaş Astaldi Ica Inşaat A.S. for the Moscow-St. Petersburg M-11 Motorway in Russia, also considering the settlement agreement defined with the parent's Turkish partner and approved by the Rome Court.

The accruals to the provision for legal disputes of €29,960 thousand include 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. The balance chiefly refers to accruals made for some disputes underway regarding contracts in Algeria (€11.7 million), Italy (€5.3 million) and South America (€12.7 million).

The "Significant contractual events" section provides more information on South America and specifically the dispute underway with Andritz Hydro in Peru. Accruals made in Algeria refer to contingent liabilities for some additional works performed by subcontractors in relation to railway contracts in progress in the country. Under the relevant contracts, such amounts will only be paid to the subcontractors upon receiving the customer's definitive approval of the variation orders.

## 11 Financial income

Financial income amounts to €130,461 thousand in 2018 (€110,922 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €9,954 thousand (€9,585 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€120,507 thousand).

The caption may be analysed as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Income from other investees | 0 | 0 | 0 | 51 | (51) |
| Income from financial transactions with banks | 2,863 | 0 | 2,863 | 1,615 | 1,248 |
| Commissions on sureties | 6,249 | 0 | 6,249 | 15,464 | (9,215) |
| Income on counter-guarantees | 0 | 0 | 0 | 0 | 0 |
| Exchange gains | 53,822 | 0 | 53,822 | 42,065 | 11,757 |
| Financial income on leases | 1,836 | 0 | 1,836 | 1,870 | (34) |
| Fair value gains on derivatives | 6,071 | 0 | 6,071 | 4,962 | 1,109 |
| Fair value gains on the derivative embedded in convertible bonds | 95 | 0 | 95 | 4,871 | (4,776) |
| Interest income on intragroup financing | 0 | 0 | 0 | 0 | 0 |
| Other financial income | 59,525 | (19,539) | 39,986 | 49,609 | (9,623) |
| **Total** | **130,461** | **(19,539)** | **110,922** | **120,507** | **(9,585)** |

Other financial income mainly includes (i) accrued interest on amounts due from customers for contracts in progress in Italy and abroad (€23,434 thousand), (ii) interest on loans granted to associates and joint ventures (€16,404 thousand), and (iii) fair value gains on subordinated loans (€19,539 thousand).

Commissions on sureties decreased by €9,215 thousand, mostly in Italy and Russia. Specifically, in 2017, 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 Brenner Railway Tunnel and M-11 Motorway contracts in Russia.

The increase in exchange gains is mainly due to fluctuations of the Russian rouble, Turkish lira and Chilean peso.

# 12 Financial expense

Financial expense amounts to €333,135 thousand in 2018 (€339,519 thousand without the effect of the adoption of IFRS 15 and IFRS 9), up €20,448 thousand (€26,831 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€312,687 thousand). The caption may be analysed as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation |
|---|---|---|---|---|---|
| Interest on bonds | 57,507 | 0 | 57,507 | 62,764 | (5,257) |
| Commissions on sureties | 45,515 | (883) | 44,632 | 56,500 | (11,868) |
| Expense on financial transactions with banks | 67,421 | (7,122) | 60,299 | 54,599 | 5,700 |
| Costs for the early repayment of loans and early redemption of bonds | 0 | 0 | 0 | 3,403 | (3,403) |
| Exchange losses | 88,788 | 0 | 88,788 | 83,177 | 5,611 |
| Fair value losses on derivatives | 17,356 | 0 | 17,356 | 23,144 | (5,788) |
| Financial expense on leases | 1,739 | 0 | 1,739 | 1,325 | 414 |
| Interest on payment extensions for trade payables | 19,710 | 0 | 19,710 | 10,586 | 9,124 |
| Non-recourse factoring of receivables | 1,139 | 0 | 1,139 | 5,668 | (4,529) |
| Interest on intragroup financing | 233 | 0 | 233 | 2,089 | (1,856) |
| Other financial expense | 33,727 | 14,388 | 48,115 | 9,432 | 38,683 |
| **Total** | **333,135** | **6,383** | **339,519** | **312,687** | **26,831** |

Other financial expense mainly refers to (i) impairment losses on financial assets chiefly related to old foreign projects (€11,612 thousand) and (ii) commissions on loans and other credit facilities charged by banks and other financial institutions (€10,501 thousand).

In addition to the above impairment losses recognised on Chilean contracts, the increase in financial expense is basically due to non-recurring items linked to the particular financial situation in which the group operated in 2018 and the commencement of the composition with creditors on a going concern basis procedure. Specifically, the main increases are:

- higher interest expense on payment extensions for trade payables (€9,124 thousand) following delays in payments due to suppliers and subcontractors before the commencement of the composition with creditors procedure;
- the recognition of all the outstanding transaction costs[42] for the bond issues[43] and the parent's main corporate loans in profit or loss at the date of commencement of the composition with creditors procedure to align their carrying amounts with their nominal amounts (€27,638 thousand);
- the transfer of the balance of the hedging reserve at the date of commencement of the composition with creditors procedure to profit or loss (€7,358 thousand). This reclassification was necessary following the suspension of the interest rate hedges on the main corporate loans. Specifically, the provisions of the Bankruptcy Law state that interest is no longer accrued on unsecured liabilities starting from the commencement of the composition with creditors procedure; therefore, there is no longer an economic relationship between the hedged loan and the hedging instrument.

These effects are only partially offset by the decrease in commissions on sureties (€10,985 thousand) which had included the effects of commencement of the Brenner Railway Tunnel in 2017 and which the parent had already recharged to the SPE in charge of the project (which similarly affected commissions on sureties included in financial income – see note 11).

Exchange losses grew by €5,611 thousand, mainly due to the fluctuations of the Russian rouble and the Turkish lira.

## 13 Income taxes

Income taxes for the year amount to €69,489 thousand, broken down as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Current income taxes | 57,233 | 0 | 57,233 | 25,797 | 31,436 |
| Deferred income taxes | (142,858) | (18,794) | (161,652) | (29,552) | (132,100) |
| IRAP, current | 4,349 | 0 | 4,349 | 3,605 | 744 |
| IRAP, deferred | (4,424) | 0 | (4,424) | 15 | (4,439) |
| Substitute and other taxes | 16,210 | 0 | 16,210 | (17,785) | 33,995 |
| **Total** | **(69,489)** | **(18,794)** | **(88,283)** | **(18,108)** | **(70,175)** |

(*) The income taxes refer to IRES for Italy and equivalent taxes for abroad.

Deferred tax assets and liabilities amounting to €276,383 thousand and €76,233 thousand, respectively, are broken down as follows:

[42] Before the commencement of the composition with creditors procedure, the transaction costs were used to calculate the effective interest rate used to measure such financial instruments at amortised cost.

[43] Equity-linked bonds of €140 million and senior unsecured bonds of €750 million.

| Statement of financial position | 31/12/2018 IRES | 31/12/2018 IRAP | 31/12/2017 IRES | 31/12/2017 IRAP |
|---|---|---|---|---|
| **a) Deferred tax assets, deriving from:** | **274,952** | **4,424** | **156,255** | **0** |
| - provisions for risks, taxed and costs deductible in following years | 25,953 | 4,424 | 29,160 | 0 |
| - provision for taxed default interest risks | 1 | 0 | 2,139 | 0 |
| - exchange differences | 16,472 | 0 | 26,528 | 0 |
| - tax losses | 91,697 | 0 | 8,514 | 0 |
| - IFRS 15 and IFRS 9 | 26,235 | 0 | | |
| - IFRIC 12 | 0 | 0 | 863 | 0 |
| - interest expense as per art. 96 and other minor | 114,594 | 0 | 89,050 | 0 |
| **b) Deferred tax liabilities, deriving from:** | **(79,226)** | **0** | **(119,445)** | **0** |
| - buildings recognised at fair value as deemed cost | (3,807) | 0 | (3,807) | 0 |
| - taxable portion of dividends | (62) | 0 | (64) | 0 |
| - default interest to be received | (600) | 0 | (15,542) | 0 |
| - foreign components taxable in following years | (68,027) | 0 | (84,801) | 0 |
| - IFRS 15 and IFRS 9 | 0 | 0 | | |
| - IFRIC 12 | 0 | 0 | (19,598) | 0 |
| - other + hedging reserve | (1,331) | 0 | 4,366 | 0 |
| **c) Deferred tax assets, net (a + b)** | **195,726** | **4,424** | **36,809** | **0** |
| **d) Deferred taxes for the year taken to profit or loss** | **(142,858)** | **(4,424)** | **(29,552)** | **15** |

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):

| | 2018 | % | 2017 | % |
|---|---|---|---|---|
| **Pre-tax profit (loss)** | **1,981,659** | | **(115,835)** | |
| Theoretical tax | (475,598) | 24.00% | (27,800) | 24.00% |
| Net effect of permanent increases | 150,992 | (7.62%) | 24,684 | (21.31%) |
| Net effect of deferred and current taxes of foreign operations and other adjustments | 238,982 | (12.06%) | (22,286) | 19.24% |
| Substitute and other taxes | 16,210 | (0.82%) | 5,201 | (4.49%) |
| IRAP (current and deferred) | (75) | 0.00% | 2,094 | (1.81%) |
| **Taxes recognised in the consolidated financial statements (current and deferred)** | **(69,489)** | **3.51%** | **(18,108)** | **15.63%** |

# 14 Loss per share

The basic loss per share is calculated as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) |
|---|---|---|---|---|
| **Numerator (€'000)** | | | | |
| Profit attributable to the ordinary shareholders of the parent (a) | (1,908,424) | (79,882) | (1,988,306) | (101,175) |
| **Denominator (in units)** | | | | |
| Weighted average shares (ordinary) | 98,424,900 | 0 | 98,424,900 | 98,424,900 |
| Weighted average treasury shares | (551,834) | 0 | (551,834) | (566,745) |
| **Weighted average shares used to calculate the basic loss per share (b)** | **97,873,066** | **0** | **97,873,066** | **97,858,155** |
| **Basic loss per share - (€) - (a)/(b)** | **(19.50)** | **(0.53)** | **(20.03)** | **(1.03)** |

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.

# 15 Property, plant and equipment

The following table shows the opening and closing balances and variations of the year:

The more significant changes relate to:

| | 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 2017, net of depreciation (1) | 46,199 | 67,433 | 26,566 | 24,800 | 13,932 | 178,930 |
| Additions from acquisitions | 82 | 11,531 | 10,634 | 9,746 | 2,737 | 34,730 |
| **Gross amount** | **46,281** | **78,964** | **37,200** | **34,546** | **16,669** | **213,660** |
| Depreciation | (1,160) | (13,928) | (8,204) | (8,079) | 0 | (31,370) |
| Disposals | 0 | (9,382) | (2,010) | (713) | 0 | (12,105) |
| Impairment losses | (8,838) | (4,662) | | (5) | | (13,505) |
| Reclassifications and transfers | (29) | 11,924 | 3,633 | 1,146 | (9,714) | 6,960 |
| Net exchange gains (losses) | 466 | (796) | (242) | (96) | (622) | (1,290) |
| Change in consolidation scope and other changes | 0 | 566 | 0 | (375) | 0 | 191 |
| **Balance at 31 December 2018, net of depreciation (2)** | **36,720** | **62,686** | **30,378** | **26,423** | **6,333** | **162,541** |
| | | | | | | |
| (1) of which: | | | | | | |
| Historical cost | 61,844 | 168,277 | 107,685 | 89,715 | 13,932 | 441,453 |
| Acc. depreciation | (15,645) | (100,844) | (81,119) | (64,915) | 0 | (262,522) |
| **Carrying amount** | **46,199** | **67,433** | **26,567** | **24,800** | **13,932** | **178,930** |
| | | | | | | |
| (2) of which: | | | | | | |
| Historical cost | 53,559 | 152,769 | 105,168 | 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** | **30,377** | **26,423** | **6,333** | **162,541** |

- The increases of €34,370 thousand principally relate to investments made for joint venture projects in Italy (Line 4 of the Milan Metro) and Sweden (Haga Station for the Gothenburg Metro);
- Depreciation for the year amounts to €31,370 thousand;

- Disposals of €12,105 thousand principally relate to the assets of contracts nearing completion in Peru and Russia;
- Impairment losses, totalling €13,505 thousand, relate to core assets in the Americas and Europe as described in more detail in note 9.

The caption includes leased assets of €32,467 thousand, as follows:

| | Land and buildings | Generic and specific plant | Excavators, power shovels and vehicles | Sundry equipment and machines | Total at 31/12/2018 |
|---|---|---|---|---|---|
| Historical cost | 1,197 | 30,040 | 19,398 | 2,579 | 53,214 |
| Acc. depreciation | (226) | (10,001) | (9,584) | (935) | (20,746) |
| **Total** | **970** | **20,040** | **9,814** | **1,644** | **32,467** |

# 16 Investment property

Investment property of €135 thousand includes buildings and land held for investment purposes (31 December 2017: €143 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.

# 17 Intangible assets

Net intangible assets are as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Goodwill | 0 | 0 | 0 | 14,745 | (14,745) |
| Other assets | 53,740 | (5,831) | 47,909 | 64,442 | (16,532) |
| **Total** | **53,740** | **(5,831)** | **47,909** | **79,187** | **(31,277)** |

## 17.1 Goodwill

This caption may be analysed as follows:

| Cash-generating unit | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Plant engineering and facility management | 0 | 11,634 | (11,634) |
| T.E.Q. Construction Enterprise Inc. | 0 | 3,111 | (3,111) |
| **Total** | **0** | **14,745** | **(14,745)** |

**Goodwill allocated to the plant engineering and facility management CGU** was recognised following the acquisition of the BUSI IMPIANTI business unit in 2012, which comprises the assets of NBI S.p.A. and its investees. This combination is the group's primary CGU for which goodwill is monitored for management reporting purposes.

NBI was greatly impacted by the crisis in its sector in 2018 in addition to the financial difficulties of the parent with which it had developed significant industrial and commercial synergies.

Accordingly, NBI's board of directors filed an application for composition with creditors procedure with the bankruptcy section of the Rome Court on 5 November 2018 as per article 161.6 of the Bankruptcy Law in order to subsequently present its definitive proposal, composition with creditors plan and additional documentation required by law. NBI filed its composition plan and related composition with creditors proposal on 7 June 2019, before the deadline set by the Rome Court. Such documents were then updated on 6 November 2019[44] in order to provide certain clarifications requested by the court.

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.

Finally, in their report of 9 May 2020 as per article 172 of the Bankruptcy Law, the competent judicial commissioners expressed their positive opinion on the composition plan with regard to both judicial feasibility and economic benefit for the creditors.

At the reporting date, the group checked the CGU's recoverable amount through the impairment test. Specifically, the CGU's value in use was estimated by discounting the operating cash flows, i.e., the cash flows available before repayment of financial liabilities and returns to shareholders (the unlevered discounted cash flow method, or UDCF), inferred from the composition plan of 7 November 2019. The weighted average cost of capital, or WACC, used to apply the UDCF method was estimated to be 8.7%. The impairment test shows the need to fully impair goodwill (€11,364 thousand). The impairment loss was recognised under amortisation, depreciation and impairment losses.

Goodwill allocated to the **T.E.Q. Construction Enterprise Inc. cash-generating unit** was recognised following the acquisition of the investee in 2012. At the reporting date, the group checked the CGU's recoverable amount by determining its value in use taking into consideration the profitability of the contracts currently in the investee's backlog. The investee exclusively operates on a contract basis, contracts, the profitability of which is already reflected in the 2018 reporting package prepared by its management. In addition, no significant financial contributions are expected from the investee's industrial activities over the period of the business plan. Furthermore, due to the investee's particular economic and financial situation, the group prudently did not consider any terminal value. The impairment test showed the need to fully impair goodwill (€3,111 thousand). The impairment loss was recognised under amortisation, depreciation and impairment losses.

## 17.2 Other assets

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 IAS 11 and IAS 39 (C) = (A)+(B) | 31/12/2017 (D) | Variation (E) = (C)-(D) |
|---|---|---|---|---|---|
| Historical cost | 96,580 | 0 | 96,580 | 105,465 | (8,885) |
| Acc. amortisation | (42,840) | (5,831) | (48,671) | (41,023) | (7,648) |
| **Carrying amount** | **53,740** | **(5,831)** | **47,909** | **64,442** | **(16,533)** |

At the reporting date (letter A of the table above), the caption mainly comprises:

(i) contractual rights related to the performance of works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€18,271 thousand) and the Infraflegrea project (€27,588 thousand);

(ii) contractual rights related to O&M activities at the Felix Bulnes Hospital (€3,866 thousand) and the four Tuscan hospitals (€1,802 thousand).

The decrease is mainly due to the exclusion of the intangible assets from the consolidation scope (amounting to €6,922 thousand at 31 December 2017) related to (i) the rights for the operation of Ospedale dell'Angelo di

[44] The new proposal does not provide for any changes in the satisfaction percentage of the creditors and the payment times set out in the plan issued on 7 June 2019.

Venezia-Mestre[45], (ii) impairment losses on contractual rights for the Infraflegrea project (€2,478 thousand), and (iii) ordinary amortisation (€8,410 thousand).

Finally, taking into account the indicators of impairment[46] 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 8.7%.

## 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 identified the need to recognise an impairment loss of €2,478 thousand.

The sensitivity analysis showed that:

- a reasonable change in the financial parameters used to calculate the discount rate (-100/+100 bps) would lead to a respective increase of approximately €694 thousand or a decrease of approximately €652 thousand in the recoverable amount of the intangible asset;
- a reasonable change in the annual gross operating profit on a linear basis in all years covered by the plan (-10%/+10%) would lead to a respective increase of approximately €694 thousand or a decrease of approximately €652 thousand in the recoverable amount of the intangible asset.

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. 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 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.

The following table shows changes in this caption:

| | 31/12/2017 | Effects of applying new standards | Additions from acquisitions | Amortisation | Impairment losses | Change in consolidation scope and Other changes | 31/12/2018 |
|---|---|---|---|---|---|---|---|
| Historical cost | 105,465 | | 768 | 0 | (2,478) | (7,175) | **96,850** |
| Acc. amortisation | (41,023) | 5,837 | 0 | (8,410) | | 756 | **(42,840)** |
| **Carrying amount** | **64,442** | **5,837** | **768** | **(8,410)** | **(2,478** | **(6,419)** | **53,740** |

Finally, the caption does not include leased assets.

45 Concession developed through Veneta Sanitaria Finanza di Progetto S.p.A., over which the parent lost control in September 2018.

46 Internal information about delays in the performance of works and the financial performance of the contract

# 18 Equity investments

This caption, amounting to €487,770 thousand at 31 December 2018, is broken down as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Equity-accounted investments | 468,090 | 2,003 | 470,093 | 344,949 | 125,144 |
| Impairment losses on equity investments | (11,012) | 0 | (11,012) | (1) | (11,011) |
| Non-controlling interests | 30,692 | 0 | 30,692 | 45,579 | (14,887) |
| **Total** | **487,770** | **2,003** | **489,773** | **390,527** | **99,246** |

The increase in equity investments is mainly attributable to: (i) the effects of the adoption of the IFRS[47]; (ii) the equity loans granted to the Turkish SPEs Otoyol Yatirim Ve Isletme A.S. (€3,470 thousand) and Ankara Etlik Hastane A.S. (€6,936 thousand) along with Sociedad Concesionaria Nuevo Pudahuel S.A. (€5,580 thousand); and (iii) the impairment loss on the investment in the SPE Ankara Etlik Hastane A.S., as detailed later on.

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 2017.

## 18.1 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[48] | Valuation method |
|---|---|---|---|---|---|---|
| Otoyol Yatirim Ve Isletme A.S. | Gebze-Orhangazi-Izmir Motorway | External sources[49] | Construction | 18.86% | 10.83% | DDM |
| Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS | Etlik Integrated Health Campus | Internal and external sources[50] | Construction | 51.00% | 13.57% | 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

**<u>Otoyol Yatirim Ve Isletme A.S.</u>**

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.

47 See notes 8 and 27.4 for more information.

48 Calculated based on market values.

49 External indicators on the deterioration of the macro-economic situation in Turkey.

50 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.

**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 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 showed the need to recognise an impairment loss on such investment, as its recoverable amount (€56,483 thousand) is lower than its carrying amount (€67,494 thousand). The net impairment loss on the investment, amounting to €11,012 thousand, is included in other impairment losses on non-current assets under amortisation, depreciation and impairment losses in the statement of profit or loss.

The sensitivity analysis showed that:

- a reasonable change in the financial parameters used to calculate the discount rate (-100/+100 bps) would lead to a respective increase of approximately €9,368 thousand or a decrease of approximately €8,302 thousand in the recoverable amount of the investment;
- a reasonable change in the dividends flows on a linear basis in all years covered by the plan (-10%/+10%) would lead to a respective increase of approximately €8,311 thousand or a decrease of approximately €8,311 thousand in the recoverable amount of the investment.

## 18.2 Disclosures on the main joint ventures and associates

Only the joint venture Ankara Etlik Hastane is considered to be material[51] for Astaldi Group purposes at the reporting date. Its key financial figures are presented below:

| | Ankara Etlik Hastane 31 December 2018 | Ankara Etlik Hastane 31 December 2017 |
|---|---|---|
| **Statement of financial position** | | |
| Non-current assets | 760,779 | 488,726 |
| Current assets | 93,152 | 118,676 |
| *Of which: cash and cash equivalents* | *0.1* | *10,665* |
| Non-current liabilities | 636,327 | 539,005 |
| *Of which: non-current financial liabilities* | *636,327* | *440,610* |
| Current liabilities | 85,212 | 31,177 |
| *Of which: current financial liabilities* | *18,864* | *3,759* |
| **Statements of profit or loss and other comprehensive income** | | |
| Revenue | 153,544 | 164,534 |
| Amortisation, depreciation and impairment losses | 527 | (3) |
| Net financial income | 37,967 | 14,256 |
| Income taxes | 50,766 | (4,979) |
| Profit for the year | 88,198 | 9,275 |
| Other comprehensive income (expense) | (5,182) | 10,104 |
| **Comprehensive income** | **83,016** | **19,379** |
| **Group's share** | | |
| Investment | 51.00% | 51.00% |
| **Carrying amount** | **67,494** | **18,982** |
| Profit for the year | 44,981 | 4,730 |
| Other comprehensive income (expense) | (2,643) | 5,153 |
| **Comprehensive income** | **42,338** | **9,883** |
| Dividends received | 0 | 0 |

The group's share of comprehensive expense of individually immaterial joint ventures totalled €1,398 thousand (comprehensive income of €1,748 thousand for 2017) and other comprehensive expense of €103 thousand (€112 thousand for 2017).

The key financial figures of the material equity-accounted associates are summarised below:

| | *31 December 2018* | | *31 December 2017* | |
|---|---|---|---|---|
| | **Otoyol Yatirim Ve Isletme A.S** | **Metro C** | **Otoyol Yatirim Ve Isletme A.S** | **Metro C** |
| **Statement of financial position** | | | | |
| Non-current assets | 5,081,128 | 4,141 | 4,200,224 | 4,361 |
| Current assets | 877,238 | 253,471 | 948,683 | 269,902 |
| Non-current liabilities | 3,717,328 | 2,484 | 3,267,822 | 2,261 |
| Current liabilities | 350,560 | 198,110 | 394,458 | 214,985 |
| **Statements of profit or loss and other comprehensive income** | | | | |
| Revenue | 1,115,623 | 64,073 | 1,339,720 | 67,452 |
| Amortisation, depreciation and impairment losses | 0 | (1,544) | 0 | (1,549) |
| Net financial expense | (318,518) | (1,864) | (227,305) | (1,369) |
| Income taxes | 16,658 | (302) | (39,548) | (303) |
| Profit for the year | 258,934 | 0 | 227,485 | 0 |
| Other comprehensive income (expense) | 134,127 | 0 | (189,183) | 0 |

[51] The Astaldi Group considers only its investments in joint ventures and associates with a carrying amount of at least €15 million to be material.

| | 31 December 2018 Otoyol Yatirim Ve Isletme A.S | 31 December 2018 Metro C | 31 December 2017 Otoyol Yatirim Ve Isletme A.S | 31 December 2017 Metro C |
|---|---|---|---|---|
| **Comprehensive income** | **393,061** | **0** | **38,302** | **0** |
| **Group's share** | | | | |
| Investment | 18.86% | 34.50% | 18.86% | 34.50% |
| **Carrying amount** | **356,960** | **19,671** | **280,378** | **19,671** |
| Profit for the year | 48,835 | 0 | 42,904 | 0 |
| Other comprehensive income (expense) | 25,296 | 0 | (35,680) | 0 |
| **Comprehensive income** | **74,131** | **0** | **7,224** | **0** |

The group's share of comprehensive expense of individually immaterial associates totalled €336 thousand (€638 thousand for 2017) and other comprehensive expense of €151 thousand (€36 thousand for 2017)[52].

## 18.3 Significant restrictions on joint ventures and associates

At 31 December 2018, 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 a total of €75,104 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.

## 18.4 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[53], 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[54] - 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[55] | Valuation method |
|---|---|---|---|---|---|---|
| SPV Linea M4 S.p.A. | 14,017 | 18,668 | (4,651) | 9.63% | 8.38% | DDM |
| Sociedad Concesionaria Nuevo Pudahuel S.A. | 13,583 | 22,744 | (7,447) | 15.00% | 9.43% | DDM |

52 The 31 December 2017 figures do not include the effect of equity accounting for "ICA Ic Ictas Astaldi - 3rd Bridge", which has been reclassified to disposal groups as required by IFRS 5, in addition to that already disclosed about the reclassification of the fair value losses relating to Metro 5 S.p.A. and Sat S.p.A. from OCI, following their sale in 2017.

53 Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

54 Variations in exchange rates and discount rates.

55 Calculated based on market values.

# 19 Financial assets

## 19.1 Non-current financial assets

The following table gives a breakdown of non-current financial assets:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Financial assets from concession activities | 0 | 8,205 | 8,205 | 120,945 | (112,740) |
| Non-current loan assets | 79,590 | (10,042) | 69,547 | 50,832 | 18,716 |
| Securities | 3,068 | 0 | 3,068 | | 3,068 |
| Other financial assets - investees | 837 | 0 | 837 | 3,324 | (2,487) |
| Other financial assets - third parties | 0 | 0 | 0 | 482 | (482) |
| Lease payments receivable | 12,660 | 0 | 12,660 | 31,503 | (18,843) |
| Loss allowances | (5) | 5 | 0 | | 0 |
| **Total** | **96,150** | **(1,832)** | **94,318** | **207,086** | **(112,768)** |

The decrease in financial assets from concession activities is principally due to the exclusion of Veneta Sanitaria Finanza di Progetto S.p.A. (Ospedale dell'Angelo di Venezia-Mestre) from the consolidation scope following the parent's loss of control over the investee[56].

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:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Ankara Etlik Hastante A.S. | 46,727 | (6,855) | 39,872 | 27,664 | 12,208 |
| Ast B. Parking S.r.l. | 0 | 0 | 0 | 1,439 | (1,439) |
| Ast VT Parking S.r.l. | 0 | 0 | 0 | 4,186 | (4,186) |
| Metro 5 S.p.A. | 1,728 | (70) | 1,658 | 1,869 | (211) |
| Otoyol Yatirim Ve Isletme A.S | 423 | 6 | 429 | 3,916 | (3,487) |
| SA.T. S.p.A. | 102 | 0 | 102 | 0 | 102 |
| Sociedad Concesionaria Nuevo Pudahuel S.A. | 17,633 | (1,291) | 16,342 | 11,757 | 4,585 |
| SPV Linea M4 S.p.A. | 12,977 | (1,832) | 11,145 | 0 | 11,145 |
| **Total** | **79,590** | **(10,042)** | **69,547** | **50,832** | **18,716** |

[56] See the section on the main changes in the consolidation scope for more information.

The changes for the year mainly related to:

- additional injections made during the year (€13,963 thousand) especially for the SPEs Ankara Etlik Hastane A.S., (ii) Sociedad Concesionaria Nuevo Pudahuel S.A., and (iii) SPV Linea M4 S.p.A.[57];
- the amounts used to offset the amount due for the capital increase approved by the investee Otoyol Yatirim Ve Isletme A.S. (-€3,053 thousand);
- the reclassification of the loan assets related to the investees Ast B. Parking S.r.l. and Ast VT Parking S.r.l. (totalling €5,625 thousand at 31 December 2017) to non-current assets held for sale.

Securities refer to bonds[58] 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 (€12,660 thousand). The decrease in the caption was due to the reclassification of the lease payments receivable (€28,346 thousand at 31 December 2017) for the plant for the treatment and recovery of copper and molybdenum from the CODELCO mine sludge (the Relaves project in Chile) to current financial assets.

Reference should be made to note 37 on related party transactions for information on the other financial assets - investees.

## 19.2 Current financial assets

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Financial assets from concession activities | 0 | 0 | 0 | 10,194 | (10,194) |
| Securities in portfolio | 20,999 | 0 | 20,999 | 303 | 20,696 |
| Derivatives | 0 | 0 | 0 | 1,496 | (1,496) |
| Current loan assets | 60,545 | 0 | 60,545 | 50,668 | 9,877 |
| Impairment losses on current loan assets | (9,348) | 0 | (9,348) | 0 | (9,348) |
| Loss allowances | (30) | 30 | 0 | | 0 |
| **Total** | **72,166** | **30** | **72,196** | **62,661** | **9,535** |

The decrease in the current portion of financial assets from concession activities is exclusively due to the exclusion of Veneta Sanitaria Finanza di Progetto S.p.A. (Ospedale dell'Angelo di Venezia-Mestre) from the consolidation scope.

The increase in the securities in portfolio is mostly 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).

Current loan assets principally refer to (i) the funding of some projects performed in partnership mainly in Italy and South America (€21,422 thousand), and (ii) finance leases for the Brenner Base Tunnel project in Italy (€4,819 thousand) and the Relaves project in Chile (€30,722 thousand).

With regard to the Relaves 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 then recognised an impairment loss of €8,888 thousand in order to take into consideration the

[57] The compounding of interest accrued to 31 December 2018 in the loans' carrying amount as agreed by the parties;

[58] Highly rated corporate bonds (investment grade) issued by the parent.

financial difficulties caused by the concession contract and the progress of negotiations with the customer to find an amicable solution to the ongoing disputes.

# 20 Other assets

## 20.1 Other non-current assets

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E)= (C)-(D) |
|---|---|---|---|---|---|
| Indirect taxes | 21,095 | 0 | 21,095 | 29,274 | (8,179) |
| Direct taxes | 27,569 | 0 | 27,569 | 58,993 | (31,424) |
| **Tax assets** | **48,664** | **0** | **48,664** | **88,267** | **(39,603)** |
| Guarantee deposits | 12,541 | 0 | 12,541 | 5,248 | 7,293 |
| Prepaid insurance premiums | 14,988 | (3,718) | 11,270 | 9,338 | 1,932 |
| Prepaid surety commissions | 3,423 | 0 | 3,423 | 4,349 | (926) |
| Other prepayments | 3,576 | 0 | 3,576 | 5,104 | (1,528) |
| Amounts due from social security | 58 | 0 | 58 | 154 | (96) |
| Amounts due from personnel | 0 | 0 | 0 | 2 | (2) |
| Other sundry loans and receivables | 52,859 | 0 | 52,859 | 204,077 | (151,218) |
| **Other assets** | **87,445** | **(3,718)** | **83,727** | **228,272** | **(144,545)** |
| **Total** | **136,109** | **(3,718)** | **132,391** | **316,539** | **(184,148)** |

The decrease in direct taxes is mainly due to the utilisation of withholding taxes applied by the customer of the Third Bosphorus Bridge in Turkey to offset certain tax liabilities in the current year for the same project. Specifically, the local tax regime provides that taxes on long-term contracts shall only be definitively paid after the related contracts have been completed.

Indirect taxes also decreased, mainly due to impairment losses on financial assets no longer deemed recoverable related to certain projects in South America.

The increase in guarantee deposits is principally due to the cash collateral needed to take part in bids for tenders on the Versova-Branda project in India (€4,100 thousand).

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[59] for such assets, recording an additional impairment loss during the year of roughly €151 million on their nominal amount (€433 million),

[59] See the "Impairment of other financial instruments" section for more information on the criteria adopted to calculate the recoverable amount of such financial assets.

## 20.2 Other current assets

Other current assets comprise the following items:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Receivables for the sale of goods and/or services | 179,759 | 0 | 179,759 | 195,541 | (15,782) |
| Advances to suppliers and subcontractors | 145,763 | 0 | 145,763 | 107,530 | 38,233 |
| Amounts due from personnel | 1,054 | 0 | 1,054 | 1,644 | (590) |
| Amounts due from social security institutions | 3,138 | 0 | 3,138 | 3,285 | (147) |
| Credit notes from suppliers | 18,578 | 0 | 18,578 | 7,133 | 11,445 |
| Prepaid insurance premiums | 9,012 | 0 | 9,012 | 7,871 | 1,141 |
| Prepaid surety commissions | 3,154 | 0 | 3,154 | 6,098 | (2,944) |
| Other prepayments | 1,338 | 0 | 1,338 | 1,713 | (375) |
| Other sundry loans and receivables | 14,074 | 0 | 14,074 | 13,691 | 383 |
| Allowance for contract losses to complete | (720) | 720 | 0 | | 0 |
| **Total** | **375,150** | **720** | **375,870** | **344,507** | **31,363** |

Receivables for the sale of goods and/or services of €179,759 thousand mainly relate to:

- receivables of €126,877 thousand for (i) 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, and (ii) fees for the sale of equity investments not yet collected at the reporting date;
- receivables of €52,882 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.

The decrease in this item is chiefly due to lower volumes recorded in Europe, mainly attributable to the completion of the Western High-Speed Diameter motorway ring road project in St. Petersburg, Russia.

Advances to suppliers and subcontractors increased by €38,233 thousand, mostly related to (i) the recently acquired contracts in Romania (the Curtici-Simeria railway line - Lots 2A, 2B and 3), and (ii) the development of industrial activities in the projects in progress in Chile (Arturo Merino Benitez International Airport and the Chuquicamata mining project).

# 21 Inventories

This caption may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Raw materials, consumables and supplies | 50,600 | 45,202 | 5,398 |
| Allowance for inventory write-downs | (13,485) | 0 | (13,485) |
| Finished goods | 1,499 | 1,398 | 101 |
| Goods and materials in transit | 4,362 | 2,306 | 2,056 |
| **Total** | **42,976** | **48,906** | **(5,930)** |

The allowance for inventory write-downs refers to some countries in the Americas where the group has decided to discontinue its operations. See note 9 for more information on the assumptions used in calculating the recoverable amount of such assets.

The next table gives a breakdown of inventories by geographical segment:

| | 31/12/2018 | % | 31/12/2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 6,334 | 14.74% | 6,779 | 13.86% | (445) |
| Europe | 28,127 | 65.45% | 15,994 | 32.70% | 12,133 |
| Americas | 8,198 | 19.08% | 25,229 | 51.59% | (17,031) |
| Africa | 317 | 0.74% | 904 | 1.85% | (587) |
| **Total** | **42,976** | **100.00%** | **48,906** | **100.00%** | **(5,930)** |

Net of the write-downs in the Americas, inventories increased by €7,555 thousand mainly due to railway projects in Romania (the Curtici-Simeria Railway Line - Lots 2A, 2B and 3), specifically for aggregates and reinforcing bars to build the works.

## 22 Contract assets and liabilities, Costs capitalised to fulfil a contract

These captions may be analysed as follows:

| CURRENT ASSETS | 31/12/2018 (A) | Effects of applying new standards (B) | Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Contract work in progress | 14,334,420 | 448,100 | 14,782,520 | 17,954,920 | (3,172,400) |
| Allowance for contract losses to complete | 0 | (89,631) | (89,631) | (10,983) | (78,648) |
| Progress payments | (13,494,337) | (291,609) | (13,785,946) | (16,239,439) | 2,453,493 |
| Fines for contract terminations | (49,974) | (0) | (49,974) | | (49,974) |
| **Amounts due from customers** | **790,109** | **66,860** | **856,968** | **1,704,498** | **(847,530)** |
| Contractual advances | (34,007) | 34,007 | 0 | | 0 |
| Loss allowances | (943) | 943 | 0 | | 0 |
| **Contract assets** | **755,159** | **101,810** | **856,968** | **1,704,498** | **(847,530)** |
| | | | | | |
| **Costs capitalised to fulfil a contract** | **4,188** | **(4,188)** | **0** | | **0** |
| | | | | | |
| **Total current assets** | **759,347** | **97,622** | **856,968** | **1,704,498** | **(847,530)** |

| | 31/12/2018 (A) | Effects of applying new standards (B) | Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | | |
| Contract work in progress | 4,406,195 | (418,433) | 3,987,762 | 1,820,215 | 2,167,547 |
| Progress payments | (4,457,579) | 291,609 | (4,165,970) | (1,923,248) | (2,242,722) |
| Contractual advances | (238,541) | (34,006) | (272,547) | (417,125) | 144,578 |
| **Contract liabilities** | **(289,925)** | **(160,830)** | **(450,755)** | **(520,157)** | **69,402** |
| Allowance for contract losses to complete | 0 | (122,615) | (122,615) | (620) | (121,995) |
| **Total amounts due to customers** | **(289,925)** | **(283,445)** | **(573,370)** | **(520,777)** | **(52,593)** |
| | | | | | |
| **Provision for onerous contracts** | **(78,690)** | **78,690** | **0** | | **0** |
| | | | | | |
| **Total current liabilities** | **(368,615)** | **(204,755)** | **(573,370)** | **(520,777)** | **(52,593)** |

Fines for contract terminations of €49,974 thousand in 2018 (nil balance in 2017) relate 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 as a result of the composition with creditors procedure commenced by the parent. More information is provided in the "Significant contractual events" section.

Net contract work in progress[60], recognised separately under current assets and current liabilities, underwent a general decrease in most of the countries where the group operates. This contraction was mainly attributable to (i) slowdowns in production activities performed directly by the parent due to its financial difficulties, and (ii) the completion of some significant contracts performed as part of joint ventures in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) as detailed in note 1.

Contractual advances decreased by roughly €145 million on 31 December 2017, mainly due to the termination (that has already taken place or is expected to take place) of certain contracts excluded from the core assets scope, as defined in the business plan underpinning the composition with creditors proposal. Specifically, at the reporting date, customers enforced the advance payment bonds (totalling approximately €70 million) for some contracts in Chile (the Chuquicamata Mining Project), Poland (the Deblin-Lublin Railway Line no. 7 and the E-59 Railway Line) and Nicaragua (the Chinandega Cehchi Hospital)[61]. In addition, the group reclassified to other current liabilities the residual contractual advances (totalling roughly €94 million) for other contracts being terminated[62] the guarantees for which the relevant customers had not yet enforced at the reporting date.

[60] Contract work in progress less progress payments from customers.
[61] Contract acquired in 2018.
[62] Mainly related to: (i) the Muskrat Falls project in Canada; (ii) Zemo Osiauri-Chumateleti section, Lot 2 of the E-60 Motorway in Georgia; (iii) Lot I-II of the Arenal Hydroelectric Project in Honduras; (iv) Alto Piura Hydro Project in Peru; and (v) the recently-acquired project in Italy for the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction.

## 23 Trade receivables

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Customers | 575,937 | 0 | 575,937 | 432,103 | 143,834 |
| Investees | 67,053 | 0 | 67,053 | 62,973 | 384,080 |
| Parents | 0 | 0 | 0 | 0 | 0 |
| Loss allowances | (34,242) | 1,262 | (32,980) | (18,223) | (14,757) |
| **Total** | **608,748** | **1,262** | **610,010** | **476,853** | **133,157** |

The increase is mostly due to the substantial discontinuation of the non-recourse factoring of trade receivables, which the group engage in to monetise its trade receivables due to the composition with creditors on a going concern basis procedure (down €254 thousand on 31 December 2017). In addition, the most significant variations include: (i) higher trade receivables in Poland (Line 2 of the Warsaw Metro, Lot A of the S-2 Warsaw Southern Bypass), Romania (railway works and Line 5 of the Bucharest Metro) and Italy (the Brenner Base Tunnel and O&M activities for the Tuscan hospitals) which made the largest contribution to production of the year, and (ii) the decrease resulting from the exclusion of Veneta Sanitaria Finanza di Progetto S.p.A. from the consolidation scope (€38,381 thousand at 31 December 2017).

The increase in the loss allowances is attributable to the revised estimate of the recoverable amount of certain credit-impaired exposures in Turkey (€26,214 thousand).

At 31 December 2018, past due trade receivables amount to €258.4 million, including €137.7 million past due by more than one year. With respect to the largest exposures and, specifically, the trade receivables related to the railway contracts in Romania (Railway section 2, 3/4, Lot 2), following the various decisions of the Dispute Adjudication Board (DAB) in Astaldi's favour for approximately €71 million plus interest and the non-payment of the amounts due by the customer, Astaldi commenced two arbitration proceedings (one for each lot), which were then merged into a single proceeding. After the arbitration board issued the interim award ordering the customer to pay the amount due, the proceeding continued with the merits hearings which were completed within the set deadline (April 2018). Though initially expected to be completed in 2018, the arbitration was postponed various times during 2019. On 31 October 2019, the ICC (International Chamber of Commerce) issued the award ordering the customer to pay €74.95 million plus interest calculated at the award date for a total of €92.2 million (with 6% interest for each day of late payment of the principal). The customer was also ordered to pay the costs of the proceedings. As it is an ICC arbitration, the award is final and binding. At the date of publication of these consolidated financial statements, the parent has collected all the recognised fees.

## 24 Tax assets

This caption may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Indirect tax assets | 65,707 | 65,668 | 39 |
| Direct tax assets | 6,523 | 17,095 | (10,572) |
| Loss allowances | (198) | (198) | 0 |
| **Total** | **72,032** | **82,565** | **(10,533)** |

Direct tax assets decreased, mainly in Europe due to their normal use to reduce the current taxes due as per the related tax returns.

## 25 Cash and cash equivalents

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Bank and post office accounts | 210,656 | 112 | 210,768 | 575,968 | (365,200) |
| Cash-in-hand and cash equivalents | 317 | 0 | 317 | 433 | (116) |
| Cheques | 1 | 0 | 1 | 0 | 1 |
| **Total** | **210,974** | **112** | **211,086** | **576,401** | **(365,315)** |

At 31 December 2018 (letter A of the above table), cash and cash equivalents amount to €210,974 thousand (31 December 2017: €576,401 thousand) and mainly consist of bank deposits and cash-in-hand.

A breakdown of this caption by geographical segment is as follows:

| | 31/12/2018 | % | 31/12/2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 76,380 | 36.20% | 195,656 | 33.94% | (119,276) |
| Europe | 82,059 | 38.90% | 229,756 | 39.86% | (147,697) |
| Americas | 44,516 | 21.10% | 131,149 | 22.75% | (86,633) |
| Africa | 3,887 | 1.84% | 15,274 | 2.65% | (11,387) |
| Asia | 4,132 | 1.96% | 4,566 | 0.79% | (434) |
| **Total** | **210,974** | **100.00%** | **576,401** | **100.00%** | **(365,427)** |

## 26 Non-current assets held for sale and liabilities directly associated with non-current assets held for sale

This caption amounts to €263,509 thousand and is mainly comprised of the 20% interest (including the shareholder loan) in the Third Bosphorus Bridge SPE Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu amounting to €246,803 thousand (31 December 2017: €347,946 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 which also took into account the effects of the deteriorated economic conditions in Turkey in 2018 and the time value effects on the payment terms of the transaction price. Accordingly, the parent discounted the transaction price appropriately.

As a result of the discounting, the parent impaired its investment by €105.6 million and recognised the impairment loss in other impairment losses on non-current assets under amortisation, depreciation and impairment losses in the statement of profit or loss. The residual amount of non-current assets held for sale (€16,706 thousand) refers to the non-controlling interests (5%) in the car parks SPEs, Ast B Parking S.r.l. and Ast VT Parking S.r.l. (€4,370 thousand; nil balance at 31 December 2017), which were sold in 2019, the investment in the associate Chilean SPE, Sociedad Concesionaria Metropolitana de Salud S.A (€10,891 thousand; €14,338 thousand at 31 December 2017) and the investment held in the four Tuscan hospitals SPE, SA.T. S.p.A. (€1,444 thousand; €1,444 thousand at 31 December 2017), which was also sold in 2019.

The assets included in disposal groups are as follows:

| | Sociedad Concesionaria Metropolitana de Salud S.A. | SAT S.p.A. | Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu | Ast VT Parking S.r.l. | Ast B. Parking S.r.l | Total |
|---|---|---|---|---|---|---|
| Subordinated loans | 5,844 | 0 | 185,224 | 2,165 | 900 | **194,134** |
| Equity investments | 5,047 | 1,444 | 61,579 | 580 | 725 | **69,375** |
| **Total disposal groups** | **10,891** | **1,444** | **246,803** | **2,745** | **1,625** | **263,509** |

# 27 Equity (deficit)

## 27.1 Share capital

The parent's subscribed and fully paid-in share capital consists of 98,424,900 ordinary shares, with no nominal amount, and a total of €196,849,800.

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, Finetupar International S.A.'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 | % of voting rights |
|---|---|---|---|---|
| Fin.Ast S.r.l. | 39,605,495 | 40.239% | 79,105,495 | 51.726% |
| Finetupar International S.A. | 12,327,967 | 12.525% | 24,655,934 | 16.122% |
| **Total Fin.Ast. S.r.l.** | **51,933,462** | **52.764%** | **103,761,429** | **67.848%** |
| FMR LLC | 3,931,000 | 3.994% | 6,610,000 | 4.322% |
| **Total shareholders with a significant investment** | **55,864,462** | **56.758%** | **110,371,429** | **72.169%** |
| Treasury shares* | 553,834 | 0.563% | 553,834 | 0.353% |
| Market | 42.006.60 | 42.679% | 42.06.604 | 27.476% |
| **Total** | **98,424,900** | **100.000%** | **152,931,867** | **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 97,871,066 showing an increase of 16,000 shares on the 31 December 2017 balance of 97,855,066. As per the resolution of the parent's shareholders at their extraordinary meeting of 28 June 2018, the nominal amount of Astaldi's ordinary shares was eliminated in order to allow greater flexibility in the capital transactions planned under the composition with creditors proposal.

## 27.2 Other financial instruments giving the right to subscribe newly issued shares

In June 2017, the parent placed an equity-linked bond issue with qualified Italian and foreign investors (the "bonds") maturing in 2024 and with a total nominal amount of €140 million. Under the bond regulation, they may be converted into existing or newly issued ordinary shares starting from December 2017, although the parent has the option to settle conversion requests paying cash or a combination of delivering ordinary shares and paying cash (cash settlement option).

The parent 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, along with the additional documentation required by article 161.2/3 of the Bankruptcy Law.

Under the financial manoeuvre underpinning the composition with creditors plan and proposal communicated in a press release on 14 February 2019 and subsequently updated (the "composition proposal"), holders of equity-linked bonds (like all other unsecured creditors) will be satisfied partly through the proceeds from the sale of the non-core assets (via participating financial instruments) and partly by converting their claims into shares. At the date of publication of these consolidated financial statements, after acknowledging the approval of the composition with creditors proposal (by 69.4% of the creditors eligible to vote), with its ruling of 4 May 2020, the Rome Court found Astaldi's composition with creditors procedure to be urgent as per article 83.3.a) of Decree law no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020, and set the hearing date for the authorisation of the composition with creditors as per article 180 of the Bankruptcy Law as 23 June 2020.

## 27.3 Treasury shares held by the parent

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.

As per the resolution of the parent's shareholders at their extraordinary meeting of 28 June 2018, the nominal amount of Astaldi's ordinary shares was eliminated. Accordingly, the entire amount of treasury shares is recognised in the consolidated financial statements as a separate equity item in accordance with the IFRS.

## 27.4 Reserves

The following table shows the reserves:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Legal reserve | 34,347 | 0 | 34,347 | 33,163 | 1,184 |
| Extraordinary reserve | 198,632 | 0 | 198,632 | 297,568 | (98,936) |
| Retained earnings | 229,751 | 0 | 229,751 | 231,467 | (1,716) |
| Other reserves | (86,793) | 85,240 | (1,553) | (1,461) | (92) |
| Other comprehensive expense | (108,944) | 5,297 | (103,647) | (154,879) | 51,232 |
| Deferred tax on other comprehensive expense | 8,599 | 3,481 | 12,080 | 18,287 | (6,207) |
| **Total** | **275,592** | **94,018** | **369,610** | **424,145** | **(54,535)** |

The most significant changes in the reserves include:
- the effects of applying for the first time the new IFRS 15 - Revenue from contracts with customers and IFRS 9 - Financial instruments, which decreased the reserves by €85,240 thousand[63];
- the carry forward of the parent's 2017 loss of €98,723 thousand as resolved by its shareholders on 27 April 2018;
- the utilisation of the extraordinary reserve - as resolved by the parent's shareholders on 27 April 2018 - for a net amount of €99,752 thousand to integrate the unavailable reserves pursuant to article 6.2 of Legislative decree no. 38/2005;

- the positive variation in other comprehensive expense (€36,247 thousand net of the related tax effect), mostly due to the translation of the financial statements of foreign operations from US dollars into Euros.

## 27.5 Equity attributable to non-controlling interests

Equity attributable to non-controlling interests, of €132 thousand (31 December 2017: €30,702 thousand), dropped by €30,569 thousand, due to:
- dividends distributed during the year to the non-controlling investors of the subsidiaries Veneta Sanitaria Finanza di Progetto S.p.A. and Infraflegrea Progetto S.p.A. (totalling €7,334 thousand);
- comprehensive income for the year (totalling €543 thousand);
- the exclusion of Veneta Sanitaria Finanza di Progetto S.p.A. from the consolidation scope following the parent's loss of control over the investee in September 2018 (€23,946 thousand).

# 28 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.

[63] More information is available in the "Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2018" section.

## 28.1 Non-current financial liabilities*

Non-current financial liabilities are made up as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Convertible bonds | 0 | 140,000 | (140,000) |
| High yield bonds | 0 | 750,000 | (750,000) |
| **Bonds - nominal amount** | **0** | **890,000** | **(890,000)** |
| Issue and placement fees | 0 | (10,706) | 10,706 |
| Cash settlement option - fair value | 0 | 95 | (95) |
| **Total bonds** | **0** | **879,389** | **(879,389)** |
| Bank loans | 0 | 561,098 | (561,098) |
| Collateralised loans | 1,370 | 3,964 | (2,594) |
| Lease liabilities | 20,423 | 18,734 | 1,689 |
| **Bank loans and borrowings and lease liabilities - nominal amount** | **21,793** | **583,796** | **(562,003)** |
| Commissions on loans | 0 | (6,713) | 6,713 |
| Hedging derivatives | 0 | 15,461 | (15,461) |
| **Total bank loans and borrowings and lease liabilities** | **21,793** | **592,544** | **(570,751)** |
| Associates, joint ventures and other investees | 2,664 | 2,712 | (48) |
| **Total** | **24,457** | **1,474,645** | **(1,450,188)** |

(*) Included in net financial debt for €21,793 thousand (31 December 2017: €1,456,377 thousand).

The decrease on the previous year end is due to the reclassification of almost all financial liabilities (with the exception of lease liabilities) to current financial liabilities due to the parent commencing the composition with creditors procedure on 28 September 2018.

See note 28.2 Current financial liabilities for information on finance leases.

## 28.2 Current financial liabilities *

Current financial liabilities are made up as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Bonds | 907,068 | 4,153 | 902,915 |
| Issue and placement fees | | (2,569) | 2,569 |
| **Total bonds** | **907,068** | **1,584** | **905,484** |
| Current portion of bank loans | 1,568,786 | 541,459 | 1,027,327 |
| Current portion of non-current loans | 39,252 | 283,151 | (243,899) |
| Current portion of collateralised loans | 2,784 | 293 | 2,491 |
| Lease liabilities | 24,851 | 7,795 | 17,056 |
| **Bank loans and borrowings and lease liabilities - nominal amount** | **1,635,673** | **832,698** | **802,975** |
| Commissions on loans | 0 | (8,109) | 8,109 |
| Accrued interest on bank loans | 16,683 | 9,172 | 7,511 |
| Hedging derivatives | 8,060 | 7,838 | 222 |
| **Total bank loans and borrowings and lease liabilities** | **1,660,416** | **841,599** | **818,816** |
| Other loans and borrowings | 56,726 | 1,114 | 55,612 |
| Intragroup cash pooling current account | 0 | 0 | 0 |
| **Total** | **2,624,210** | **844,298** | **1,779,912** |

(*) Included in net financial debt for €2,615,353 thousand (31 December 2017: €835,345 thousand)

This caption, amounting to €907,068 thousand, 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 €131.2 thousand on the equity-linked bonds accruing on 28 September 2018;
- interest payable of €16,936.48 thousand on the senior unsecured bonds accruing on 28 September 2018.

Based on market prices observed at the reporting date, the fair value of the equity-linked and senior unsecured bonds is €31,762 thousand and €200,317 thousand, respectively.

Accordingly, the total fair value of bond issues at 31 December 2018 is €232,079 thousand.

## Bank loans and borrowings and lease liabilities - nominal amount

The following table shows the main loans and borrowings at the reporting date:

| Type of loan | Type | Company | Outstanding 31/12/2018 |
|---|---|---|---|
| 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 |
| 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 | | | 166,879 |
| Other borrowings | | | 505,189 |
| **Total bank loans and borrowings** | | | **1,610,822** |
| Finance leases | | | 24,851 |
| **Total bank loans and borrowings and lease liabilities (*)** | | | **1,635,673** |

**(*) Does not include accruals and hedging derivatives**

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, all of the parent's non-current liabilities were reclassified to current liabilities.

The main changes in bank loans, enforcements of guarantees and financing during the year were as follows:

- drawdowns of committed revolving credit facilities of €183 million;
- drawdowns of committed term loans/amortising credit facilities of €25 million;
- enforcements of €166.9 million as described later on;
- drawdowns of local credit facilities in Poland of approximately €28 million included under other borrowings;
- repayment of the committed loan of €8.7 million agreed with Banco Do Brasil in May 2015 and due in May 2018;
- repayment of the committed loan of €3.3 million agreed with Banco Do Brasil in September 2015 and due in August 2018;
- repayment of the committed loan of €5 million agreed with Banco Popolare in July 2015 and due in January 2018;
- repayment of due instalments of the bilateral committed loans totalling €26.8 million;
- repayment of due instalments (amounting to €15 million) of the committed syndicate loan agreed with CACIB/BBVA in December 2014 and guaranteed by Sace;
- the elimination from the consolidation scope of the liabilities related to the bridge loan granted by a Turkish bank syndicate for the Menemen motorway concession project (€46.2 million) after such liability had been refinanced with a loan granted to the SPE on a non-recourse basis, in addition to Astaldi leaving the project;
- the exclusion of Veneta Sanitaria Finanza di Progetto S.p.A. from the consolidation scope (€73.6 million[64]).

**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<br>**Country** | Advance payment bonds | Performance bonds | Retention bonds | Equity contributions | Other financial guarantees | **Total** |
|---|---|---|---|---|---|---|
| Chile | 29 | 41 | 16 | 3 | 5 | **94** |
| Nicaragua | 9 | | | | | **9** |
| Peru | | | | | 2 | **2** |
| Poland | 31 | 31 | | | | **62** |
| **Total** | **69** | **72** | **16** | **3** | **7** | **167** |

The following is a brief summary of the main enforcements during the year:

**West Metropolitan Hospital in Santiago de Chile – Customer: Sociedad Concesionaria Metropolitana de Salud s.a. (SCMS)**

Despite the fact that the construction works on the hospital were almost completed, SCMS declared default of the EPC[65] contract on 11 October 2018 and, accordingly, enforced the performance bond and the retention bond for a total of UF921 thousand (roughly €32 million). On 4 December 2018, SCMS also issued Astaldi

64 Loan amount at 31 December 2017

65 Engineering, Procurement, Construction.

with a default notice (notificacion de incumplimiento) asking it to present a recovery plan or else the contract would be terminated. Astaldi challenged the validity of the notice and presented a recovery plan for the completion of the project. However, on 2 January 2019, SCMS terminated the construction contract for default nonetheless.
Astaldi challenged the termination and took the actions allowed by the local legal system to arrange for its defence. Pending the completion of the proceedings underway, the guarantors and/or the counter-guarantors paid out the requested guaranteed amounts.

**El Teniente Mine, Chile – Customer: CODELCO**
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). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts. However, given Astaldi's excellent performance and reputation, the customer communicated its willingness to continue the works under a new contract. After receiving authorisation from the Rome Court, in February 2019, the parent signed new contracts with CODELCO, i.e.: (i) "*Contrato Teniente Q3 Obras Acceso Principal y Obras en Adit Ventilación*" and (ii) *"Contrato CC-013F Desarrollos subniveles inferiores e infraestructura de transporte de nivel 1*" (see below "Chuquicamata Mine, Chile – Customer: CODELCO"), along with (iii) the settlement agreement to define the pending items.

**Chuquicamata Mine, Chile – Customer: CODELCO**
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 €45 million (including the advance payment bond). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts. As mentioned above for the El Teniente contract, in February 2019, the parent signed a new contract with CODELCO, i.e. "*CC-013F Desarrollos subniveles inferiores e infraestructura de transporte de nivel 1*", along with the settlement agreement to define the pending items.

**Deblin-Lublin Railway Line no. 7, Poland – Customer: Pkp Polskie Linie Kolejowe S.a.**
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, inter alia, the extraordinary and unforeseeable change in the economic situation of the local construction segment which made it impossible to fulfil the contractual obligations. On 5 October 2018, the customer replied by terminating the contract and enforcing the guarantees totalling €43.3 million (including the advance payment bond). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts.

**E-59 Railway Line, Poland – Customer: Pkp Polskie Linie Kolejowe S.a.**
On 27 September 2018, Astaldi notified the customer of the termination of the contract due to, inter alia, the extraordinary and unforeseeable change in the country's economic situation 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. On 5 October 2018, the customer replied by terminating the contract and enforcing the guarantees totalling €20.3 million (including the advance payment bond). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts.

**Lease liabilities**

Lease liabilities amounted to €45,274 thousand at 31 December 2018.
The increase on the previous year end is mainly due to the combined effect of:

- new leases signed for €39,053 thousand;
- repayments of principal amounting to €20,929 thousand.

The group signed new finance leases totalling €39,053 thousand in 2018. They chiefly refer to two main transactions regarding the lease of a TBM needed to bore the Brenner Base Tunnel (€21,733 thousand) and Line 4 of the Milan Metro (€12,375 thousand).

| | 31/12/2018 | | 31/12/2017 | |
|---|---|---|---|---|
| | Lease payments | Present value | Lease payments | Present value |
| Within one year | 26,072 | 24,851 | 8,864 | 7,795 |
| Between one and within five years | 21,198 | 19,963 | 19,840 | 18,274 |
| After five years | 546 | 460 | 547 | 460 |
| **Total lease payments** | **47,817** | | **29,251** | |
| Interest expense | 2,543 | | 2,722 | |
| **Present value** | **45,274** | **45,285** | **26,529** | **26,529** |

**Other loans and borrowings**

Other loans and borrowings, amounting to €56,726 thousand, mainly refer to:

- €20,407 thousand: promissory notes issued after the agreement signed with the parent's partners in the Menemen contract in Turkey under which Astaldi will sell its interest in the project and return the contractual advance to such partners;
- €20,000 thousand: loan agreed with the ultimate parent, FINAST, in May 2018;
- €9,194 thousand: shareholder loan received from the joint venture "Ica Astaldi -Ic Ictas WHSD Insaat AS" as part of the WHSD project in St. Petersburg, Russia;
- €6,328 thousand: amount due to Simest S.p.A. for the acquisition of a non-controlling interest in Astaldi Construction Corporation ("ACC"). Specifically, in 2017, Simest S.p.A. participated in ACC's capital increase and became a new shareholder with a stake of 34.19% paying USD7.5 million. The investment agreement between the parent and Simest S.p.A. provides for, inter alia, the parent's acquisition of Simest S.p.A.'s investment in ACC according to the contractually-agreed methods and also establishes the minimum sale price that takes into account Simest S.p.A.'s initial investment and the timing of the transaction.

## 28.3 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.

| | | | 31/12/2018 (A) | Effects of the application of the new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 |
|---|---|---|---|---|---|---|
| A | Cash | | 210,974 | 112 | 211,086 | 576,401 |
| B | Securities held for trading | | 0 | - | 0 | 303 |
| **C** | **Cash and cash equivalents** | **(A+B)** | **210,974** | **112** | **211,086** | **576,704** |
| | Current loan assets | | 60,082 | 31 | 60,113 | 50,733 |
| | *of which: related parties* | | *9,786* | - | *9,786* | *14,871* |
| | Current portion of financial assets from concession activities | | 0 | - | - | 10,194 |
| **D** | **Current loan assets** | | **60,082** | **31** | **(60,113)** | **60,927** |
| E | Current portion of bank loans and borrowings | | (1,468,951) | - | 1,468,951 | (542,522) |
| F | Current portion of bonds | | (907,068) | - | 907,068 | (1,584) |
| | *of which: related parties* | | (7,600) | - | (7,600) | - |
| G | Current portion of non-current debt | | (39,459) | - | 39,459 | (268,426) |
| H | Other current loans and borrowings | | (195,802) | - | (195,802) | (6,351) |
| | *of which: related parties* | | (20,000) | - | (20,000) | - |
| I | Current portion of non-recourse loans | | (4,074) | - | 4,074 | (16,463) |
| **J** | **Current financial debt** | **(E+F+G+H+I)** | **(2,615,354)** | **-** | **2,615,353** | **(835,345)** |
| **K** | **Net current financial debt** | **(J+D+C)** | **(2,344,298)** | **(142)** | **(2,344,155)** | **(197,714)** |
| L | Non-current bank loans and borrowings | | (1,370) | - | 1,370 | (495,228) |
| M | Bonds | | - | - | - | (879,294) |
| | *of which: related parties* | | | - | *0* | *(14,000)* |
| N | Other non-current financial liabilities | | (20,423) | - | 20,423 | (16,893) |
| O | Non-recourse loans | | 0 | 0 | 0 | (64,962) |
| **P** | **Non-current financial debt** | **(L+M+N+O)** | **(21,793)** | **0** | **(21,793)** | **(1,456,377)** |
| **Q** | **Net financial debt from continuing operations** | **(K+P)** | **(2,366,091)** | **(142)** | **2,365,948** | **(1,654,091)** |
| **R** | **Net financial position of disposal groups** | | **194,132** | **-** | **194,132** | **183,763** |
| | *of which: related parties* | | *191,067* | *0* | *194,167* | *183,763* |
| **S** | **Net financial debt** | **(Q+R)** | **(2,171,959)** | **142** | **(2,171,816)** | **(1,470,328)** |
| | Non-current loan assets | | 15,723 | 5 | 15,728 | 31,503 |
| | Subordinated loans | | 79,590 | (10,043) | 69,547 | 50,832 |
| | *of which: related parties* | | *47,150* | - | *47,150* | *31,580* |
| | Non-current portion of financial assets from concession activities | | - | 8,205 | 8,205 | 120,945 |
| **T** | **Non-current loan assets** | | **95,313** | **1,832** | **93,481** | **203,279** |
| **U** | **Total net financial debt** | **(S+T)** | **(2,076,646)** | **(1,690)** | **(2,078,335)** | **(1,267,049)** |

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.

## 28.4 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.

# 29 Other liabilities

## 29.1 Other non-current liabilities

This caption of €2,974 thousand (31 December 2017: €7,837 thousand) mainly refers to Chile, Canada and Turkey and mostly comprises deferred income (i.e., prepaid lease instalments).

## 29.2 Other current liabilities

This caption of €351,966 thousand comprises:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Subsidiaries | 246 | 0 | 246 |
| Associates and joint ventures | 2,403 | 5.22 | (2,819) |
| Other companies | 585 | 1,257 | (672) |
| Personnel | 31,447 | 29,242 | 2,205 |
| Social security institutions | 22,283 | 13,726 | 8,557 |
| Accrued expenses and deferred income | 17,043 | 6,631 | 10,412 |
| Other | 277,959 | 93,509 | 184,450 |
| **Total** | **351,966** | **149,587** | **202,379** |

"Other" mainly includes (i) amounts due to customers related to the return of contractual advances on certain contracts excluded from the core assets scope[66] (€93,672 thousand), (ii) repayments to be made to customers (€55,669 thousand), (iii) advances from customers for the sale of goods and assets (€16,137 thousand), and (iv) amounts due to partners for joint projects (€100,414 thousand). The increase over the previous year end is mainly related to:

- the termination (that has already taken place or is expected to take place) of certain contracts no longer deemed strategic, especially in Georgia (Zemo Osiauri-Chumateleti section and Lot 2 of the E-60 Motorway), Italy (the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction) and Central America. Due to the need to refund customers for advances paid and not recovered by work performed, the relevant residual contractual advances (€93,672 thousand) were reclassified to this caption from the contract assets or liabilities captions;
- the liabilities related to amounts (€53,750 thousand) under dispute with a customer paid in advance to the subsidiary AR.GI S.c.p.A ("ARGI"); such amounts will have to be returned should the Court of Cassation rule against the subsidiary. 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 €51 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.

The increase in amounts due to personnel is mainly due to termination benefits due for some contracts nearing completion in Canada, Central America and Russia.

The rise in amounts due to social security institutions is mainly related to Italy and chiefly refers to social security contributions accrued before the commencement of the parent's composition with creditors procedure which, under the provisions of the Bankruptcy Law, cannot yet be paid.

[66] As defined in the business plan underpinning the composition with creditors proposal.

The increase in accrued expenses is mainly attributable to commissions on sureties (mostly accrued before the commencement of the parent's composition with creditors procedure) and the 13th month's pay to employees.

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.

## 30 Employee benefits

This caption and related changes for the year are summarised in the following table:

| | Defined benefit plans | Termination benefits | 31/12/2018 |
|---|---|---|---|
| **a) Opening balance** | **7,013** | **131** | **7,145** |
| b) Increases | | | |
| b.1) Current service cost | 970 | 0 | 970 |
| b.2) Interest cost | 91 | 0 | 91 |
| b.3) Actuarial losses | (133) | 0 | (133) |
| c) Utilisations and exchange differences | (1,007) | (125) | (1,132) |
| d) Changes in consolidation scope and other changes | (97) | 0 | (97) |
| **d) Defined benefit obligation** | **6,837** | **6** | **6,843** |

### 30.1 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 2018 are set out below:

- annual discount rate: 1.57%
- annual inflation rate: 1.50%
- annual growth rate of the benefits: 2.625%
- 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 | (14) | 16 | 61 | (60) | (85) | 93 |

**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:

- 2019 service cost: €927 thousand
- Weighted average life of the obligation: 9.9 years
- Expected payments:
  - 2019-2021: €3,960 thousand
  - subsequent years: €8,143 thousand

## 30.2 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 2018 (€6 thousand) refers to social security contributions to be paid on remuneration for the final months of the plan.

# 31 Trade payables

This caption may be analysed as follows:

| | 31/2/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Suppliers | 1,175,659 | 1,164,882 | 10,777 |
| Associates and joint ventures | 51,223 | 50,770 | 453 |
| Parents | 189 | 0 | 189 |
| Other investees | 9,841 | 10,974 | (1,133) |
| **Total** | **1,236,912** | **1,226,626** | **10,286** |

Trade payables abroad decreased by roughly €52 thousand. This is mainly due to (i) the completion of some significant contracts in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) and Russia (WHSD in St. Petersburg and Moscow-St. Petersburg M11 Motorway), in addition to (ii) smaller production volumes on Algerian railway contracts. Conversely, trade payables in Italy increased by approximately €62 million due to the financial difficulties which led the parent to commence the composition with creditors on a going concern basis procedure in September 2018.

## 32 Tax liabilities

This caption decreased by €3,765 thousand on 31 December 2017 as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Indirect tax liabilities | 13,154 | 14,538 | (1,384) |
| Direct tax liabilities | 39,907 | 48,287 | (8,380) |
| Withholding tax liabilities | 10,378 | 4,379 | 5,999 |
| **Total** | **63,439** | **67,204** | **(3,765)** |

The €1,384 thousand decrease in indirect tax liabilities reflects: (i) a €2,873 thousand contraction attributable to Algeria, specifically due to the payment of the VAT accrued at the end of the previous year on the work invoiced as part of the railway contracts in progress in that country; and (ii) a more contained growth mainly referred to Poland.

The decrease in direct tax liabilities is mostly due to Italy, Russia, Turkey and Canada where the calculation of current taxes reflected the slowdown of production activities during the year.

The rise in withholding tax liabilities is mainly related to Italy and chiefly relates to withholdings accrued before the commencement of the parent's composition with creditors procedure which, under the provisions of the Bankruptcy Law, cannot yet be paid.

## 33 Provisions for risks and charges

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Provision for legal disputes | 41,553 | 0 | 41,553 | 11,191 | 30,362 |
| Provision for equity investments | 52,817 | 0 | 52,817 | 2,170 | 50,647 |
| Provision for the life cycle of concessions | 0 | 0 | 0 | 2,965 | (2,965) |
| Provision for expropriations | 0 | 0 | 0 | 2,137 | (2,137) |
| Provision for tax disputes | 42 | 0 | 42 | 1,882 | (1,840) |
| Provision as per article 27 of the by-laws | 1,435 | 0 | 1,435 | 1,436 | (1) |
| Provision for onerous contracts | 212,246 | (212,246) | 0 | 0 | 0 |
| **Total** | **308,093** | **(212,246)** | **95,847** | **21,781** | **74,066** |

Provisions for risks and charges are commented on below:

- **The provision for legal disputes** of €41,553 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. The increase during the year mostly refers to accruals made (€30,362 thousand) for some disputes underway regarding contracts in Algeria, Italy and South America.
- **The provision for equity investments** of €52,817 thousand includes the accruals for the parent's legal obligation to cover the losses exceeding the equity of the related investees. The increase mainly refers to the accrual made following the losses recorded by the joint venture Ic Içtaş Astaldi Ica Inşaat A.S. for the Moscow-St. Petersburg M-11 Motorway in Russia.
- **The provision for the life cycle of concessions a**t the previous year end (nil balance at 31

December 2018) included the accruals made by Veneta Sanitaria Finanza di Progetto S.p.A. to cover the restoration and maintenance costs for Ospedale dell'Angelo di Venezia-Mestre. The parent sold its controlling interest in such company in 2018, thus excluding it from the consolidation scope.

- **The provision for expropriations** at the previous year end (nil balance at 31 December 2018) included the accruals made by Veneta Sanitaria Finanza di Progetto S.p.A. to cover disputes with certain companies whose land was expropriated about the nature of such land and, hence, the amount of compensation paid. As mentioned above for the provision for the life cycle of concessions, this amount related to Veneta Sanitaria Finanza di Progetto S.p.A. was also excluded from the consolidation scope following the parent's loss of control over the investee.
- **The provision for tax disputes** at the previous year end (immaterial balance of €42 thousand at 31 December 2018) included the expected costs for pending disputes and litigation with the taxation authorities, principally in Italy.
- **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 donations.
- **The provision for onerous contracts** of €212,246 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, Canada, Chile, Italy and Poland. One such accrual (€133,556 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 and Canada) that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal. Starting from 1 January 2018 and the first-time adoption of IFRS 15, the provision for expected losses to complete is included in this provision unlike up to 31 December 2017 when it was recognised in accordance with IAS 11 - Construction contracts in "Amounts due from or to customers".

## 34 Other contract liabilities

This caption, amounting to €71,552 thousand at 31 December 2018 (nil balance at 31 December 2017), 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[67] in Europe and Central and South America. 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. More information is provided in the "Significant contractual events" section.

[67] Contracts that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal.

# 35 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[68] | 31/12/2018 | 273,722 | | 273,722 | |
| Non-controlling interests | 31/12/2018 | 30,692 | | 30,692 | |
| **Liabilities at fair value** | | | | | |
| Interest rate swaps | 31/12/2018 | (7,358) | | (7,358) | |

## 35.1 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 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 2018.
  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)[69] 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.

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[68] Of which: €194,132 thousand classified under non-current assets held for sale.

[69] Calculated based on market values.

# 36 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.

## 36.1 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.

## 36 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 2018.

## 36.3 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 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 2019, 20 July 2019 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 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.

## 36.4 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 2018, past due trade receivables amount to €258.4 million, including €137.7 million past due by more than one year. The largest exposures of this latter bracket mainly refer to Italy (€33.2 million) and Romania (€88.7 million). With respect to the largest exposures and, specifically, the trade receivables related to the railway contracts in Romania (Railway section 2, 3/4, Lot 2), the Dispute Adjudication Board (DAB) made various decisions in the parent's favour for a total of approximately €71 million plus interest. At the date of publication of these consolidated financial statements, the parent has collected all the recognised fees.

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, recording an additional impairment loss during the year of roughly €151 million (€230 million in 2017).With regard to the recognition of expected credit losses, there was a considerable increase in the credit risk on some financial instruments at the reporting date compared to initial recognition - especially referred to Turkey. Though such financial assets were considered performing in any case, the group calculated expected credit losses considering the full expected life of such financial instruments.

## 36.5 Guarantees and sureties

**Personal guarantees**

Guarantees given amount to €3,453,604 thousand as follows:

- sureties of €100,140 thousand to open credit facilities to ensure regular cash flows for contracts, given on behalf of subsidiaries, joint ventures (€11,809 thousand), associates and other investees set up for special purposes as per the current sector regulations;
- sureties of €3,290,012 thousand for contract work given on the parent's behalf by banks and insurance companies to customers for the parent, its subsidiaries, joint ventures (€141,893 thousand), associates and other investees;
- other sureties of €63,452 thousand (joint ventures: €5,558 thousand) given for various reasons.

**Third party sureties given to the group**

Banks and insurance companies have given guarantees of €289,532 thousand on behalf of Italian and foreign suppliers and subcontractors with respect to their contractual commitments with the group.

## 37 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 | Contract liabilities | Loans and borrowings and other liabilities | Financial liabilities | Operating revenue | Operating costs | Financial income (expense) |
|---|---|---|---|---|---|---|---|---|---|
| **Parents** | | | | | | | | | |
| Fin.Ast S.r.l. | 0 | 15 | 0 | 0 | 189 | 25,600 | 11 | 0 | (419) |
| **Subsidiaries of parents** | | | | | | | | | |
| Finetupar International S.A. | 0 | 0 | 0 | 0 | 0 | 2,000 | 0 | 0 | (181) |
| **Joint ventures** | | | | | | | | | |
| Ankara Etlik Hastante A.S. | 0 | 17,312 | 46,727 | 79,914 | 0 | 0 | 54,675 | 155 | (3,413) |
| Consorzio A.F.T. Kramis | 0 | 5,429 | 578 | 0 | 275 | 0 | 0 | 0 | 23 |
| Ic Içtaş Astaldi Ica Inşaat Anonim Şirket | 0 | 23,916 | 0 | 10,432 | 9,257 | 1,290 | 46,158 | 81 | 4,921 |
| Other* | 0 | 9,863 | 200 | 0 | 7,959 | 0 | 156 | 547 | (418) |
| | **0** | **56,522** | **47,506** | **90,346** | **17,492** | **1,290** | **100,988** | **783** | **1,114** |
| **Associates** | | | | | | | | | |
| Brennero Tunnel Construction S.c.a.r.l. | 0 | 7,173 | 17,480 | 0 | 1,301 | 0 | 1,981 | 67,194 | 415 |
| Consorzio Iricav Due | 0 | 958 | 0 | 0 | 20,242 | 0 | 406 | 2,042 | 0 |
| Consorzio MM4 | 18,363 | 25,186 | 0 | 0 | 1,345 | 0 | 65,264 | 1,767 | 0 |
| Diga di Blufi S.c.r.l. in liq. | 0 | 6,842 | 0 | 0 | 5,502 | 0 | 0 | 38 | 3 |
| ICA Ic Ictas Astaldi ucuncu bogaz koprusu ve kuzey marmara otoyolu yatirim ve isletme AS | 0 | 418 | 185,224** | 3,470 | 0 | 0 | (118,280) | 0 | 27,940 |
| METRO C S.c.p.a. | 0 | 10,309 | 0 | 0 | 257 | 0 | 1,832 | 21,822 | 0 |
| Otoyol Yatirim Ve Isletme A.S | 13,504 | 73 | 423 | 0 | 0 | 0 | 77,596 | 0 | 887 |
| Sociedad Concesionaria Metropolitana de Salud s.a. | 19,071 | 2,322 | 5,843** | 0 | 1,166 | 0 | 36,794 | 105 | (410) |
| Other* | 0 | 4,441 | 6,512 | 0 | 6,660 | 0 | 3,793 | 4,524 | 67 |
| | **50,938** | **57,722** | **215,482** | **3,470** | **36,473** | **0** | **69,386** | **97,492** | **28,902** |
| **Total** | **50,938** | **114,259** | **262,987** | **93,817** | **54,153** | **28,890** | **170,384** | **98,275** | **29,416** |
| **As a percentage** | **6.75%** | **10.20%** | **60.90%** | **32.36%** | **3.40%** | **1.09%** | **16.35%** | **4.39%** | **(14.51%)** |

* items with a unit amount of less than €5,000 thousand.

** included under assets held for sale.

The main related party transactions in 2018 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), (iii) Gebze-Orhangazi-Izmir Motorway (Otoyol Yatirim Ve Isletme A.S., Turkey), and (iv) West Metropolitan

Hospital in Santiago de Chile (Sociedad Concesionaria Metropolitana de Salud S.A., Chile[70]). The relevant operating revenue, trade receivables and contract assets/liabilities were recognised in 2018;

- 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 2018;
- 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");
- in May 2018, the parent received a €20,000 thousand loan from the ultimate parent, FINAST;
- additional financing granted to the SPEs Ankara Etlik Hastane A.S. (€9.7 million) on the subordinated loan (semi-equity) under the relevant concession contract;
- in the last quarter of 2018, the lease of a TBM needed to bore the Brenner Base Tunnel from Brennero Tunnel Construction S.c.a.r.l. commenced. The parent recognised the relevant lease payments receivable and financial income in 2018.
- In addition, the group made accruals to the loss allowance for bad and doubtful exposures with related parties for a total of €826 thousand.

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 | 3,373 | 38 | 40 | 10 | **3,461** |
| Statutory auditors | 175 | 0 | 0 | 0 | **175** |
| General managers | 1,980 | 0 | 41 | 24 | **2,045** |

70 See the note to net financial debt for more information on the termination of the contract and enforcement of the relevant guarantees.

# 38 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.

| 31/12/2018 | Italy | Europe | Americas | Africa | Asia | Other activities | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 489,269 | 292,293 | 445,580 | (8,732) | (9,909) | (1,350) | (302,465) | **904,686** |
| Share of profits of equity-accounted investees | | | | | | | | **92,082** |
| Operating profit (loss) | (509,108) | (538,429) | (801,771) | (39,509) | (10,616) | (61,935) | 182,383 | **(1,778,985)** |
| Net financial expense | | | | | | | | **(202,674)** |
| Loss before tax and non-controlling interests | | | | | | | | **(1,981,659)** |
| Income taxes | | | | | | | | **69,489** |
| 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 | (3,451,765) | (2,205,550) | (1,513,195) | (300,211) | (37,019) | (1,188,229) | 3,749,873 | **(4,946,096)** |
| **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 | 1,966 | 0 | **53,740** |
| Depreciation | 2,872 | 10,858 | 15,117 | 498 | 62 | 3,918 | (1,947) | **31,378** |
| Provisions | | | | | | (280,694) | | **(280,694)** |

| 31/12/2017 | Italy | Europe | Americas | Africa | Asia | Other activities | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 1,009,609 | 1,046,310 | 1,048,895 | 93,401 | 3,078 | 570 | (313,543) | **2,888,319** |
| Share of profits of equity-accounted investees | | | | | | | | **47,196** |
| Operating profit (loss) | 103,229 | 77,687 | (160,644) | 29,733 | (5,268) | (23,465) | 55,074 | **76,345** |
| Net financial expense | | | | | | | | **(192,180)** |
| Loss before tax and non-controlling interests | | | | | | | | **(115,835)** |
| Income taxes | | | | | | | | **18,108** |
| Loss for the year | | | | | | | | **(101,175)** |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | 1,452,680 | 3,055,847 | 1,569,500 | 299,830 | 39,289 | 2,841,054 | (4,282,611) | **4,975,588** |
| of which: equity investments | | | | | | 893,877 | (503,350) | **390,527** |
| Segment liabilities | (1,176,649) | (2,581,250) | (1,166,217) | (289,736) | (43,901) | (2,776,132) | 3,607,738 | **(4,426,147)** |
| **Other segment figures** | | | | | | | | |
| Property, plant and equipment | 11,177 | 46,267 | 76,410 | 1,214 | 203 | 46,631 | (2,971) | **178,930** |
| Intangible assets | 68,287 | 339 | 4,607 | 0 | 7 | 2,836 | 3,111 | **79,187** |
| Depreciation | 2,595 | 12,708 | 17,510 | 1,353 | 141 | 3,806 | (1,436) | **36,677** |
| Provisions | | | | | | 5,097 | | **5,097** |

# 39 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 2018, the Astaldi Group did not carry out any atypical or unusual transactions, as defined in CONSOB communication no. DEM/6064293.

## 39.1 Authorisation for publication

The parent's board of directors authorised the publication of these consolidated financial statements on 16 June 2020.

## 39.2 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[71].

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 Coluccio as the delegated judge for the 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 (then definitively postponed to 9 April 2020 as explained later on), 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 replaced the three judicial commissioners with Vincenzo Mascolo, Piergiorgio Zampetti and Enrico Proia (together the "judicial commissioners").

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

[71] 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.

effective on 17 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 €145 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 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.

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).

## Other procedures linked to the composition with creditors procedure (updates after the reporting date)

The following is a brief overview of additional procedures linked to the composition with creditors procedure. Events after the reporting date are also included where necessary for a more accurate representation.

**NBI – COMPOSITION WITH CREDITORS PROCEDURE PENDING BEFORE THE ROME COURT**

Significant steps were made after the reporting date in the composition with creditors procedure of NBI S.p.A. commenced in November 2018[72].

On 5 April 2019, NBI requested a 60-day extension for filing its definitive composition with creditors proposal.

It then filed its composition with creditors proposal on 7 June 2019. Subsequently, 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 2019 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

[72] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Other procedures linked to the composition with creditors procedure" section.

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 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 to execute in the interest of the creditors.

## 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[73], 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 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"). These 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 Law.

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[74]) set out in the plan, the regulation applicable to the first issue bonds (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 issue. However, the time necessary to draft the contract for the second issue was not compatible with Astaldi's need for financing, so Astaldi decided to look for financial backers willing to back it until the second issue. It received an offer from 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.

[73] 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.
[74] As defined earlier - see the "Main risks and uncertainties – Going concern" section.

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 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[75] (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:

11. 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;

[75] Salini Impregilo was renamed Webuild in May 2020.

12. 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 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 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 nor 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.

## Significant contractual events after the reporting date

See the "Main risks and uncertainties – Significant contractual events" section for more information.

**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 that 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 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, Vianini, summonsed Astaldi for alleged damages for various reasons, 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 competent 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.

**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 related 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.

## 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 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 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 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

**€608 million contract for a new lot of the high speed Naples–Bari railway line** – In January, Astaldi announced that it had been awarded a contract worth €608 million to develop another 18.7 km of the high speed Naples-Bari railway line in Italy in a joint venture with Webuild (formerly Salini Impregilo). The new lot includes the construction of the Apice-Hirpinia section, the Hirpinia Station, three bored tunnels and four viaducts. The customer is RFI[76].

**Reorganisation of the group's organisational model** – In January 2019, the parent's board of directors approved a number of organisational changes to streamline the decision-making processes by reducing the general management departments.[77]

[76] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

[77] Specifically, on 14 January 2019, the board of directors (i) 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. Subsequently, on 21 March 2019, Vittorio Di Paola resigned from his position as honorary chairman of Astaldi.

**Paolo Amato appointed chief restructuring officer** – In May 2019, the parent's board of directors appointed Paolo Amato as its chief restructuring officer to aid the group with its ongoing restructuring.[78]

**Gebze–Orhangazi–Izmir Motorway inaugurated in Turkey** – In August 2019, 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[79] contract, with a concession term of 21 years. The new motorway is 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).[80]

**New contract for the Hurontario Light Rail Transit Project in Canada** – In October 2019, 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 worth roughly CAD1.3 billion (the equivalent of €917 million at the award date). 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. Astaldi has a 28% stake (€257 million) in the consortium.

**Closing of the sale of remaining investments in the car parks business** – In November 2019, 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.

**Signing of the contract for Yaciretà Hydroelectric Power Plant in Paraguay** – In November 2019, Astaldi signed a USD150 million contract (with a 55% stake for Astaldi) to upgrade Yaciretà Hydroelectric Power Plant on the Río Paraná which runs along the border between Argentina and Paraguay (the "Brazo Aña Cuá Project"). 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.

**Roll out of works for the New Linares Hospital in Chile** – In November 2019, 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.[81]

**Closing of the sale of the investments in the operator of the four Tuscan hospitals** – In December 2019, the group and its partners Techint and Pizzarotti sold their investments in SAT, the operator of the four Tuscan hospitals (Ospedale San Luca di Prato, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Lucca and Ospedale delle Apuane di Massa-Carrara). 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 transaction 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, Ospedale delle Apuane di Massa-Carrara, was opened in January 2016.

**Astaldi on the short-list for the Edmonton LRT project in Canada** – In May 2020, in a joint venture with Webuild, 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

[78] On 31 May 2019, the parent's board of directors appointed Paolo Amato chief restructuring officer to supervise the general implementation of the composition plan, also to comply with the terms of Webuild's binding offer. As of such 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, as defined in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors proposal" section.
[79] Build, Operate, Transfer.
[80] More information is available on the contract in the "Construction – Europe" section in the directors' report.
[81] More information is available on the contract in the "Construction – Americas" section in the directors' report.

(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 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

## Disengaging from geographical segments no longer considered strategic

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) where the group 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.

## 39.3 Fees to the independent auditors, KPMG, and their network pursuant to article 149-duodecies of the Issuer Regulation

The fees paid in 2018 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:

| | 2018 |
|---|---|
| **A) Audit services** | **1,366** |
| - Parent, Astaldi S.p.A. (*) | 781 |
| - Subsidiaries | 585 |
| **B) Attestation services (**)** | **1,411** |
| **C) Other services** | **143** |
| **Total** | **2,922** |

| | |
|---|---|
| (*) Fees including out-of-pocket expenses and CONSOB fees | 781 |
| (**) Parent, Astaldi S.p.A. | 1,411 |
| of which: | |
| 1) Comfort letters issued in connection with the equity-linked bond issue | 139 |
| 2) Agreed-upon procedures, signing of tax returns and other attestation procedures | 1,272 |

**Filippo Stinellis**

***Chief Executive Officer***

**Paolo Citterio**

***Manager in charge of financial reporting***

(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 2018 consolidated financial statements.

2. The administrative and accounting procedures used to formulate the consolidated financial statements at 31 December 2018 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** | Signed **Paolo Citterio** |
| ***Chief Executive Officer*** | ***Manager in charge of financial reporting*** |

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 2018, 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 2018 show a loss for the year and a deficit of €1,878 million and €1,410 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, 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 8 "Amortisation, depreciation and impairment losses", note 19.1 "Other non-current assets" and note 35.4 "Credit risk"*

| **Key audit matter** | **Audit procedures addressing the key audit matter** |
|---|---|
| The separate financial statements at 31 December 2018 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.<br>Estimating the recoverable amount of such exposure, carried out by the directors including with the assistance of an external | Our audit procedures included:<br>— 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;<br>— analysing, including by involving our own specialists, the method and |

| **Key audit matter** | **Audit procedures addressing the key audit matter** |
|---|---|
| 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.<br>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. | 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;<br>— 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;<br>— 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 21 "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 2018 include contract assets of €705 million, contract liabilities of €259 million and contract revenue of €739 million recognised using the percentage of completion method based on incurred cost (cost to cost model). They also present fines for contract terminations of -€117 million.<br>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:<br>— claims for additional consideration for contract variations, price escalation clauses, incentives and claims compared to that contractually agreed;<br>— disputes with customers for fines and compensation for damages; | Our audit procedures included:<br>— 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.<br>— For a sample of contracts:<br>  – analysing construction contracts in order to check that the significant factors have been appropriately considered by the directors;<br>  – checking the recognition of costs and their allocation to the contract work in progress by analysing supporting documentation;<br>  – visiting work sites; |

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| — the contract activities' long timeframe, size and engineering and operating complexity;<br>— the risk profile of certain countries in which the work is carried out.<br>Therefore, we believe that the measurement of contract assets and liabilities and the recognition of contract revenue are a key audit matter. | – 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;<br>– 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;<br>– analysing the events after the reporting date to gather useful information for the measurement of contract assets and liabilities and recognition of contract revenue;<br>— 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 17.1 "Equity investments – Impairment testing"*

| Key audit matter | Audit procedures addressing the key audit matter |
|---|---|
| The separate financial statements at 31 December 2018 include investments of €501 million in subsidiaries, associates and joint ventures.<br>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.<br>Impairment testing entails a high level of judgement, in addition to the uncertainty | Our audit procedures included:<br>— understanding the process adopted to prepare the impairment test approved by the company's board of directors;<br>— 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;<br>— 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:<br>— 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;<br>— the financial parameters to be used to discount the above cash flows.<br>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;<br>— comparing the income and cash flows used for impairment testing to the flows forecast in the investees' plans and analysing any discrepancies for reasonableness;<br>— 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;<br>— analysing the events after the reporting date to gather useful information for the measurement of investments in subsidiaries, associates and joint ventures;<br>— 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 separate 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 2018 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 2018 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 2018 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 | 2018 | 2017* |
|---|---|---|---|
| Revenue | | 752,827,385 | 1,938,140,104 |
| Fines for contract terminations | | (116,802,991) | 0 |
| **Total revenue from contracts with customers** | 1 | **636,024,394** | **1,938,140,104** |
| of which: related parties | | 194,201,471 | 651,546,054 |
| Other operating revenue | 2 | 105,326,179 | 125,005,176 |
| *of which: related parties* | | 20,754,949 | 20,422,459 |
| **Total operating revenue** | | **741,350,573** | **2,063,145,280** |
| Purchase costs | 3 | (319,499,735) | (284,182,804) |
| Service costs | 4 | (978,463,532) | (1,212,396,364) |
| *of which: related parties* | | (207,173,046) | (303,312,123) |
| Personnel expenses | 5 | (328,997,812) | (302,073,211) |
| Other operating costs | *6* | (91,649,888) | (27,276,826) |
| of which: related parties | | (4,891,014) | (803,229) |
| **Total operating costs** | | **(1,718,610,967)** | **(1,825,929,205)** |
| Change in costs capitalised to fulfil a contract | | 83,400 | 0 |
| Share of profits (losses) from subsidiaries, joint ventures and associates | 7 | (60,408,056) | 61,369,877 |
| **Gross operating profit (loss)** | | **(1,037,585,050)** | **298,585,952** |
| Amortisation, depreciation and impairment losses | 8 | (361,479,599) | (272,174,291) |
| Provisions | 9 | (400,093,663) | (908,966) |
| Capitalised internal costs | | 0 | 0 |
| **Operating profit (loss)** | | **(1,799,158,312)** | **25,502,695** |
| Financial income | 10 | 137,492,230 | 115,292,806 |
| of which: related parties | | 58,140,034 | 40,078,092 |
| Financial expense | 11 | (298,754,913) | (264,148,474) |
| of which: related parties | | (13,424,459) | (4,323,420) |
| **Net financial expense and net gains (losses) on equity investments** | | **(161,262,683)** | **(148,855,668)** |
| **Pre-tax loss from continuing operations** | | **(1,960,420,995)** | **(123,352,973)** |
| Income taxes | 12 | 82,119,194 | 24,629,718 |
| **LOSS FROM CONTINUING OPERATIONS** | | **(1,878,301,801)** | **(98,723,255)** |
| **LOSS FOR THE YEAR** | | **(1,878,301,801)** | **(98,723,255)** |
| | | | |
| *Basic loss per share* | | | |
| *basic* | 13 | (19.19) | (1.01) |
| diluted | 13 | (19.19) | (1.01) |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of comprehensive income

| *(in Euros)* | Note | 2018 | 2017* |
|---|---|---|---|
| **Loss for the year (A)** | | **(1,878,301,801)** | **(98,723,255)** |
| Change in fair value of cash flow hedging derivatives | | 8,752,305 | 4,829,183 |
| Exchange differences from translation of financial statements in foreign currencies | | 16,094,983 | (38,975,129) |
| Change in fair value of financial assets measured at FVTOCI | | 1,051,952 | - |
| Share of other comprehensive income (expense) of equity-accounted investees | | 35,019,699 | (34,129,974) |
| Share of other comprehensive income of disposal groups | | - | 21,007,864 |
| Tax effect | | (1,162,272) | (8,038,716) |
| **Other comprehensive income (expense), net of tax, that will be subsequently reclassified to profit or loss (B1)** | 26 | **59,756,667** | **(55,306,772)** |
| Change in fair value of equity instruments measured at FVTOCI | | (12,609,946) | - |
| Actuarial gains (losses) on defined benefit plans | | (35,435) | 28,524 |
| *Share of other comprehensive income (expense) of equity-accounted investees* | | (9,151,442) | 17,391 |
| **Other comprehensive income (expense), net of tax, that will not be subsequently reclassified to profit or loss (B2)** | 26 | **(21,796,823)** | **45,915** |
| **Total other comprehensive income (expense), net of tax (B1)+(B2)=(B)** | | **37,959,844** | **(55,260,857)** |
| **COMPREHENSIVE EXPENSE (A)+(B)** | | **(1,840,341,957)** | **(153,984,112)** |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of financial position
## Assets

| *(in Euros)* | note | 31/12/2018 | 31/12/2017* |
|---|---|---|---|
| **ASSETS** | | | |
| ***Non-current assets*** | | | |
| Property, plant and equipment | 14 | 137,442,552 | 150,307,599 |
| Investment property | 15 | 134,987 | 142,653 |
| Intangible assets | 16 | 41,243,408 | 44,963,762 |
| Equity investments | 17 | 517,590,592 | 613,210,496 |
| *of which: equity-accounted investments* | | *500,975,823* | *584,362,473* |
| Non-current financial assets | 18 | 32,626,900 | 91,130,609 |
| *of which: related parties* | | *17,834,236* | *87,829,393* |
| Other non-current assets | 19 | 116,543,018 | 298,077,588 |
| Deferred tax assets | 12 | 273,122,454 | 128,994,673 |
| **Total non-current assets** | | **1,118,703,911** | **1,326,827,380** |
| ***Current assets*** | | | |
| Inventories | 20 | 37,829,837 | 39,270,209 |
| Amounts due from customers | 21 | n.a. | 1,518,631,573 |
| *of which: related parties* | | n.a. | *317,151,654* |
| Contract assets | 21 | 705,075,863 | n.a. |
| *of which: related parties* | | *63,631,853* | n.a. |
| Costs capitalised to fulfil a contract | 21 | 1,591,794 | n.a. |
| Trade receivables | 22 | 603,677,113 | 435,743,290 |
| *of which: related parties* | | *206,956,176* | *185,969,691* |
| Current financial assets | 18 | 321,370,645 | 188,159,558 |
| *of which: related parties* | | *307,370,460* | *154,483,496* |
| Tax assets | 23 | 52,305,191 | 51,583,296 |
| Other current assets | 19 | 439,083,046 | 435,749,229 |
| *of which: related parties* | | *147,401,291* | *194,145,539* |
| Cash and cash equivalents | 24 | 145,561,238 | 393,584,533 |
| **Total current assets** | | **2,306,494,727** | **3,062,721,688** |
| Non-current assets held for sale | 25 | 248,247,280 | 349,389,679 |
| *of which: related parties* | | *185,223,577* | *180,767,300* |
| **Total assets** | | **3,673,445,918** | **4,738,938,747** |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of financial position
## Equity and liabilities

| *(in Euros)* | note | 31/12/2018 | 31/12/2017* |
|---|---|---|---|
| EQUITY AND LIABILITIES | | | |
| ***Equity (deficit)*** | 26 | | |
| Share capital | | 196,849,800 | 196,849,800 |
| Treasury shares | | (3,022,940) | (1,079,668) |
| Legal reserve | | 34,346,579 | 33,162,987 |
| Extraordinary reserve | | 195,509,603 | 294,446,072 |
| **Retained earnings (losses carried forward)** | | (24,038,105) | 74,685,147 |
| Other reserves | | 162,421,471 | 156,711,748 |
| Other comprehensive expense | | (110,275,441) | (155,286,432) |
| Deferred tax on other comprehensive expense | | 16,154,526 | 18,302,250 |
| **Total capital and reserves** | | **467,945,493** | **617,791,904** |
| Loss for the year | | (1,878,301,801) | (98,723,255) |
| **Total equity (deficit)** | | **(1,410,356,308)** | **519,068,649** |
| ***Non-current liabilities*** | | | |
| Non-current financial liabilities | 27 | 20,808,908 | 1,381,086,806 |
| *of which: related parties* | | *1,289,904* | *15,934,396* |
| Employee benefits | 29 | 4,428,118 | 4,285,049 |
| Deferred tax liabilities | 12 | 63,710,475 | 83,061,350 |
| Other non-current liabilities | 28 | 1,732,056 | 7,298,189 |
| **Total non-current liabilities** | | **90,679,557** | **1,475,731,394** |
| ***Current liabilities*** | | | |
| Amounts due to customers | 21 | n.a. | 419,094,738 |
| *of which: related parties* | | n.a. | *89,270,463* |
| Contract liabilities | 21 | 258,674,035 | n.a. |
| *of which: related parties* | | *93,816,555* | n.a. |
| Trade payables | 30 | 1,222,194,720 | 1,207,533,682 |
| *of which: related parties* | | *343,208,137* | *376,301,715* |
| Current financial liabilities | 27 | 2,653,719,478 | 879,562,404 |
| *of which: related parties* | | *157,570,001* | *114,985,278* |
| Tax liabilities | 31 | 55,574,038 | 53,757,680 |
| Provisions for risks and charges | 32 | 444,191,441 | 34,517,279 |
| Other contract liabilities | 33 | 60,135,870 | 0 |
| Other current liabilities | 28 | 298,633,087 | *149,672,921* |
| *of which: related parties* | | 87,344,918 | *24,971,600* |
| **Total current liabilities** | | **4,993,122,669** | **2,744,138,704** |
| **Total liabilities** | | **5,083,802,226** | **4,219,870,098** |
| **Total equity (deficit) and liabilities** | | **3,673,445,918** | **4,738,938,747** |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. 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)** | **0** | **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 from continuing operations | | | | | | | | | | | | (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)** |
| Allocation of 2017 loss from continuing operations | | | 1,183,592 | (100,935,857) | | | | | | 99,752,265 | (98,723,255) | 98,723,255 | **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)** | **(1,410,356,309)** |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of changes in equity for the year ended 31 December 2017

| | *Share capital* | *Treasury shares* | *Legal reserve* | *Extraordinary reserve* | *Hedging reserve* | *Translation reserve* | *Actuarial reserve* | *Deferred taxes on OCI* | *Other reserves* | *Retained earnings* | *Loss for the year* | *Equity* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Opening balance** | **196,849,800** | **(1,314,942)** | **33,062,370** | **311,540,724** | **(119,362,290)** | **11,803,176** | **(505,177)** | **26,340,966** | **84,951,981** | **74,685,147** | **73,315,978** | **691,367,733** |
| Loss from continuing operations | | | | | | | | | | | (98,723,255) | **(98,723,255)** |
| Other comprehensive expense | | | | | 60,382,696 | (107,650,752) | 45,915 | (8,038,716) | | | | **(55,260,857)** |
| **COMPREHENSIVE EXPENSE** | **0** | | **0** | **0** | **60,382,696** | **(107,650,752)** | **45,915** | **(8,038,716)** | **0** | **0** | **(98,723,255)** | **(153,984,112)** |
| **Owner transactions and other changes in equity:** | | | | | | | | | | | | |
| Treasury shares* | | 235,274 | | 549,852 | | | | | (332,466) | | | **452,660** |
| Dividends | | | | (19,556,223) | | | | | | | | **(19,556,223)** |
| Allocation of 2016 profit from continuing operations | | | | | | | | | 73,315,978 | | (73,315,978) | **0** |
| Stock grant reserve | | | | | | | | | 788,591 | | | **788,591** |
| Other changes | | | 100,617 | 1,911,719 | | | | | (2,012,336) | | | **0** |
| **Closing 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** |

* The amount is net of the investment in treasury shares totalling €3,079 thousand, including the nominal amount of shares of €1,080 thousand, which was offset against share capital, and €1,999 thousand offset against the extraordinary reserve.

# Statement of cash flows
## Operating activities

| | 2018 | 2017* |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| **Loss for the year** | **(1,878,301,801)** | **(98,723,255)** |
| Income taxes | (82,119,194) | (24,629,718) |
| **Pre-tax loss** | **(1,960,420,995)** | **(123,352,973)** |
| *Adjustments for:* | | |
| ***• Non-monetary items*** | | |
| Amortisation and depreciation | 32,624,938 | 38,682,163 |
| Impairment losses | 337,551,288 | 233,498,499 |
| Effects of equity accounting | 60,408,056 | (61,369,877) |
| Post-employment benefits and defined benefit plan costs | 547,302 | 890,674 |
| Stock grant plan costs | 0 | 1,248,181 |
| Accrual to provisions for risks and charges | 400,093,663 | 908,966 |
| Fair value gains following adoption of fair value measurement and other | (28,516,006) | (13,550,748) |
| **Sub total** | **802,709,241** | **200,307,858** |
| • Monetary items | | |
| (Gain) loss on disposals | 3,226,301 | (9,091,449) |
| • Other adjustments to reconcile the loss for the year to the cash flows from operating activities | | |
| Net interest income and expense and dividends received | **65,322,446** | **80,556,395** |
| **Sub total** | **68,548,747** | **71,464,946** |
| **Cash flows from (used in) operating activities before changes in net working capital** | **(1,089,163,007)** | **148,419,831** |
| ***Changes in working capital*** | | |
| Trade receivables | (214,712,898) | 98,353,957 |
| *of which: related parties* | *(20,986,485)* | *47,746,540* |
| Inventories and amounts due from customers | n.a | (317,302,306) |
| *of which: related parties* | n.a | *(79,897,557)* |
| *Inventories* | (12,044,742) | n.a |
| *Contract assets* | 656,845,640 | n.a |
| *of which: related parties* | 253,519,801 | n.a |
| Trade payables | 16,839,054 | 48,580,508 |
| *of which: related parties* | *(33,093,578)* | *(20,572,866)* |
| Provisions for risks and charges | (186,423) | (622,876) |
| Amounts due to customers | n.a | 11,677,655 |
| *of which: related parties* | n.a | *(85,081,645)* |
| Contract liabilities | *(73,119,935)* | *n.a* |
| *of which: related parties* | *4,546,092* | n.a |
| Costs capitalised to fulfil a contract | (245,541) | n.a |
| Other operating assets | *5,925,030* | *(38,679,826)* |
| *of which: related parties* | 46,744,248 | 5,796,127 |
| Other operating liabilities | *199,225,646* | *14,554,960* |
| *of which: related parties* | 62,373,318 | 16,664,271 |
| Payment of post-employment benefits and defined benefit plans | (439,668) | (1,304,193) |
| **Sub total** | **578,086,163** | **(184,742,120)** |
| Exchange differences on the translation of financial statements of foreign operations | 16,202,471 | (37,457,157) |
| **Cash flows used in operating activities** | **(494,874,373)** | **(73,779,446)** |
| Interest and dividends received | 36,042,252 | 22,540,952 |
| Interest paid | (70,994,794) | (101,588,726) |
| Taxes paid | (27,582,191) | (13,652,577) |
| **A) Net cash flows used in operating activities** | **(557,409,106)** | **(166,479,798)** |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# Statement of cash flows

## Investing and financing activities

| | 2018 | 2017* |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| | | |
| Net investment in intangible assets | (475,993) | (18,070,579) |
| Investment in property, plant and equipment | 21,677,761 | (24,293,371) |
| Proceeds from the sale or reimbursement of property, plant and equipment | (3,831,915) | 20,504,426 |
| Change in financing of equity investments | (129,528,388) | 15,624,793 |
| of which: related parties | (93,314,338) | 15,539,992 |
| Sale (acquisition) of investments in subsidiaries, associates, joint ventures and other companies | 28,755,251 | (2,264,743) |
| Sale of securities | 35,796 | 811,754 |
| Change in other loan assets, net | 25,963,484 | (24,284,361) |
| *of which: related parties* | *(3,193,196)* | *(9,075,292)* |
| Change in financial assets from concession activities | 0 | 0 |
| Acquisition of a business unit | 0 | (1,800,000) |
| **B) Cash flows used in investing activities** | **(57,404,005)** | **(33,772,081)** |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Dividends distributed | 0 | (19,556,223) |
| Capital increase against payment | 0 | 0 |
| Net investment in treasury shares | 56,115 | 785,126 |
| Net loss on the trading in treasury shares | (92,067) | (332,466) |
| Financing from parents | 20,000,000 | 0 |
| Redemptions and other net changes in bonds | 0 | 10,000,000 |
| Net use of credit facilities | 359,244,346 | 200,311,295 |
| Changes in other financial liabilities | 1,935,403 | 19,081,990 |
| *of which: related parties* | *27,940,231* | *25,390,377* |
| Payment of finance leases | (18,992,076) | (6,380,550) |
| Other changes | 4,638,315 | (459,589) |
| **C) Cash flows generated by financing activities** | **366,790,036** | **193,449,584** |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)** | **(248,023,075)** | **(6,802,295)** |
| **OPENING CASH AND CASH EQUIVALENTS** | **393,584,533** | **400,386,829** |
| **CLOSING CASH AND CASH EQUIVALENTS** | **145,561,238** | **393,584,533** |

* The company has applied IFRS 9 and IFRS 15 since 1 January 2018. As allowed by the transition method, the comparative figures have not been restated.

# 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

As described in great detail in the directors’ report, 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[1] (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 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 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[2] and proposal in accordance with article 160 and subsequent articles of the Bankruptcy Law was 14 February 2019.

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

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

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%.

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 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 2018 (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**"), 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. 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 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, 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 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 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 company's 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 2018 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 details.

# Significant contractual events

The following is a brief overview of the significant events occurring in contracts during the year, mostly caused by the company's financial difficulties as already described in detail in the composition with creditors application. Events after the reporting date are also included for a more accurate presentation. See also the "Events after the reporting date - Significant contractual events" 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 Bankruptcy Law. 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 company'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 its 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 company recognised the penalties estimated to result from the termination of the contract in the separate 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 company, the customer (RFI[3]) - 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 Bankruptcy Law. 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 Bankruptcy Law. 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 company recognised the effects of such out-of-court agreement in the separate financial statements at 31 December 2018.

**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 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 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 company recognised the estimated penalties of terminating the contract in the separate 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

[3] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

payment of the penalty (amounting to PLN248.7 million, 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 works manager. Also based on the opinions of its external legal advisers, the company recognised the estimated penalties of terminating the contract in the separate financial statements at 31 December 2018.

**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 company recognised a prudent accrual in the separate 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.

**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 financial statements at 31 December 2018. Reference should be made to the relevant section later in these notes for more details.

**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 are reflected in the separate financial statements at 31 December 2018. Reference should be made to the relevant section later in these notes for more details.

**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 company recognised the penalties estimated to result from the termination of the contract in the separate financial statements at 31 December 2018, also based on the opinions of its external legal advisers. Reference should be made to the relevant section later in these notes for more details.

**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 will commence a procedure which the local companies expect 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 financial statements at 31 December 2018.

**VENEZUELA // ICC ARBITRATION 2438/JPA** – On 13 June 2019, assisted by their advisors, Astaldi, Ghella and Salini Impregilo (subsequently renamed 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 later in these notes regarding the recoverable amount of the company's exposure to the Venezuelan government.

**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 company, 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 company had issued for ACC's projects are included in the separate 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 financial statements at 31 December 2018 to see the statement of financial position and statement of profit or loss effects of the above.

**NICARAGUA // EL COMEJEN–WASLALA ROAD (SECTIONS I AND II)** – There were significant delays in the project during the year 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 company recognised the penalties estimated to result from the termination of the contracts in the separate financial statements at 31 December 2018, also based on the opinions of its external legal advisors.

# Basis of presentation and segment reporting

Astaldi S.p.A.'s separate financial statements as at and for the year ended 31 December 2018 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.

# 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 2018 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;
- 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 2018** | **Average rate 2018** | **Closing rate 31 December 2017** | **Average rate 2017** |
|---|---|---|---|---|
| Algerian dinar | 135.4881 | 137.6525 | 137.8343 | 125.3194 |
| New Bulgarian lev | 1.9558 | 1.9558 | 1.9558 | 1.9558 |
| Canadian dollar | 1.5605 | 1.5294 | 1.5039 | 1.4647 |
| Chilean peso | 794.3700 | 756.9400 | 737.2900 | 732.6075 |
| United Arab Emirates dirham | 4.2050 | 4.3371 | 4.4044 | 4.1475 |
| Indonesian rupiah | 16,500.0000 | 16,803.2200 | 16,239.1200 | 15,118.0167 |
| Moroccan dirham | 10.9390 | 11.0820 | 11.2360 | 10.9505 |
| Nicaraguan cordoba oro | 37.2491 | 37.3355 | 36.9280 | 33.9680 |
| Peruvian nuevo sol | 3.8630 | 3.8793 | 3.8854 | 3.6833 |
| Pound sterling | 0.8945 | 0.8847 | 0.8872 | 0.8767 |
| Polish zloty | 4.3014 | 4.2615 | 4.1770 | 4.2570 |
| Romanian new leu | 4.6635 | 4.6540 | 4.6585 | 4.5688 |
| Russian rouble | 79.7153 | 74.0416 | 69.3920 | 65.9383 |
| US dollar | 1.1450 | 1.1810 | 1.1993 | 1.1297 |
| New Turkish lira | 6.0588 | 5.7077 | 4.5464 | 4.1206 |
| Venezuelan bolivar | **n.a** | **n.a** | 4,008.3152 | 2,430.7497 |
| Venezuelan bolivar soberano | 729.8027 | **n.a** | **n.a.** | **n.a** |

The Venezuelan government introduced a new currency, the bolivar soberano, with decree no. 3,548 published in the Official Journal no. 41,446 of 25 July 2018. Equal to 100,000 bolivar fuerte[4], the new currency was used for all financial transactions after 20 August 2018. During the year, no significant financial or economic transactions took place using the bolivar fuerte as nearly all manufacturing activities have been substantially at a standstill in the country for some years.

[4]Domestic currency valid until 19 August 2018

## 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

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

In some types of leases, due to its economic substance, a *transaction* qualifies as a lease even without having the legal form of a lease.

Under IFRIC 4, determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether:

a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and

b) the arrangement conveys a right to control the use of the asset.

The first condition is met only if a given supply of goods/services can be made exclusively through the use of a specific asset, or when it is not economically feasible or practical for the supplier to perform its obligation through the use of alternative assets to that specified including implicitly.

The second condition is satisfied if any one of the following conditions is met:

a) the purchaser has the ability or right to operate the asset or direct others to operate the asset in a manner it determines while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;

b) the purchaser has the ability or right to control physical access to the underlying asset while obtaining or controlling more than an insignificant amount of the output or other utility of the asset;

c) facts and circumstances indicate that it is remote that one or more parties other than the purchaser will take more than an insignificant amount of the output or other utility that will be produced or generated by the asset during the term of the arrangement, and the price that the purchaser will pay for the output is neither contractually fixed per unit of output nor equal to the current market price per unit of output as of the time of delivery of the output.

IAS 17 distinguishes two categories of lease:

- **Finance leases**
  At the commencement of the lease term, property, plant and equipment held under ***finance leases***, which substantially transfer all the risks and rewards incidental to ownership to the company, are recognised at amounts equal to their fair value or, if lower, the present value of the minimum lease payments, including the payment required to exercise the purchase option. The corresponding liability to the lessor is classified as a financial liability.
  If there is no reasonable certainty that the company will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

- **Operating leases**
  A lease is classified as an **operating lease** if it does not transfer substantially all the risks and rewards incidental to ownership. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

## 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 2018

No business combinations were carried out in 2018.

# 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[5]. 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 11 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 17 | Otoyol Yatirim Ve Isletme A.S. | Concession for the Gebze - Orhangazi – Izmir Motorway | External sources | Concessions | 356.9 | Ke 10.83% | DDM |
| Investments in associates and joint ventures (IAS 28) | Note 17 | Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS | Concession for the Etlik Integrated Health Campus | Internal and external sources | Concessions | 6.6 | Ke 13.57% | DDM |
| Contractual right (IAS 38) | Note 16 | Quadrilatero industrial complex | Maxi lot 2 of the Quadrilatero Marche-Umbria road system | Internal sources | Construction | 18.2 | WACC 8.7% | UDCF |
| Contractual right (IAS 38) | Note 16 | Infraflegrea project | Cumana and Monte Sant'Angelo (Naples) railway line | Internal sources | Construction | 27.6 | WACC 8.7% | 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 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 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

5 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.

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[6], LGD[7] and EAD[8]) 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[9]. 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[10]. At 31 December 2018, 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 €230 million given the delays in collecting payments and the country's current and expected conditions. It increased this impairment loss to €381 million given the recent macroeconomic developments in Venezuela.

As a result of this additional impairment loss, 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 2018.

#### Conclusions

Based on the technical analyses performed (including with the assistance of an independent expert), management deemed the range of the recovery rate of the financial assets to be between 12% and 22% of their nominal amount. Given that Venezuela's macroeconomic situation has not improved nor is it expected to do so, but rather uncertainty about the social and political situations 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, which is the bottom end of the above range.

## 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

6 PD: Probability of Default.
7 LGD: Loss Given Default.
8 EAD: Exposure At Default.
9 More information is available in the analysis of the recoverability of the amounts due from the Venezuelan government.
10 Puerto Cabello-La Encrucijada, San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta sections.

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 group'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) cost of investment higher than the company'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 company'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 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[11] non-controlling interests as financial assets at fair value through other comprehensive income[12]. 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[13]) 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 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

11 The measurement method for equity investments was selected on a case-by-case basis as allowed by the new standard.
12 Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.
13 Mostly relating to the consortium companies that entail the recharging of costs provided for by the Italian Civil Code.

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 related contract asset 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[14] 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 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.

[14] 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.

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.

## 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.

**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 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 2018

The EU regulations effective as of 1 January 2018 are summarised below.

**Commission Regulation (EU) no. 2016/1905 of 22 September 2016, published in Official Journal L 295 of 29 October 2016: Adoption of IFRS 15 - Revenue from contracts with customers**

IFRS 15 (the new standard) defines how to recognise and measure revenue from contracts with customers (including the contracts giving rise to contract work in progress).

In short, the new standard requires the application of the following five steps for the recognition of revenue: *(i)* identify the contract(s) with a customer; *(ii)* identify the performance obligations in the contract; *(iii)* determine the transaction price; *(iv)* allocate the transaction price to the performance obligations in the contract; *(v)* recognise revenue.

The company has adopted IFRS 15 retrospectively, recognising the cumulative effect of initial application of the new standard as an adjustment to the opening equity at 1 January 2018 (IFRS 15.C3.b - Cumulative effect method). As provided by IFRS 15.C7, the new provisions of IFRS 15 are only applied to contracts that are not completed contracts at the date of initial application (i.e., 1 January 2018).

**Main scope of application**

The company's analyses showed that the following areas are affected by the new standard:

**Pre-operating costs**

IFRS 15 no longer allows the inclusion of bidding costs in contract costs. However, under IFRS 15.95[15], the company may be able to treat all costs incurred to generate or enhance resources that will be used in satisfying (or in continuing to satisfy) performance obligations in the future as contract costs (i.e., preliminary and/or final design of works, geognostic surveys, topographical surveys, etc.). The new provisions about pre-operating costs led to a negative adjustment of €23,469 thousand to opening equity at 1 January 2018.

**Combination of contracts**

Pursuant to IAS 11, in certain limited cases, the company considered a group of contracts from the same customer as a single contract work in progress.

Because of the new provisions introduced by the new standard, notwithstanding their meeting the other conditions set out in IFRS 15.17.a/b/c, the company will no longer be able to combine these contracts as they had not been negotiated as a package.

The new provisions about the combination of contracts led to a negative adjustment of €17,369 thousand to opening equity at 1 January 2018.

**Separation of performance obligations[16]**

As required by the new standard, the company identified the performance obligations in the construction contracts. Based on its analyses, it deemed that the strong interrelation and integration of the various elements making up construction contracts means that, in most cases, they may be considered as giving rise to a single performance obligation as they are the inputs necessary to produce a combined output specified by the customer.

However, in some instances, the company has identified multiple obligations in a single contract, such as for example, (i) maintenance of complete works; (ii) distinct works (i.e., distinct functional lots), etc..

The new provisions about the separation of performance obligations led to a negative adjustment of €25,928 thousand to opening equity at 1 January 2018.

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[15] Paragraph 95 of IFRS 15 states that an entity shall recognise an asset from the costs incurred to fulfil a contract only if all those costs: a) relate directly to a contract or to an anticipated contract; b) generate or enhance resources of an entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and c) the costs are expected to be recovered.

[16] The promise to transfer to the customer: a) a good or service (or a bundle of goods or services) that is distinct, or b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

**Significant financing components in the contract**

In certain countries where the company operates, it is customary that customers pay contractors a contractual advance to be recovered over the contract term, according to the agreed methods and timing. Based on the analyses carried out, the company does not believe that the advances for its construction business segment include a significant financing component, since:

(i) they are substantially a guarantee that the customer will duly fulfil its contractual obligations as is common sector practice;

(ii) they are substantially a tool to allow the development of large works that take several years to complete and require large investments by the contractor during the start-up phases (purchase of machinery and equipment, preparation of work site areas, etc.);

(iii) the contract consideration is in line with the effective stage of completion, different payment terms would not lead to an additional consideration for the services rendered.

**Variable consideration**

The contractual consideration in the construction business segment often includes variable amounts (i.e., price adjustments and/or penalties). Under the new standard, an entity shall estimate the variable consideration at its expected value or most likely amount. Furthermore, the new standard requires that the variable consideration be recognised only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The new provisions about the variable consideration do not affect the measurement of contract profit or loss, therefore, the related financial statements captions recognised at the FTA have not been adjusted.

**Enforceability of rights and obligations arising from contract modifications**

Based on the status of the ongoing negotiations with customers for the recognition of additional consideration due to contract modifications and considering the technical and legal evaluations performed with third party experts, the company has not identified any critical issues with respect to the enforceability of rights and obligations arising from contract modifications to its main contracts in place at FTA.

**Other adjustments**

In addition to that set out above, the company's equity was increased by €17,827 thousand to reflect the deferred tax effect of the adjustments arising from first-time adoption of IFRS 15, which also led to a negative adjustment of €6,382 thousand to equity (mostly due to the new rules about pre-operating costs) as a result of the application of the new standard by the equity-accounted investees.

**Presentation and disclosure**

As noted earlier, the company has adopted the new standard with the cumulative effect method described in IFRS 15.C3.b. Accordingly, it has not restated the corresponding figures of the previous year. Therefore, it has recognised the assets and liabilities at 31 December 2018 and the revenue and costs for the year then ended in accordance with IFRS 15 while the comparative figures were presented pursuant to IAS 11 - Construction contracts and IAS 18 - Revenue. The "Accounting effects of the first-time adoption of the new standards" section shows the amount by which each financial statements line item is affected in the current reporting period by the application of IFRS 15 (paragraph C8.a).

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:

(v) the unconditional right to consideration related to work performed (invoices issued or to be issued) <u>as a trade receivable;</u>

(vi) 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) <u>as a</u> <u>contract asset</u>. This caption also includes the additional consideration due to contract variations (work variations and claims) being negotiated with the customers;

(vii) the company's obligation to transfer goods or services to a customer for which it has received advances and progress payments <u>as a</u> <u>contract liability;</u>

(viii) 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 related contract asset for work performed and not yet paid for as other contract liabilities.

A single net balance of the rights and obligations arising from each contract is presented in the financial statements[17], which is the sum of: (i) the carrying amount of contract work in progress (i.e., the total of the costs incurred plus the profits made less the losses incurred), (ii) progress payments received (invoices and progress reports), (iii) contractual advances, and (iv) any fines for contract terminations. If the balance is positive, it is recognised as a "Contract asset" in the statement of financial position, otherwise it is recognised as a "Contract liability". If the company is expected to reimburse the customer as a result of a contract termination but this is not certain, the company recognises the amounts under "Other contract liabilities". This presentation differs slightly from the previous rules, as under IAS 11 - Construction contracts, contractual advances were always recognised as "Amounts due to customers" on the liabilities side of the statement of financial position. Since 2018, the provision for losses to complete construction contracts (recognised under "Amounts due from/to customers"[18] up until 31 December 2017) is recognised under "Provisions for risks and charges" as a liability[19].
The company has provided a breakdown of revenue from contracts with customers by category (i.e., nature of the revenue, geographical segment, type of work, methods used to transfer the assets and services to the customer) which show the main factors that can affect the amount, timing and degree of uncertainty about the revenue and related cash flows. This information is provided in note 1 "Revenue from contracts with customers".

**Commission Regulation (EU) no. 2016/2067 of 22 November 2016, published in Official Journal L 323 of 29 November 2016: Adoption of IFRS 9 - Financial instruments**

On 1 January 2018, IFRS 9 - Financial instruments replaced IAS 39 - Financial instruments: recognition and measurement with a new set of accounting rules applicable to the classification and measurement of financial instruments, impairment of loans and receivables and hedge accounting.

The company adopted the new classification and measurement requirements for financial instruments, including the impairment of financial assets, retrospectively accounting for the cumulative effect of the initial application of the new standard as an adjustment to opening equity at 1 January 2018 (IFRS 9.7.2.15). As allowed, the company did not restate the prior periods given the objective complexity in restating the prior periods without the use of information available subsequently. Instead, it applied the new hedge accounting requirements of IFRS 9 prospectively (IFRS 9.7.2.22).

**Main scope of application**
Based on the gap analysis carried out, the company has identified the following three macro-areas:

**Classification and measurement**

*Financial assets*
The company checked the contractual characteristics of the cash flows of its financial assets (SPPI test) and the business model used to manage them, in order to identify how to classify them into the categories provided for by IFRS 9[20]. Based on the analysis of the business model the company intends to use to manage its subordinated loans (semi-equity) given to the group's concession SPEs[21], it had to classify them as "Financial assets at FVTOCI". It also identified individual financial instruments to be classified as "Financial assets at FVTPL" as the related contractual cash flows are not solely payments of principal and interest. The new requirements about the classification and measurement of financial assets led to a negative adjustment of €37,396 thousand to opening equity at 1 January 2018.
Pursuant to IFRS 9, the company has measured non-controlling interests in unlisted entities at fair value and has solely used the cost method when fair value cannot be determined reliably. Management also decided to

17 Excluding that described for trade receivables.

18 IAS 11.36.

19 Paragraphs 66-69 of IAS 37 - Provisions, contingent liabilities and contingent assets.

20 Financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

21 The company will manage these assets using the contractual cash flows collected on the related expiry dates and through the sale of the financial assets.

avail of the option to designate some[22] non-controlling interests as assets at FVTOCI[23]. In this case, any dividends distributed will be recognised in profit or loss while any fair value gains or losses will be recognised under other comprehensive income without going through profit or loss. The new provisions about the measurement of non-controlling interests in unlisted entities at fair value have not affected the measurement of the investments at the date of initial application. Therefore, their carrying amounts have not been adjusted.

*Financial liabilities*

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.

In the light of the changes introduced by the new standard, the company has recalculated the effects of its main debt refinancing transactions[24] still to be repaid at the date of first-time adoption of such standard. This led to an increase of €7,122 thousand in opening equity at 1 January 2018.

**Impairment**

Adoption of IFRS 9 - Financial instruments has drastically changed the method 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).

Based on the analyses performed in 2017, the company identified the financial assets to be tested for impairment and the most appropriate valuation method to calculate the expected credit losses[25]. The effect of the valuation of the ECL on opening equity at 1 January 2018 was a decrease of €17,291 thousand.

**Hedge accounting**

At the FTA date (i.e., 1 January 2018), the company had checked the IFRS 9 requirements for application of the new measures to recognise hedges. Based on its analyses, all the existing hedges meet the hedge accounting application criteria. Adoption of the new requirements has not significantly affected measurement of the financial statements captions.

**Other adjustments**

In addition to that set out above, equity was increased by €10,492 thousand to reflect the deferred tax effect of the adjustments made to apply IFRS 9 for the first time. This first-time adoption also led to a negative adjustment of €3,346 thousand to equity due to application of the new standard to investments in associates and joint ventures measured using the equity method (mainly due to the new impairment requirements).

**Presentation and disclosure**

As noted earlier, the company has adopted the new standard in line with that set out in paragraphs 7.2.15 and 7.2.22 of IFRS 9 without restating the corresponding figures of the previous year. Therefore, it has recognised the assets and liabilities at 31 December 2018 and the revenue and costs for the year then ended in accordance with IFRS 9 while the comparative figures were presented pursuant to IAS 39 - Financial instruments: recognition and measurement. The "Accounting effects of the first-time adoption of the new standards" section shows the amount by which each financial statements line item is affected in the current reporting period by the application of IFRS 9.

Pursuant to paragraph 7.2.15 of IFRS 9 and paragraphs 42L and 42O of IFRS 7 - Financial instruments: disclosures, the following table provides a reconciliation of the previous classification of the company's main financial assets under IAS 39 with the classification methods of IFRS 9:

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22 The measurement method for equity investments was selected on a case-by-case basis as allowed by the new standard.

23 Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

24 Reverse bookbuilding of equity-linked bonds (June 2017) and amendment of the terms of the forward start facility (November 2014).

25 Reference should be made to the "Impairment of other financial instruments" section for details of the valuation techniques used to calculate the ECL.

| | IAS 39 | | | IFRS 9 | | | |
|---|---|---|---|---|---|---|---|
| Financial instrument category | 31/12/2017 | [26]Classification | [27]Measurement | 01/01/2018 | Business model[28] | SPPI test[29] | Classification and measurement[30] |
| Investments in other companies | 28,848 | AFS | FVTOCI/cost | 28,848 | Other (equity) | NA | FVTOCI/FVTPL/cost |
| Trade receivables | 435,743 | L&R | AC | 434,258 | HTC | C | AC |
| Subordinated loans | 207,829 | L&R | AC | 170,433 | HTC and SELL | NC | FVTOCI/FVTPL |
| Other loan assets | 250,696 | L&R | AC | 246,719 | HTC | C | AC |

**Commission Regulation (EU) no. 2017/1987 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IFRS 15 - Revenue from contracts with customers**

The amendments are applicable from 2018 and clarify certain aspects of the implementation of the new standard and provide additional transitional provisions for first-time adoption of IFRS 15.

**Commission Regulation (EU) no. 2017/1988 of 3 November 2017, published in Official Journal L 291 of 9 November 2017: Amendments to IFRS 4 - Insurance contracts (Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts)**

The amendments to IFRS 4 - Insurance contracts, applicable from 2018, are intended to address concerns about the different effective dates of IFRS 9 - Financial instruments and the forthcoming new insurance contracts standard which will replace IFRS 4 (IFRS 17 - Insurance contracts).

Adoption of the amendments to IFRS 4 has not had significant effects on the measurement of separate financial statements captions and disclosures, as they are mainly addressed to entities operating in the insurance market.

**Commission Regulation (EU) no. 2018/182 of 7 February 2018,, published in Official Journal L 34 of 8 February 2018: Annual improvements to IFRS Standards (2014-2016 cycle) which introduces amendments to IAS 28 - Investments in associates and joint ventures, IFRS 1 - First-time adoption of International Financial Reporting Standards and IFRS 12 - Disclosure of interests in other entities.**

The objective of the annual improvements is to resolve non-urgent issues about inconsistencies in the IFRS or to provide terminology clarifications discussed by the IASB over the project cycle.

Adoption of the new amendments has not had significant effects on the measurement of the separate financial statements captions and disclosures.

**Commission Regulation (EU) no. 2018/289 of 26 February 2018, published in Official Journal L 55 of 27 February 2018: Amendments to IFRS 2 - Share-based payment**

The amendments are applicable from 2018 and aim to clarify the following: *(i)* the vesting conditions for granting equity instruments; *(ii)* the measurement of goods or services received as consideration for cash-settled share-based payment transactions; *(iii)* share-based payment transactions settled net of tax withholdings.

26 L&R: Loans & receivables

27 AC: Amortised cost

28 HTC: The company will manage these assets using the contractual cash flows collected on the related expiry dates; HTC and SELL: The company will manage these assets using the contractual cash flows collected on the related expiry dates and through the sale of the financial assets.

29 N.A.: Not applicable; C: The entire portfolio is SPPI compliant; NC: Part of the portfolio is not SPPI compliant.

30 FVTPL: Financial assets measured at fair value through profit or loss; FVTOCI: Financial assets measured at fair value through other comprehensive income; AC: Financial assets measured at amortised cost.

Adoption of the new amendments has not had any significant effects on the measurement of the separate financial statements captions.

**Commission Regulation (EU) no. 2018/400 of 14 March 2018, published in Official Journal L 72 of 15 March 2018: Amendments to IAS 40 - Investment property - Transfers of investment property.**

The amendments provide guidance on transfers to, or from, investment property. Their adoption, effective for periods beginning on or after 1 January 2018, has not affected the measurement of the separate financial statements captions.

**Commission Regulation (EU) no. 2018/519 of 28 March 2018, published in Official Journal L 87 of 3 April 2018: Adoption of IFRIC 22 - Foreign currency transactions and advance considerations**

The interpretation clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. The new interpretation provides that when the consideration paid or received is to be accounted for under the IFRS[31] for a non-monetary asset or liability, the date of the transaction, for the purpose of determining the exchange rate to be applied to the asset, cost or revenue, is the date of initial recognition of the non-monetary asset or liability.

The company applied the new interpretation prospectively from 2018. This has not had a significant effect on the measurement and presentation of the captions in these separate financial statements.

## Accounting effects of FTA of the new standards

The effects of the application of the new standards on the company's separate financial statements at 31 December 2018 are set out below:

| **Statement of profit or loss** (€'000) | **2018** | **Effects of applying IFRS 15** | **Effects of applying IFRS 9** | **2018 Carrying amounts without adoption of IFRS 15 and IFRS 9** |
|---|---|---|---|---|
| Operating revenue | 741,351 | (46,747) | 0 | 694,604 |
| Operating costs | (1,718,611) | (49) | (148) | (1,718,808) |
| Change in costs capitalised to fulfil a contract | 83 | (83) | 0 | 0 |
| Share of losses of joint ventures and associates | (60,408) | (6,278) | (3,374) | (70,060) |
| **Gross operating loss** | **(1,037,585)** | **(53,157)** | **(3,523)** | **(1,094,264)** |
| Amortisation, depreciation and impairment losses | (361,480) | 3,235 | (19,107) | (377,352) |
| Provisions | (400,094) | 0 | 0 | (400,094) |
| **Operating loss** | **(1,799,158)** | **(49,922)** | **(22,629)** | **(1,871,709)** |
| Net financial expense | (161,263) | 0 | (32,107) | (193,370) |
| **Pre-tax loss** | **(1,960,421)** | **(49,922)** | **(54,736)** | **(2,065,079)** |
| Income taxes | 82,119 | 13,928 | 10,154 | 106,201 |
| **LOSS FOR THE YEAR** | **(1,878,302)** | **(35,994)** | **(44,583)** | **(1,958,879)** |
| Loss for the year | (1,878,302) | (35,994) | (44,583) | (1,958,879) |
| Basic loss per share | -19.19 | | | -20.01 |
| Diluted loss per share | -19.19 | | | -20.01 |

31 The Interpretations Committee clarified that the interpretation's objective was not to establish when an item is monetary or non-monetary but identified a number of references in the IFRS and the Framework that may be useful (paragraph 16 of IAS 21 - The effects of changes in foreign exchange rates, paragraph AG11 of IAS 32 - Financial instruments: presentation and paragraph 4.17 of the Framework).

| Statement of comprehensive income | 2018 | Effects of applying IFRS 15 | Effects of applying IFRS 9 | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 |
|---|---|---|---|---|
| Loss for the year (a) | (1,878,302) | (35,994) | (44,583) | (1,958,879) |
| **Other comprehensive income, net of tax (b)** | **37,960** | **21** | **11,542** | **49,523** |
| **COMPREHENSIVE EXPENSE (a) + (b)** | **(1,840,342)** | **(35,973)** | **(33,041)** | **(1,909,356)** |

| Statement of financial position | 31/12/2018 | Effects of applying IFRS 15 | Effects of applying IFRS 9 | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 |
|---|---|---|---|---|
| **Non-current assets** | **1,118,704** | **(8,277)** | **(7,280)** | **1,103,147** |
| Intangible assets | 41,243 | (4,378) | 0 | 36,865 |
| Non-controlling investments | 16,615 | 0 | (4,980) | 11,635 |
| Equity-accounted investments | 500,976 | 0 | 1,254 | 502,230 |
| Non-current financial assets | 32,627 | 0 | (2,554) | 30,073 |
| Deferred tax assets | 273,122 | (3,899) | (1,000) | 268,223 |
| **Current assets** | **2,306,495** | **44,736** | **10,463** | **2,361,694** |
| Amounts due from customers | 0 | 752,259 | 0 | 752,259 |
| Contract assets | 705,076 | (705,931) | 855 | 0 |
| Costs capitalised to fulfil a contract | 1,592 | (1,592) | 0 | 0 |
| Trade receivables | 603,677 | 0 | 1,054 | 604,731 |
| Current financial assets | 321,371 | 0 | 3,680 | 325,051 |
| Other current assets | 439,083 | 0 | 4,850 | 443,933 |
| Cash and cash equivalents | 145,561 | 0 | 24 | 145,585 |
| **Non-current assets held for sale** | **248,247** | **0** | **0** | **248,247** |
| **Total assets** | **3,673,446** | **36,459** | **3,183** | **3,713,088** |

| Statement of financial position | 31/12/2018 | Effects of applying IFRS 15 | Effects of applying IFRS 9 | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 |
|---|---|---|---|---|
| **Equity (Deficit)** | **(1,410,356)** | **19,347** | **3,183** | **(1,387,826)** |
| Other reserves | 162,421 | 55,321 | 38,630 | 256,372 |
| Other comprehensive expense | (110,275) | 20 | 5,653 | (104,602) |
| Deferred tax on other comprehensive expense | 16,155 | 0 | 3,483 | 19,638 |
| Loss for the year | (1,878,302) | (35,994) | (44,583) | (1,958,879) |
| **Total non-current liabilities** | **90,680** | **0** | **0** | **90,680** |
| **Total current liabilities** | **4,993,123** | **17,113** | **0** | **5,010,236** |
| Amounts due to customers | 0 | 357,224 | 0 | 357,224 |
| Contract liabilities | 258,674 | (258,674) | 0 | 0 |
| Trade payables | 1,222,195 | 1,444 | 0 | 1,223,639 |
| Provisions for risks and charges | 444,191 | (82,881) | 0 | 361,310 |
| **Total deficit and liabilities** | **3,673,446** | **36,459** | **3,183** | **3,713,088** |

The next table shows the effect of applying the new standards on equity at 1 January 2018 net of the related tax effect:

| (€'000) | Share capital | Reserves and undistributed earnings | Other items of comprehensive income | Equity |
|---|---|---|---|---|
| **Opening balance Without effects of adopting new standards** | **195,770** | **460,283** | **(136,984)** | **519,069** |
| Measurement of financial assets | 0 | (37,683) | 287 | (37,396) |
| Measurement of non-controlling interests at fair value | 0 | 0 | 0 | 0 |
| Impairment | 0 | (17,300) | 9 | (17,291) |
| Measurement of financial liabilities | 0 | 7,122 | 0 | 7,122 |
| Effect of adopting IFRS 9 on associates and joint ventures | 0 | (2,246) | 5,593 | 3,346 |
| Related tax effect | 0 | 11,477 | (985) | 10,492 |
| **Total effect of adopting IFRS 9** | **0** | **(38,630)** | **4,904** | **(33,727)** |
| Bidding costs | 0 | (23,469) | 0 | (23,469) |
| Combination of contracts | 0 | (17,369) | 0 | (17,369) |
| Separation of performance obligations | 0 | (25,928) | 0 | (25,928) |
| Satisfaction of performance obligations | 0 | 0 | 0 | 0 |
| Effect of adopting IFRS 9 on subsidiaries | 0 | (6,382) | 0 | (6,382) |
| Related tax effect | 0 | 17,827 | 0 | 17,827 |
| **Total effect of adopting IFRS 15** | **0** | **(55,321)** | **0** | **(55,321)** |
| **Opening balance with effects of adopting new standards** | **195,770** | **366,332** | **(132,080)** | **430,021** |

## 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. 2017/1986 of 31 October 2017, published in Official Journal L 291 of 9 November 2017: Adoption of IFRS 16 - Leases**

IFRS 16 covers the recognition, measurement, presentation of and disclosures about leases and will replace 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 in 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.

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 that will be made at the date of initial application, Astaldi will avail 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.

Based on the analyses carried out to date and the transition option the company intends to adopt, the application of the new standard should not require adjustment to equity at 31 December 2018. With respect to the impact on the company's net financial debt of the application of the standard to leases classified as operating leases under IAS 17, the lease liabilities are expected to increase by €15.4 million.

**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.

Management does not deem that its application, starting from 1 January 2019, will have a significant effect on the 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. (IFRIC: If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filing)

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

[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.

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. Based on its analyses, management believes that the adoption of IFRIC 23 will not have any significant effects on the measurement of the separate 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. Based on its analyses, management believes that the adoption of the new amendments will not have any significant effects on the measurement of 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.

Management believes that the adoption of the amendments will not have any significant effects on the measurement of 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.

Management believes that the adoption of the amendments will not have any significant effects on the measurement of separate financial statements captions.

**Commission Regulation (EU) no. 2019/2075 of 29 November 2019, published in Official Journal L 316 of 6 December 2019: amendments to references to the conceptual framework in IFRS Standards**

The amendments update the existing references to the previous Conceptual Framework in several standards and interpretations, replacing them with revised references. The company will apply these amendments starting from 1 January 2020.

# Notes to the separate financial statements

## 1 Revenue from contracts with customers

### 1.1 Revenue

The following table shows a breakdown of revenue for 2018 and 2017:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Contract revenue | 738,696 | (46,747) | 691,949 | 1,923,692 | (1,231,744) |
| Concessions - Commercial services under arrangement | 14,137 | 0 | 14,137 | 14,448 | (311) |
| Change in inventories, buildings and plant under construction | (6) | 0 | (6) | | (6) |
| **Total** | **752,827** | **(46,747)** | **706,080** | **1,938,140** | **(1,232,060)** |

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. It decreased by €1,184,996 thousand on 2017 (€1,231,744 thousand without the effect of the adoption of IFRS 15 and IFRS 9). This decrease is mainly due to the combined effect of *(i)* the slowdown of production activities carried out directly by Astaldi - both in Italy and abroad - due to the financial difficulties which led it to commence the composition with creditors on a going concern basis procedure in September 2018, and *(ii)* smaller production volumes abroad following the definitive completion of some significant joint venture contracts in Turkey, Russia and Poland.

Concessions – Commercial services under arrangement amount to €14,137 thousand in 2018. They mainly include the revenue from operation services for the four Tuscan hospitals.

#### 1.1.1 Revenue by geographical segment

The following table shows a breakdown of revenue by geographical segment for 2018 and 2017:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C)-(D) |
|---|---|---|---|---|---|
| Italy | 163,696 | (6,832) | 156,864 | 469,198 | (312,335) |
| Europe | 311,571 | (2,978) | 308,593 | 888,711 | (580,118) |
| Americas | 273,553 | (34,743) | 238,810 | 484,746 | (245,937 |
| Africa | 1,785 | 0 | 1,785 | 92,396 | (90,610) |
| Asia | 2,222 | (2,194) | 28 | 3,089 | (3,061) |
| **Total** | **752,827** | **(46,747)** | **706,080** | **1,938,140** | **(1,232,060)** |

**Italy**

Revenue from operations in Italy amounts to €163,696 thousand in 2018 (€156,864 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €305,502 thousand on 2017 (€312,335 thousand without the effect of the adoption of IFRS 15 and IFRS 9) mainly due to:

- slowdowns in production activities on some contracts performed directly by the company (including maxi lot 2 of the Quadrilatero Marche-Umbria road system project) mainly originating from the company's financial difficulties which have been exacerbated by the unfavourable macroeconomic situation affecting the entire sector, including due to delays in payments by public administrations;

- postponements of the start-up phase of certain important contracts (chiefly the mega lot DG-41 of the state road Jonica 106, the high speed/high capacity Verona-Padua Railway Line and the third and fourth lots of the Pedemontana delle Marche road), due to the delays in the bureaucratic procedures necessary to start the works (assignment of financial resources and/or approval of the executive designs), which prevented the organic turnover of some significant contracts completed in 2017 (the high speed/high capacity Naples-Afragola Station and the Angelini property).

The effects of the above were only partly mitigated by the uptick in industrial activities performed as part of joint ventures (especially lot "Mules 2-3" of the Brenner Base Tunnel contract).

**Europe (excluding Italy)**

Revenue from operations in Europe amounts to €311,571 thousand in 2018 (€308,593 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €577,140 thousand on 2017 (€580,118 thousand without the effect of the adoption of IFRS 3 and IFRS 15) mainly due to the definitive completion of some significant contracts in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) and Poland (motorways and extension of Line II of the Warsaw Metro). This was partially mitigated by the positive development of joint venture activities in Romania (lots 2A, 2B and 3 of the Curtici-Simeria railway line, the Ogra-Campia Turzii Motorway Section and the Braila Bridge over the Danube).

**Americas**

Revenue from operations in the Americas amounts to €273,553 thousand in 2018 (€238,810 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €211,193 thousand on 2017 (€245,937 thousand without the effect of the adoption of IFRS 15 and IFRS 9) mainly due to the smaller contribution of Chilean contracts (the Chuquicamata Mining project and the West Metropolitan Hospital in Santiago de Chile).

**Asia (Middle and Far East)**

There were no significant activities in Asia (Middle and Far East) during the year following the company's exit from the area.

**Africa (Algeria)**

No significant activities took place in Africa either in 2018.

## 1.1.2 Revenue by business segment

The following table shows a breakdown of revenue by business segment (construction and O&M) for 2018 and 2017, along with a further breakdown by sub-segment:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Transport infrastructure | 486,013 | (12,854) | 473,158 | 1,395,120 | (921,961) |
| *- Railways and metros* | *344,148* | *(3,044)* | *341,104* | *478,953* | *(137,849)* |
| *- Roads and motorways* | *37,651* | *(9,810)* | *27,841* | *795,522* | *(767,681)* |
| *- Ports and airports* | *104,214* | *0* | *104,214* | *120,646* | *(16,432)* |
| Hydraulic plants and energy production | 16,310 | (16,524) | (214) | 83,027 | (83,241) |
| Civil and industrial construction | 128,515 | | 128,515 | 217,502 | (88,987) |
| Mining projects | 107,852 | (17,369) | 90,483 | 228,044 | (137,561) |
| **Construction** | **738,690** | **(46,747)** | **691,943** | **1,923,693** | **(1,231,750)** |
| **Operation & maintenance** | **14,137** | **0** | **14,137** | **14,448** | **(310)** |
| **Operating revenue** | **752,827** | **(46,747)** | **706,080** | **1,938,140** | **(1,232,060)** |

The breakdown of revenue by business segment for 2018 shows a decrease in revenue from the construction segment mainly caused by the contraction in the transport infrastructure sub-segment (due to lower volumes recorded following the definitive completion of the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway in Turkey).

**Transport infrastructure**

Revenue from the transport infrastructure sub-segment amounts to €486,013 thousand in 2018 (€473,158 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €909,108 thousand (€921,961 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€1,395,120 thousand), mainly due to:

- a drop in revenue from the roads and motorways sub-segment due to the gradual definitive completion of some significant motorway contracts (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway in Turkey and the extension of Line II of the Warsaw Metro in Poland) in addition to the slowdown of industrial activities on maxi lot 2 of the Quadrilatero Marche-Umbria road system project in Italy;
- a contraction in volumes in the railways and metros sub-segment, chiefly due to slowdowns in the performance of Algerian railway contracts and the high speed/high capacity Naples-Afragola Station (completed in 2017). Conversely, there were positive developments in (i) the Brenner Base Railway Tunnel in Italy, and (ii) the new railway lots in Romania (lots 2A, 2B and 3 of the Curtici-Simeria Railway Line).

**Hydraulic plants and energy production**

Revenue from the hydraulic plants and energy production sub-segment amounts to €16,310 thousand in 2018 (-€214 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €66,717 thousand (€83,241 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€83,027 thousand), mainly due to works on the Rzeszow waste-to-energy plant in Poland and the Nieddu Dam in Italy.

**Civil and industrial construction**

Revenue from the civil and industrial construction sub-segment amounts to €128,515 thousand in 2018, down €88,987 thousand on 2017 (€217,502 thousand), above all due to the termination of activities on the West Metropolitan Hospital in Santiago de Chile.

**Mining projects**

Revenue from the mining projects sub-segment amounts to €107,852 thousand in 2018 (€90,483 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €120,192 thousand (€137,561 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€228,044 thousand), mainly due to smaller production volumes on projects in progress in Chile (the Chuquicamata Mine).

**Operation & maintenance**

Revenue from the operation & maintenance segment amounts to €14,137 thousand[32] in 2018, down €311 thousand on 2017 (€14,448 thousand). It was 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 2018, the combined amount of contractual consideration of construction contracts in progress

[32] Adoption of IFRS 15 and IFRS 9 has not affected the measurement and recognition of revenue from the operation & maintenance segment.

allocated to performance obligations not yet satisfied is €6.2 billion (of which €1.2 billion after 2022). The company will recognise these amounts in revenue of future years in line with available forecasts.

Note 37 - Segment reporting pursuant to IFRS 8 provides more information about this caption.

### 1.2 Fines for contract terminations

Fines for contract terminations of €116,803 thousand in 2018 (nil balance in 2017) relate 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). More information is provided in the “Significant contractual events” section.

## 2 Other operating revenue

Other operating revenue amounts to €105,326 thousand in 2018, down €19,679 thousand on 2017 (€125,005 thousand).

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Revenue from the sale of goods | 5,852 | 15,814 | (9,962) |
| Services - third parties | 60,629 | 55,191 | 5,438 |
| Services - management of joint projects | 559 | 868 | (309) |
| Leases and rent | 2,791 | 2,463 | 328 |
| Gains on sales | 5,547 | 15,148 | (9,601) |
| Other | 29,948 | 35,521 | (5,573) |
| **Total** | **105,326** | **125,005** | **(19,679)** |

“Other” mainly includes *(i)* prior year income related to the updating of prior years’ estimates (€23,756 thousand), and *(ii)* compensation received for larger costs incurred by the group companies in previous years for the performance of contracts in the construction segment in Italy and Poland (€4,201 thousand).

The decrease in other operating revenue is chiefly due to:

(i) lower gains on sales in 2018 (dropping €9,601 thousand from €15,148 thousand in 2017 to €5,547 thousand in 2018). This caption had benefited from the gain on the sale of the investment in S.A.T. S.p.A. (€6.7 million) in 2017;

(ii) the €9,962 thousand decrease in revenue from the sale of goods (from €15,814 thousand in 2017 to €5,852 thousand in 2018), basically due to the completion of the Western High-Speed Diameter motorway ring road project in St. Petersburg, Russia;

(iii) smaller revenue included under “Other” (down €5,573 thousand from €35,521 thousand in 2017 to €29,948 thousand in 2018), mainly due to the one-off effects of insurance compensation received in 2017 for the Western High-Speed Diameter motorway ring road project in St. Petersburg, Russia.

These negative effects were partially offset by higher revenue from services to third parties in 2018 (up from €55,191 thousand in 2017 to €60,629 thousand in 2018). This improvement is mainly linked to technical and administrative assistance provided to SPEs through which the company is developing some joint venture projects in Sweden and Romania.

## 3 Purchase costs

Purchases of and changes in raw materials and consumables amount to €319,500 thousand for the year, a rise of €35,317 thousand on the previous year.

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Purchase costs | 328,095 | 283,876 | 44,219 |
| Change in raw materials, consumables and supplies | (8,595) | 307 | (8,902) |
| **Total** | **319,500** | **284,183** | **35,317** |

The following table shows a breakdown of purchase costs by geographical segment:

| | 2018 | % | 2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 53,967 | 16.89% | 62,293 | 21.92% | (8,326) |
| Europe | 193,355 | 60.52% | 149,368 | 52.56% | 43,987 |
| Americas | 69,308 | 21.69% | 63,795 | 22.45% | 5,513 |
| Africa | 2,387 | 0.75% | 8,720 | 3.07% | (6,333) |
| Asia | 483 | 0.15% | 7 | 0.00% | 476 |
| **Total** | **319,500** | **100.00%** | **284,183** | **100.00%** | **35,317** |

There was an increase in costs in Europe and the Americas compared to 2017, partially offset by lower costs in Italy and Algeria. With regard to the main variations:

(i) the large increase in Europe is chiefly for purchase costs incurred for the S-7 Expressway between Naprawa and Skomielna Biała and the Deblin-Lublin railway line no. 7 in Poland and the M-11 Motorway in Russia;

(ii) (ii) the increase in the Americas is mainly due to Contract CC13 of the Chuquicamata Mining project and the El Teniente Mine (Obras de Ventilacion) in Chile;

(iii) (iii) the decrease in Italy is chiefly due to smaller production volumes recorded in maxi lot 2 of the Quadrilatero Marche-Umbria road system contract;

(iv) the decrease in Africa is due to Saida Mussey Slissen and Saida - Tiaret railway projects.

# 4 Service costs

Service costs decreased by €233,932 thousand to €978,464 thousand in 2018. They may be analysed as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Consortium costs | 147,378 | 181,187 | (33,809) |
| Subcontracts and other services | 611,757 | 849,036 | (237,279) |
| Technical, administrative and legal consultancy | 115,024 | 86,390 | 28,634 |
| Directors' and statutory auditors' fees | 2,744 | 2,895 | (151) |
| Utilities | 7,012 | 5,921 | 1,091 |
| Business trips and travel | 4,882 | 4,219 | 663 |
| Insurance | 12,619 | 11,907 | 712 |
| Leases and other costs | 54,982 | 47,115 | 7,867 |
| Lease and building management costs | 9,626 | 8,250 | 1,376 |
| Maintenance on third party assets | 343 | 534 | (191) |
| Other | 12,096 | 14,942 | (2,845) |
| **Total** | **978,464** | **1,212,396** | **(233,932)** |

The consortium costs incurred to carry out contracts with other construction companies decreased by €33,809 thousand on the previous year, basically due to smaller production volumes recorded in Italy.

Subcontracts and other services fell by €237,279 thousand over the previous year and are broken down as follows by geographical segment:

| | 2018 | % | 2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 93,609 | 15.30% | 115,929 | 13.65% | (22,320) |
| Europe | 355,730 | 58.15% | 546,406 | 64.36% | (190,676) |
| Americas | 156,440 | 25.57% | 156,078 | 18.38% | 362 |
| Africa | 4,880 | 0.80% | 30,298 | 3.57% | (25,419) |
| Asia | 1,098 | 0.18% | 323 | 0.04% | 774 |
| **Total** | **611,757** | **100.00%** | **849,036** | **100.00%** | **(237,279)** |

The variations in this caption are mainly due to production of the year which, as described in note 1 on revenue from contracts with customers, recorded a contraction in volumes related to ongoing projects in Italy (Quadrilatero Marche-Umbria road system maxi lot 2), Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway), Russia (WHSD in St. Petersburg and Moscow-St. Petersburg M11 Motorway) and Algeria (the Saida - Moulay Slissen Railway Line and the Saida - Tiaret Railway Line).

Conversely, technical, administrative and legal consultancy costs increased, especially for (i) services provided by the advisers assisting the company in the composition with creditors procedure (€8.3 million), (ii) in addition to the capital strengthening and refinancing project (approved by the company's board of directors on 14 November 2017) which was never finalised (€11,846 thousand).

## 5 Personnel expenses

This caption may be analysed as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Wages and salaries | 250,152 | 215,321 | 34,831 |
| Social security contributions | 31,594 | 31,760 | (166) |
| Other costs | 46,705 | 52,853 | (6,148) |
| Other post-employment benefits | 547 | 891 | (344) |
| Cost of share-based payments | 0 | 1,248 | (1,248) |
| **Total** | **328,998** | **302,073** | **26,925** |

Personnel expenses amount to €328,998 thousand in 2018, up 8.9% (€26,925 thousand) on 2017 (€302,073 thousand).

Other personnel expenses mainly comprise costs for staff training, bed and board and the accrual for post-employment benefits which are comparable to a defined contribution plan under IAS 19.

The accrual for post-employment benefits, as part of the defined benefit plans, is recognised in the caption "Other post-employment benefits".

A breakdown of personnel expenses by geographical segment is as follows:

| | 2018 | % | 2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 75,092 | 22.82% | 77,288 | 25.59% | (2,196) |
| Europe | 87,960 | 26.74% | 76,217 | 25.23% | 11,743 |
| Americas | 157,267 | 47.80% | 134,566 | 44.55% | 22,701 |
| Africa | 6,206 | 1.89% | 12,155 | 4.02% | (5,949) |
| Asia | 2,473 | 0.75% | 1,847 | 0.61% | 626 |
| **Total** | **328,998** | **100.00%** | **302,073** | **100.00%** | **26,925** |

With regard to the geographical breakdown of personnel expenses, there was an increase in Chile (with an impact on the Americas segment) due to works on Santiago Airport and Contract C13 of the Chuquicamata mining project.

Furthermore, the company took a series of actions in the last quarter of 2018 to boost the efficiency of personnel and, more generally, the company's organisational structure. This was one of the main elements underpinning the composition with creditors plan approved in 2019.

## 5.1 Average number of employees

The average number of employees by category is as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Managers | 204 | 201 | 3 |
| Junior managers | 181 | 172 | 9 |
| White collars | 2,735 | 2,501 | 235 |
| Blue collars | 5,407 | 4,265 | 1,142 |
| **Average number of employees** | **8,527** | **7,139** | **1,389** |

The average number of employees is 8,527 in 2018. The rise on 2017 is attributable to the increase in Chile for the contracts mentioned above.

## 5.2 Senior management incentive plans

The company did not recognise any cost from the 2016-2018 stock grant plan approved by the shareholders on 20 April 2016 or from the success fee/MBO plan during the year following the board of directors' resolution of 12 November 2018 to suspend such senior management incentive plans 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

The other operating costs increased by €64,373 thousand to €91,650 thousand. They are made up as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Prior year expense and fair value losses | 25,169 | 1,052 | 24,117 |
| Taxes and duties | 8,408 | 3,764 | 4,644 |
| Other administrative and sundry costs | 58,073 | 22,461 | 35,612 |
| **Total** | **91,650** | **27,277** | **64,373** |

The increase in prior year expense is chiefly due to the reimbursement of costs to be paid to a subcontractor following the adverse outcome of a dispute related to the Cerro Del Aguila hydroelectric project.

Other administrative and sundry costs mainly include: I) the losses realised on the sale of plant and equipment, mostly as part of contracts in Peru and Turkey that are no longer active (€12,536 thousand); II) ordinary administration costs (stationery, photocopies, visas, etc.) (€5,012 thousand); III) the outcome of settlement agreements signed by certain subsidiaries and joint ventures regarding disputes arisen in prior years in Oman and Russia (€7,503 thousand); IV) fines for non-payment (ascribable to the commencement of the composition with creditors procedure) of the company's taxes (€8,806 thousand); and V) impairment losses on certain credit-impaired exposures in Italy (€17,185 thousand).

Finally, the €4,644 thousand increase in taxes and duties on 2017 mainly refers to Italy, Turkey and Romania.

# 7 Share of profits (losses) from subsidiaries, joint ventures and associates

This caption may be analysed as follows:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Subsidiaries | (112,573) | 17,820 | (94,753) |
| Associates | 48,503 | 41,328 | 7,175 |
| Joint ventures | 3,662 | 2,222 | 1,440 |
| **Total** | **(60,408)** | **61,370** | **121,778** |

The negative balance of €60,408 thousand for 2018 is mainly due to the measurement of certain subsidiaries at equity.

The main losses that contributed to such balance in 2018 are those of the subsidiaries Astaldi Concessioni S.p.A. ( €43,136 thousand), Astaldi Canada Inc. (€16,364 thousand), NBI S.p.A. (€13,722 thousand) and Astaldi Construction Corporation (€10,840 thousand), mostly attributable to the company's financial difficulties which meant necessary support was not provided to the subsidiaries for both construction and concession projects, leading to the termination of various contracts.

These losses are partly offset by the profits recorded by two SPEs in Turkey, specifically Otoyol Yatirim Ve Isletme A.S. (€48,835 thousand) and Ankara Etlik Hastane A.S. (Etlik Integrated Health Campus: €4,460 thousand).

# 8 Amortisation, depreciation and impairment losses

This caption may be analysed as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Amortisation | 6,491 | 705 | 7,196 | 10,040 | (2,844) |
| Depreciation | 26,134 | 0 | 26,134 | 28,642 | (2,508) |
| Other impairment losses on non-current assets | 114,917 | 12,610 | 127,527 | | 127,527 |
| Impairment losses | 213,937 | 2,557 | 216,494 | 233,492 | (16,998) |
| **Total** | **361,480** | **15,872** | **377,352** | **272,174** | **105,177** |

Amortisation in 2018 (letter A of the above table) mainly refers to the contractual rights acquired to develop works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€1,257 thousand) and the Infraflegrea project (€3,829 thousand). As a result of adoption of IFRS 15 - Revenue from contracts with customers and the related breakdown of the maxi lot 2 contract into performance obligations, the amortisation criteria for the contractual rights were revised in order to match them to the new accounting treatment whereby the economic benefits of the contract will be accounted for in the company's accounts.

The decrease in depreciation is mainly due to the completion of the WHSD contract in St. Petersburg, Russia.

Other impairment losses on non-current assets mostly refer to:

- impairment losses on machinery that had been particularly worn out during intense usage for projects performed in previous years as part of contracts nearing completion mainly in Peru and Chile (€4,654 thousand)
- impairment losses on the investments in the SPEs Ica Ic Ictas-Astaldi Kuzey Marmara Otoyolu (€105,599 thousand) and Ankara Etlik Hastante A.S. (€1,080 thousand). See note 25 for further information;
- impairment losses on contractual rights related to the Monte Sant'Angelo contract (€2,478 thousand).

Impairment losses refer to:

- the one-off effects of the impairment losses on the Venezuelan financial assets (€150,931 thousand) as explained in greater detail in the "Impairment of other financial instruments" section;
- impairment losses on certain credit-impaired exposures in Turkey (€26,214 thousand);
- impairment losses on certain credit-impaired exposures related to investees (€20,733 thousand), mainly the subsidiaries (i) Constructora Astaldi Cachapoal Limitada, (ii) Seac S.p.a.r.l. in liquidation, and (iii) Valle Aconcagua S.A.;
- impairment losses on tax assets deemed no longer recoverable related to certain projects in South America (€5,335 thousand);
- write-downs of inventories related to some countries in the Americas where the company has decided to discontinue its operations (€13,485 thousand). 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 as soon as possible;
- impairment losses on costs capitalised to fulfil a contract (i.e., bidding costs) in light of new considerations made by management on the probability of being granted the new contracts, especially for certain calls for tenders in Central America (€3,940 thousand);
- the updated estimate of expected credit losses following the impairment test carried out on a collective basis pursuant to IFRS 9 - Financial instruments (which led to a €6,497 thousand reduction of the loss allowances).

# 9 Provisions

Provisions for risks and charges mainly refer to:

| | 2018 | 2017 | Variation |
|---|---|---|---|
| Accruals to the provision for onerous contracts | 138,769 | 471 | 138,298 |
| Accruals to the provision for equity investments | 230,464 | 438 | 230,026 |
| Accruals to the provision for legal disputes | 30,860 | 0 | 30,860 |
| **Total** | **400,094** | **909** | **399,185** |

The accruals to the provision for onerous contracts of €138,769 thousand refer 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 Canada, Chile, Italy and Russia. One such accrual (€75,371 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 Canada) that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal. More information is provided in the "Significant contractual events" section.

The accruals to the provision for equity investments of €230,464 thousand include the accruals for the company's legal obligation to cover the losses exceeding the equity of the related investees. The balance mainly refers to the accrual made following the losses recorded by Astaldi Construction for motorway projects in the US, Astaldi Canada Inc. for the construction of the Muskrat Falls power plant, the joint venture Ic Içtaş Astaldi Ica Inşaat A.S. for the Moscow-St. Petersburg M-11 Motorway in Russia and the group company in charge of plant maintenance, NBI S.p.A..

The accruals to the provision for legal disputes of €30,860 thousand include 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. The balance chiefly refers to accruals made for some disputes underway regarding contracts in Algeria (€11.7 million), Italy (€5.3 million) and South America (€12.5 million).

The “Significant contractual events” section provides more information on South America and specifically the dispute underway with Andritz Hydro in Peru. Accruals made in Algeria refer to contingent liabilities for some additional works performed by subcontractors in relation to railway contracts in progress in the country. Under the relevant contracts, such amounts will only be paid to the subcontractors upon receiving the customer’s definitive approval of the variation orders.

## 10 Financial income

Financial income amounts to €137,492 thousand in 2018 (€117,953 thousand without the effect of the adoption of IFRS 15 and IFRS 9), down €22,199 thousand (€2,660 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€115,293 thousand).

The caption may be analysed as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Income from other investees | 0 | 0 | 0 | 0 | 0 |
| Income from financial transactions with banks | 1,923 | 0 | 1,923 | 1,023 | 900 |
| Commissions on sureties | 14,637 | 0 | 14,637 | 23,421 | (8,784) |
| Income on counter-guarantees | 3,738 | 0 | 3,738 | 1,237 | 2,500 |
| Exchange gains | 47,136 | 0 | 47,136 | 23,347 | 23,789 |
| Financial income on leases | 98 | 0 | 98 | | 98 |
| Fair value gains on derivatives | 3,116 | 0 | 3,116 | 4,242 | (1,126) |
| Fair value gains on the derivative embedded in convertible bonds | 95 | 0 | 95 | 4,871 | (4,776) |
| Interest income on intragroup financing | 68 | 0 | 68 | 0 | 68 |
| Other financial income | 66,682 | (19,539) | 47,142 | 57,152 | (10,010) |
| **Total** | **137,492** | **(19,539)** | **117,953** | **115,293** | **2,660** |

Other financial income mainly includes (i) accrued interest on amounts due from customers for contracts in progress in Italy and abroad (€22,872 thousand), (ii) interest on loans granted to associates and joint ventures (€24,147 thousand), and (iii) fair value gains on subordinated loans (€19,539 thousand).

Commissions on sureties decreased by €8,784 thousand, mostly in Italy and Russia. Specifically, in 2017, 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 Brenner Railway Tunnel contract, the M-11 Motorway contract in Russia and the Muskrat Falls hydroelectric project in Canada.

The increase in exchange gains is mainly due to fluctuations of the Russian rouble and Turkish lira.

## 11 Financial expense

Financial expense amounts to €298,755 thousand in 2018 (€311,323 thousand without the effect of the adoption of IFRS 15 and IFRS 9), up €34,607 thousand (€47,174 thousand without the effect of the adoption of IFRS 15 and IFRS 9) on 2017 (€264,148 thousand). The caption may be analysed as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Interest on bonds | 57,507 | 0 | 57,507 | 62,764 | (5,257) |
| Commissions on sureties | 35,629 | 0 | 35,629 | 42,424 | (6,795) |
| Expense on financial transactions with banks | 61,784 | (7,122) | 54,662 | 51,877 | 2,785 |
| Costs for the early repayment of loans and early redemption of bonds | 0 | 0 | 0 | 3,403 | (3,403) |
| Exchange losses | 81,289 | 0 | 81,289 | 72,897 | 8,392 |
| Fair value losses on derivatives | 14,630 | 0 | 14,630 | 6,296 | 8,334 |
| Financial expense on leases | 1,089 | 0 | 1,089 | 737 | 352 |
| Interest on payment extensions for trade payables | 18,882 | 0 | 18,882 | 7,961 | 10,921 |
| Non-recourse factoring of receivables | 353 | 0 | 353 | 4,551 | (4,198) |
| Interest on intragroup financing | 3,870 | 0 | 3,870 | 4,599 | (729) |
| Other financial expense | 23,721 | 19,690 | 43,411 | 6,639 | 36,772 |
| **Total** | **298,755** | **12,568** | **311,323** | **264,148** | **47,175** |

Other financial expense mainly refers to (i) impairment losses on financial assets chiefly related to old foreign projects (€8,416 thousand), and (ii) commissions on loans and other credit facilities charged by banks and other financial institutions (€10,312 thousand).

In addition to the above impairment losses recognised abroad, the increase in financial expense is basically due to non-recurring items linked to the particular financial situation in which the company operated in 2018 and the commencement of the composition with creditors on a going concern basis procedure. Specifically, the main increases are:

- higher interest expense on payment extensions for trade payables (€10,921 thousand) following delays in payments due to suppliers and subcontractors before the commencement of the composition with creditors procedure;
- the recognition of all the outstanding transaction costs[33] for the bond issues[34] and the company's main corporate loans in profit or loss at the date of commencement of the composition with creditors procedure to align their carrying amounts with their nominal amounts (€27,638 thousand);
- the transfer of the balance of the hedging reserve at the date of commencement of the composition with creditors procedure to profit or loss (€6,818 thousand). This reclassification was necessary following the suspension of the interest rate hedges on the main corporate loans. Specifically, the provisions of the Bankruptcy Law state that interest is no longer accrued on unsecured liabilities starting from the commencement of the composition with creditors procedure; therefore, there is no longer an economic relationship between the hedged loan and the hedging instrument.

These effects are only partially offset by the decrease in commissions on sureties (€6,795 thousand) which had included the effects of commencement of the Brenner Railway Tunnel in 2017 and which the company had already recharged to the SPE in charge of the project (which similarly affected commissions on sureties included in financial income – see note 10).

Exchange losses grew by €8,392 thousand, mainly due to the fluctuations of the Russian rouble and the Turkish lira.

[33] Before the commencement of the composition with creditors procedure, the transaction costs were used to calculate the effective interest rate used to measure such financial instruments at amortised cost.
[34] Equity-linked bonds of €140 million and senior unsecured bonds of €750 million.

# 12 Income taxes

Income taxes for the year amounts to €82,119 thousand, broken down as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Current income taxes | 29,082 | 0 | 29,082 | 21,482 | 7,601 |
| Deferred income taxes | (146,122) | (24,082) | (170,204) | (29,035) | (141,169) |
| IRAP, current | 51 | 0 | 51 | 2,502 | (2,452) |
| IRAP, deferred | | 0 | | 0 | 0 |
| Substitute and other taxes | 34,870 | 0 | 34,870 | (19,391) | 54,261 |
| **Total** | **(82,119)** | **(24,082)** | **(106,201)** | **(24,630)** | **(81,572)** |

(*) The income taxes refer to IRES for Italy and equivalent taxes for abroad.

Deferred tax assets and liabilities amounting to €273,122 thousand and €63,710 thousand, respectively, are broken down as follows:

| Statement of financial position | 31/12/2018 *IRES* | 31/12/2018 *IRAP* | 31/12/2017 *IRES* | 31/12/2017 *IRAP* |
|---|---|---|---|---|
| **a) Deferred tax assets, deriving from:** | **270,158** | **4,046** | **145,090** | **0** |
| - provisions for risks, taxed and costs deductible in following years | 26,168 | 4,046 | 25,722 | 0 |
| - provision for taxed default interest risks | 1 | 0 | 2,139 | 0 |
| - exchange differences | 14,922 | 0 | 28,065 | 0 |
| - tax losses | 91,419 | 0 | 145 | 0 |
| - IFRS 9 and IFRS 15 | 23,577 | 0 | 0 | 0 |
| - interest expense as per art. 96 and other minor | 113,388 | 0 | 89,018 | 0 |
| - other minor | 683 | | | |
| **b) Deferred tax liabilities, deriving from:** | **(64,792)** | **0** | **(99,156)** | **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 | (5,998) | 0 | (15,542) | 0 |
| - foreign components taxable in following years | (55,350) | 0 | (81,932) | 0 |
| - other + hedging reserve | 424 | 0 | 2,187 | 0 |
| **c) Deferred tax assets, net (a + b)** | **205,366** | **4,046** | **45,933** | **0** |
| **d) Deferred taxes for the year taken to profit or loss** | **(142,076)** | **(4,046)** | **(29,035)** | **0** |

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):

| | 2018 | % | 2017 | % |
|---|---|---|---|---|
| **Pre-tax loss** | **(1,960,421)** | | **(123,353)** | |
| Theoretical tax | (470,501) | 24.00% | (29,605) | 24.00% |
| Net effect of permanent increases | 150,992 | (7.70%) | 24,731 | (20.05%) |
| Net effect of deferred and current taxes of foreign operations and other adjustments | 226,121 | (11.53%) | (25,467) | 20.65% |
| Prior year and other taxes | 11,973 | (0.61%) | 4,824 | (3.91%) |
| IRAP (current and deferred) | (703) | 0.04% | 886 | (0.72%) |
| **Taxes recognised in the separate financial statements (current and deferred)** | **(82,119)** | **4.19%** | **(24,631)** | **19.97%** |

# 13 Loss per share

The basic loss per share is calculated as follows:

| | 2018 (A) | Effects of applying new standards (B) | 2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 2017 (D) |
|---|---|---|---|---|
| **Numerator (€'000)** | | | | |
| Profit attributable to the ordinary shareholders of the company (a) | (1,878,302) | (80,576) | (1,958,879) | (98,723) |
| **Denominator (in units)** | | | | |
| Weighted average shares (ordinary) | 98,424,900 | 0 | 98,424,900 | 98,424,900 |
| Weighted average treasury shares | (551,834) | 0 | (551,834) | (566,745) |
| **Weighted average shares used to calculate the basic loss per share (b)** | **97,873,066** | **0** | **97,873,066** | **97,858,155** |
| **Basic loss per share - (€) - (a)/(b)** | **(19.19)** | **(0.82)** | **(20.01)** | **(1.01)** |

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.

## 14 Property, plant and equipment

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 2017, net of depreciation (1) | 32,358 | 59,999 | 24,133 | 20,490 | 13,327 | 150,307 |
| Additions from acquisitions | 82 | 10,158 | 7,405 | 7,822 | 2,267 | 27,734 |
| **Gross amount** | **32,440** | **70,157** | **31,538** | **28,312** | **15,594** | **178,041** |
| Depreciation | (1,048) | (11,924) | (7,008) | (6,144) | 0 | (26,124) |
| Impairment losses | (715) | (4,654) | 0 | 0 | 0 | (5,369) |
| Disposals | 0 | (6,861) | (1,502) | (662) | 0 | (9,025) |
| Reclassifications and transfers | (1) | 11,933 | (1,738) | 783 | (9,045) | 1,932 |
| Net exchange gains (losses) | 0 | (542) | (241) | (35) | (645) | (1,463) |
| Other changes | 0 | (280) | 0 | (269) | 0 | (549) |
| **Balance at 31 December 2018, net of depreciation (2)** | **30,676** | **57,829** | **21,049** | **21,985** | **5,904** | **137,443** |
| | | | | | | |
| (1) of which: | | | | | | |
| Historical cost | 46,023 | 153,048 | 94,315 | 69,967 | 13,327 | 376,680 |
| Acc. depreciation | (13,665) | (93,048) | (70,182) | (49,477) | 0 | (226,373) |
| **Carrying amount** | **32,358** | **59,999** | **24,133** | **20,490** | **13,327** | **150,307** |
| | | | | | | |
| (2) of which: | | | | | | |
| Historical cost | 45,391 | 145,928 | 87,272 | 71,811 | 5,904 | 356,306 |
| Acc. depreciation | (14,715) | (88,099) | (66,223) | (49,826) | 0 | (218,863) |
| **Carrying amount** | **30,676** | **57,829** | **21,049** | **21,985** | **5,904** | **137,443** |

The more significant changes refer to:

- additions from acquisitions, totalling €27,734 thousand, principally relating to investments made for the joint venture project in Italy for Line 4 of the Milan Metro;
- depreciation for the year of €26,124 thousand;
- disposals, totalling €9,025 thousand, principally relating to the assets of contracts being terminated in Peru and Russia;
- impairment losses, totalling €5,369 thousand, relating to core assets in the Americas as described in more detail in note 8.

The caption includes leased assets of €30,740 thousand, as follows:

| | Land and buildings | Generic and specific plant | Excavators, power shovels and | Sundry equipment and machines | Total at 31/12/2018 |
|---|---|---|---|---|---|
| Historical cost | 0 | 29,901 | 18,626 | 2,542 | 51,069 |
| Acc. depreciation | 0 | (9,967) | (9,476) | (886) | (20,330) |
| **Total** | **0** | **19,934** | **9,150** | **1,656** | **30,740** |

## 15 Investment property

Investment property of €135 thousand includes buildings and land held for investment purposes (31 December 2017: €143 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.

## 16 Intangible assets

The following table shows changes in this caption:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 IAS 11 and IAS 39 (C) = (A)+(B) | 31/12/2017 (D) | Variation (E) = (C)-(D) |
|---|---|---|---|---|---|
| Historical cost | 77,436 | 0 | 77,436 | 78,422 | (986) |
| Acc. amortisation | (36,193) | (4,378) | (40,571) | (33,458) | (7,113) |
| **Carrying amount** | **41,243** | **(4,378)** | **36,865** | **44,964** | **(8,099)** |

At 31 December 2018, the caption mainly comprises contractual rights acquired from third parties to perform works for maxi lot 2 of the Quadrilatero Marche-Umbria road system (€12,158 thousand) and the Infraflegrea project (€27,588 thousand). The decrease is mainly due to (i) impairment losses on contractual rights for the Infraflegrea project (€2,478 thousand), and (ii) ordinary amortisation (€6,491 thousand).

Finally, taking into account the indicators of impairment[35] 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 of 8.7%.

### 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 identified the need to recognise an impairment loss of €2,478 thousand.

The sensitivity analysis showed that:

- a reasonable change in the financial parameters used to calculate the discount rate (-100/+100 bps) would lead to a respective increase of approximately €694 thousand or a decrease of approximately €652 thousand in the recoverable amount of the intangible asset;

- a reasonable change in the annual gross operating profit on a linear basis in all years covered by the plan (-10%/+10%) would lead to a respective increase of approximately €694 thousand or a decrease of approximately €652 thousand in the recoverable amount of the intangible asset.

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. Furthermore, the sensitivity analysis showed that a reasonable

[35] Internal information about delays in the performance of works and the financial performance of the contract.

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.

The following table shows changes in this caption:

| | 31/12/2017 | Effects of applying new standards | Additions from acquisitions | Amortisation | Impairment losses | Change in consolidation scope and Other changes | 31/12/2018 |
|---|---|---|---|---|---|---|---|
| Historical cost | 78,422 | 0 | 337 | 0 | (2,479) | 1,156 | **77,436** |
| Acc. amortisation | (33,458) | 4,378 | 0 | (6,491) | | (622) | **(36,193)** |
| **Carrying amount** | **44,964** | **4,378** | **337** | **(6,491)** | **(2,479)** | **534** | **41,243** |

Finally, the caption does not include leased assets.

# 17 Equity investments

This caption, amounting to €517,591 thousand at 31 December 2018, is broken down as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Equity-accounted investments | 502,056 | (3,726) | 498,330 | 584,362 | (86,032) |
| Impairment losses on equity investments | (1,080) | 0 | (1,080) | 0 | (1,080) |
| Non-controlling interests | 16,615 | 0 | 16,615 | 28,848 | (12,233) |
| **Total** | **517,591** | **(3,726)** | **513,865** | **613,210** | **(99,345)** |

In addition to the overall effects of the adoption of the IFRS[36], the decrease in equity investments is mainly attributable to the following reasons:

- the equity loans granted to the Turkish SPE Otoyol Yatirim Ve Isletme A.S. (€3,470 thousand) and Ankara Etlik Hastane A.S. (€680 thousand);
- the equity contributions made to Astaldi Concessioni S.p.A. (€5,576 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 the investment in Veneta Sanitaria Finanza di Progetto in September 2018 (the carrying amount at the date of sale was €43,433 thousand);
- the impairment loss on the investment in the SPE Ankara Etlik Hastane A.S., as detailed later on.

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 2017.

## 17.1 Impairment testing

Given the existence of indicators of impairment, the company tested the carrying amount of the following equity investments for impairment:

[36] See notes 8 and 26.4 for more information.

| Company name | Project | Indicators of impairment | Contract stage | Investment % | Ke[37] | Valuation method |
|---|---|---|---|---|---|---|
| Otoyol Yatirim Ve Isletme A.S. | Gebze-Orhangazi-Izmir Motorway | External sources[38] | Construction | 18.86% | 10.83% | DDM |
| Ankara Etlik Hastane Salik Hizmetleri Isletme Yatirim AS | Etlik Integrated Health Campus | Internal and external sources[39] | Construction | 5.00% | 13.57% | 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

**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 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 showed the need to recognise an impairment loss on such investment, as its recoverable amount (€5,538 thousand) is lower than its carrying amount (€6,617 thousand). The net impairment loss on the investment, amounting to €1,080 thousand, is included in other impairment losses on non-current assets under amortisation, depreciation and impairment losses in the statement of profit or loss.

The sensitivity analysis showed that:

- a reasonable change in the financial parameters used to calculate the discount rate (-100/+100 bps) would lead to a respective increase of approximately €945 thousand or a decrease of approximately €814 thousand in the recoverable amount of the investment; a reasonable change in the dividends flows on a linear basis in all years covered by the plan (-10%/+10%) would lead to a respective increase of approximately €815 thousand or a decrease of approximately €815 thousand in the recoverable amount of the investment.

[37] Calculated based on market values.

[38] External indicators on the deterioration of the macro-economic situation in Turkey.

[39] 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.

### 17.2 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[40], 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[41] - 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[42] | Valuation method |
|---|---|---|---|---|---|---|
| SPV Linea M4 S.p.A. | 14,017 | 18,668 | (4,651) | 9.63% | 8.38% | DDM |

## 18 Financial assets

### 18.1 Non-current financial assets

The following table gives a breakdown of non-current financial assets:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Non-current loan assets | 19,811 | (2,568) | 17,243 | 11,358 | 5,885 |
| Other financial assets - investees | 170 | 0 | 170 | 78,340 | (78,170) |
| Other financial assets - third parties | 0 | 0 | 0 | 1,433 | (1,433) |
| Lease payments receivable | 12,660 | 0 | 12,660 | 0 | 12,660 |
| Loss allowances | (14) | 14 | | | 0 |
| **Total** | **32,627** | **(2,554)** | **30,073** | **91,131** | **(61,058)** |

Non-current loan assets mainly relate to the subordinated loans (semi-equity) granted to the SPEs in the concessions segment.

40 Alternatively, IFRS 9 allows entities to measure non-controlling interests at fair value through profit or loss.

41 Variations in exchange rates and discount rates

42 Calculated based on market values.

The amounts granted to the main investees are summarised below:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Ankara Etlik Hastante A.S. | 4,581 | (672) | 3,909 | 2,712 | 1,197 |
| Metro 5 S.p.A. | 1,728 | (70) | 1,658 | 1,869 | (211) |
| Otoyol Yatirim Ve Isletme A.S | 423 | 6 | 429 | 3,916 | (3,487) |
| SA.T. S.p.A. | 102 | 0 | 102 | 0 | 102 |
| SPV Linea M4 S.p.A. | 12,977 | (1,832) | 11,145 | 0 | 11,145 |
| Veneta Sanitaria di Progetto S.p.A. | 0 | 0 | 0 | 2,861 | (2,861) |
| Other minor | 0 | 0 | 0 | 0 | 0 |
| **Total** | **19,811** | **(2,568)** | **17,243** | **11,358** | **5,885** |

The changes for the year mainly related to:

- the injections made during the year (€1,563 thousand) especially for the SPEs (i) Ankara Etlik Hastane A.S. and (ii) SPV Linea M4 S.p.A.[43];
- the amounts used to offset the amount due for the capital increase approved by the investee Otoyol Yatirim Ve Isletme A.S. (-€3,053 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 (€12,660 thousand).

Other financial assets - investees decreased mainly due to the reclassification of loans granted to (i) Astaldi Concessioni S.p.A. Succursale Chile (€52,466 thousand), (ii) Seac S.p.a.r.l. in liquidation (€4,519 thousand), (iii) Consorzio Stabile Operae (€12,500 thousand), and (iv) NBI S.p.A. (€2,260 thousand) to current given the contractual repayment dates.

For more information on other financial assets - investees, reference should be made to the annex hereto on related party transactions.

## 18.2 Current financial assets

Current financial assets increased by €136,891 thousand to €321,371 thousand and are made up as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Securities in portfolio | 0 | 0 | 0 | 36 | (36) |
| Derivatives | 0 | 0 | | 1,496 | (1,496) |
| Current loan assets | 332,982 | 0 | 332,982 | 186,628 | 146,354 |
| Impairment losses on current loan assets | (7,932) | 0 | (7,932) | 0 | (7,932) |
| Loss allowances | (3,680) | 3,680 | 0 | 0 | 0 |
| **Total** | **321,371** | **3,680** | **325,051** | **188,160** | **136,891** |

Current loan assets increased on the previous year end, mainly due to:

- the reclassification (€52,466 thousand) of the loan granted to the subsidiary Astaldi Concessioni S.p.A. (Succursale Chile) from non-current assets;

[43] The compounding of interest accrued to 31 December 2018 in the loans' carrying amount as agreed by the parties.

- additional financing granted to the subsidiary Astaldi Concessioni S.p.A. in order to provide it with the financial resources necessary to capitalise the SPEs Ankara Etlik Hastane A.S., Sociedad Concesionaria Nuevo Pudahuel S.A., and Sociedad Concesionaria Aguas de Punilla S.A. (€42,774 thousand);
- the interest accrued during the year on the loans granted to Astaldi Concessioni S.p.A. (€9,628 thousand);
- other reclassifications of prior-year non-current loan assets with group companies to current assets as detailed in the previous section.

Impairment losses on current loan assets refer to credit-impaired exposures with the subsidiaries (i) Seac S.p.a.r.l. in liquidation (€4,537 thousand) and (ii) NBI S.p.A. (€2,260 thousand).

# 19 Other assets

## 19.1 Other non-current assets

This caption may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Indirect taxes | 16,358 | 22,550 | (6,192) |
| Direct taxes | 24,217 | 53,858 | (29,641) |
| **Tax assets** | **40,575** | **76,408** | **(35,833)** |
| Guarantee deposits | 10,546 | 3,683 | 6,863 |
| Prepaid insurance premiums | 6,372 | 5,485 | 887 |
| Prepaid surety commissions | 2,669 | 3,370 | (701) |
| Other prepayments | 3,497 | 4,932 | (1,435) |
| Amounts due from social security institutions | 25 | 121 | (96) |
| Amounts due from personnel | 0 | 2 | (2) |
| Other sundry loans and receivables | 52,859 | 204,077 | (151,218) |
| **Other assets** | **75,968** | **221,670** | **(145,702)** |
| **Total** | **116,543** | **298,078** | **(181,535)** |

The decrease in direct taxes is mainly due to the utilisation of withholding taxes applied by the customer of the Third Bosphorus Bridge in Turkey to offset certain tax liabilities in the current year for the same project. Specifically, the local tax regime provides that taxes on long-term contracts shall only be definitively paid after the related contracts have been completed.

Indirect taxes also decreased, mainly due to impairment losses on financial assets no longer deemed recoverable related to certain projects in South America.

The increase in guarantee deposits is principally due to the cash collateral needed to take part in bids for tenders on the Versova-Branda project in India (€4,100 thousand).

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[44] for such assets, recording an additional impairment loss during the year of roughly €152 million on their nominal amount (€4,331 thousand),

## 19.2 Other current assets

[44] See the "Impairment of other financial instruments" section for more information on the criteria adopted to calculate the recoverable amount of such financial assets.

Other current assets comprise the following items:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Receivables for the sale of goods and/or services | 265,930 | 0 | 265,930 | 302,263 | (36,333) |
| Advances to suppliers and subcontractors | 142,692 | 0 | 142,692 | 104,244 | 38,448 |
| Amounts due from personnel | 878 | 0 | 878 | 1,167 | (289) |
| Amounts due from social security institutions | 889 | 0 | 889 | 2,584 | (1,695) |
| Credit notes from suppliers | 14,642 | 0 | 14,642 | 4,493 | 10,149 |
| Prepaid insurance premiums | 4,749 | 0 | 4,749 | 4,270 | 479 |
| Prepaid surety commissions | 3,000 | 0 | 3,000 | 2,913 | 87 |
| Other prepayments | 1,091 | 0 | 1,091 | 1,036 | 55 |
| Other sundry loans and receivables | 10,062 | 0 | 10,062 | 12,779 | (2,717) |
| Allowance for contract losses to complete | (4,850) | 4,850 | 0 | 0 | 0 |
| **Total** | **439,083** | **4,850** | **443,933** | **435,749** | **8,184** |

Receivables for the sale of goods and/or services of €265,930 thousand mainly relate to:

- receivables of €102,125 thousand for (i) 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, and (ii) fees for the sale of equity investments not yet collected at the reporting date;
- receivables of €48,040 thousand from associates, joint ventures and joint operations 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.

The decrease in this item is chiefly due to lower volumes recorded in Europe, mainly attributable to the completion of the Western High-Speed Diameter motorway ring road project in St. Petersburg, Russia.

Advances to suppliers and subcontractors increased by €38,448 thousand, mostly related to (i) the recently acquired contracts in Romania (the Curtici-Simeria railway line - Lots 2A, 2B and 3), and (ii) the development of industrial activities in the projects in progress in Chile (Arturo Merino Benitez International Airport and the Chuquicamata mining project).

## 20 Inventories

This caption may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Raw materials, consumables and supplies | 47,035 | 36,971 | 10,064 |
| Allowance for inventory write-downs | (13,485) | 0 | (13,485) |
| Goods and materials in transit | 4,280 | 2,299 | 1,981 |
| **Total** | **37,830** | **39,270** | **(1,440)** |

The allowance for inventory write-downs refers to some countries in the Americas where the company has decided to discontinue its operations. See note 8 for more information on the assumptions used in calculating the recoverable amount of such assets.

The next table gives a breakdown of inventories by geographical segment:

| | 31/12/2018 | % | 31/12/2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 4,634 | 12.25% | 5,025 | 12.80% | (391) |
| Europe | 26,229 | 69.33% | 12,645 | 32.20% | 13,584 |
| Americas | 6,650 | 17.58% | 20,696 | 52.70% | (14,046) |
| Africa | 317 | 0.84% | 904 | 2.30% | (587) |
| **Total** | **37,830** | **100.00%** | **39,270** | **100.00%** | **(1,440)** |

Net of the write-downs in the Americas, inventories increased by €12,045 thousand mainly due to railway projects in Romania (the Curtici-Simeria Railway Line - Lots 2A, 2B and 3), specifically for aggregates and reinforcing bars to build the works.

# 21 Contract assets and liabilities, Costs capitalised to fulfil a contract

These captions may be analysed as follows:

| CURRENT ASSETS | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Contract work in progress | 12,915,567 | (202,380) | 12,713,187 | 15,429,706 | (2,716,519) |
| Allowance for contract losses to complete | 0 | (19,130) | (19,130) | (9,147) | (9,983) |
| Progress payments | (12,138,891) | 236,577 | (11,902,314) | (13,901,928) | 1,999,614 |
| Fines for contract terminations | (39,484) | 0 | (39,484) | 0 | (39,484) |
| **Amounts due from customers** | | **15,067** | **752,259** | **1,518,632** | **(766,373)** |
| Contractual advances | (31,261) | 31,261 | 0 | 0 | 0 |
| Loss allowances | (855) | 855 | 0 | 0 | 0 |
| **Contract assets** | **705,076** | **47,183** | **752,259** | **1,518,632** | **(766,373)** |
| **Costs capitalised to fulfil a contract** | **1,592** | **(1,592)** | **0** | **n.a.** | **n.a.** |
| **Total current assets** | **706,668** | **45,591** | **752,259** | **1,518,632** | **(766,373)** |

| CURRENT LIABILITIES | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Contract work in progress | 3,626,778 | 233,039 | 3,859,817 | 2,075,619 | 1,784,198 |
| Progress payments | (3,660,142) | (236,577) | (3,896,719) | (2,136,061) | (1,760,658) |
| Contractual advances | (225,311) | (31,261) | (256,572) | (358,033) | 101,462 |
| **Contract liabilities** | **(258,674)** | **(34,799)** | **(293,474)** | **(418,475)** | **125,001** |
| Allowance for contract losses to complete | 0 | (63,751) | (63,751) | (620) | (63,131) |
| **Total amounts due to customers** | **(258,674)** | **(98,550)** | **(357,224)** | **(419,095)** | **61,870** |
| **Provision for onerous contracts** | **(71,496)** | **71,496** | **0** | **n.a.** | **0** |
| **Total current liabilities** | **(330,171)** | **(27,054)** | **(357,224)** | **(419,095)** | **61,870** |

Fines for contract terminations of €39,484 thousand at 31 December 2018 (nil balance at 31 December 2017) relate to estimated probable liabilities to customers 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 as a result of the composition with creditors procedure. More information is provided in the “Significant contractual events” section.

Net contract work in progress[45], recognised separately under current assets and current liabilities, underwent a general decrease in most of the countries where the company operates compared to 31 December 2017. This contraction was mainly attributable to (i) slowdowns in production activities performed directly by the company due to its financial difficulties, and (ii) the completion of some significant contracts performed as part of joint ventures in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) as detailed in note 1.

Contractual advances decreased by roughly €133 million on 31 December 2017, mainly due to the termination (that has already taken place or is expected to take place) of certain contracts excluded from the core assets scope, as defined in the business plan underpinning the composition with creditors proposal. Specifically, at the reporting date, customers enforced the advance payment bonds (totalling approximately €70 million) for some contracts in Chile (the Chuquicamata Mining project), Poland (the Deblin-Lublin Railway Line no. 7 and the E-59 Railway Line) and Nicaragua (the Chinandega Cehchi Hospital)[46]. In addition, the company reclassified to other current liabilities the residual contractual advances (totalling roughly €39.8 million) for other contracts being terminated[47] the guarantees for which the relevant customers had not yet enforced at the reporting date.

# 22 Trade receivables

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Customers | 443,867 | 0 | 443,867 | 256,530 | 187,337 |
| Investees | 195,232 | 0 | 195,232 | 186,207 | 9,025 |
| Loss allowances | (35,422) | 1,054 | (34,368) | (6,994) | (27,374) |
| **Total** | **603,677** | **1,054** | **604,731** | **435,743** | **168,988** |

The increase is mostly due to lower non-recourse factoring of trade receivables during the year (down €254 thousand on 31 December 2017). The most significant variations include higher trade receivables in Poland (Line 2 of the Warsaw Metro, Lot A of the S-2 Warsaw Southern Bypass), Romania (railway works and Line 5 of the Bucharest Metro) and Italy (the Brenner Base Tunnel and O&M activities for the Tuscan hospitals) which made the largest contribution to production of the year.

The increase in the loss allowances is attributable to the revised estimate of the recoverable amount of certain credit-impaired exposures in Turkey (€26,214 thousand).

At 31 December 2018, past due trade receivables amount to €214.3 million, including €121.2 million past due by more than one year. With respect to the largest exposures and, specifically, the trade receivables related to the railway contracts in Romania (Railway section 2, 3/4, Lot 2), following the various decisions of the Dispute Adjudication Board (DAB) in Astaldi’s favour for approximately €71 million plus interest and the non-

[45] Contract work in progress less progress payments from customers.
[46] Contract acquired in 2018.
[47] Mainly related to: (i) Zemo Osiauri-Chumateleti section, Lot 2 of the E-60 Motorway in Georgia; (ii) Lot I-II of the Arenal Hydroelectric Project in Honduras; (iii) Alto Piura Hydro Project in Peru; and (iv) the recently-acquired project in Italy for the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction.

payment of the amounts due by the customer, Astaldi commenced two arbitration proceedings (one for each lot), which were then merged into a single proceeding. After the arbitration board issued the interim award ordering the customer to pay the amount due, the proceeding continued with the merits hearings which were completed within the set deadline (April 2018). Though initially expected to be completed in 2018, the arbitration was postponed various times during 2019. On 31 October 2019, the ICC (International Chamber of Commerce) issued the award ordering the customer to pay €74.95 million plus interest calculated at the award date for a total of €92.2 million (with 6% interest for each day of late payment of the principal). The customer was also ordered to pay the costs of the proceedings. As it is an ICC arbitration, the award is final and binding. At the date of publication of these separate financial statements, the company has collected all the recognised fees.

See the annex on related party transactions for more information on loans and receivables with investees.

## 23 Tax assets

This caption may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Indirect tax assets | 49,033 | 38,778 | 10,255 |
| Direct tax assets | 3,470 | 13,003 | (9,533) |
| Loss allowances | (198) | (198) | 0 |
| **Total** | **52,305** | **51,583** | **722** |

Direct tax assets decreased, mainly in Europe due to their normal use to reduce the current taxes due as per the related tax returns.

The increase in indirect tax assets is attributable to the temporary deferral of invoicing of some contractual milestones for certain contracts in progress in Romania in addition to the current split-payment regime in force in Italy with public administrations. Due to the composition with creditors procedure, the company cannot implement actions to collect payment of its amounts due from the Italian public administrations, whereas in different circumstances it would have taken action in order to free up its working capital.

## 24 Cash and cash equivalents

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Bank and post office accounts | 145,301 | 24 | 145,325 | 393,237 | (247,912) |
| Cash-in-hand and cash equivalents | 260 | 0 | 260 | 347 | (87) |
| **Total** | **145,561** | **24** | **145,585** | **393,585** | **(247,999)** |

At 31 December 2018 (letter A of the above table), cash and cash equivalents amount to €145,561 thousand (31 December 2017: €393,585 thousand) and mainly consist of bank deposits and cash-in-hand.

A breakdown of this caption by geographical segment is as follows:

| | 31/12/2018 | % | 31/12/2017 | % | Variation |
|---|---|---|---|---|---|
| Italy | 48,260 | 33.15% | 93,187 | 23.68% | (44,927) |
| Europe | 73,494 | 50.49% | 223,370 | 56.75% | (149,876) |
| Americas | 16,944 | 11.64% | 57,375 | 14.58% | (40,431) |
| Africa | 2,470 | 1.70% | 15,087 | 3.83% | (12,617) |
| Asia | 4,393 | 3.02% | 4,566 | 1.16% | (173) |
| **Total** | **145,561** | **100.00%** | **393,585** | 100.00% | **(248,024)** |

## 25 Non-current assets held for sale

This caption is mainly comprised of the 20% interest (including the shareholder loan) in the Third Bosphorus Bridge SPE Ica Ic Ictas Astaldi Kuzey Marmara Otoyolu amounting to €246,803 thousand (31 December 2017: €347,946 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 which also took into account the effects of the deteriorated economic conditions in Turkey in 2018 and the time value effects on the payment terms of the transaction price. Accordingly, the company discounted the transaction price appropriately.

As a result of the discounting, the company impaired its investment by €105.6 million and recognised the impairment loss in other impairment losses on non-current assets under amortisation, depreciation and impairment losses in the statement of profit or loss.

The residual amount of non-current assets held for sale (€1,444 thousand) refers to the investment in the four Tuscan hospitals SPE, SA.T. S.p.A., which was sold in 2019.

# 26 Equity (deficit)

## 26.1 Share capital

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. | 39,605,495 | 40.239% | 79,105,495 | 51.726% |
| Finetupar International S.A. | 12,327,967 | 12.525% | 24,655,934 | 16.122% |
| **Total Fin.Ast. S.r.l.** | **51,933,462** | **52.764%** | **103,761,429** | **67.848%** |
| FMR LLC | 3,931,000 | 3.994% | 6,610,000 | 4.322% |
| **Total shareholders with a significant investment** | **55,864,462** | **56.758%** | **110,371,429** | **72.169%** |
| Treasury shares | 553,834 | 0.563% | 553,834* | 0.362% |
| Market | 42,006,604 | 42.679% | 42,006,604 | 27.476% |
| **Total** | **98,424,900** | **100.000%** | **152,931,867** | **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 97,871,066 showing an increase of 16,000 shares on the 31 December 2017 balance of 97,855,066. As per the resolution of the company's shareholders at their extraordinary meeting of 28 June 2018, the nominal amount of Astaldi's ordinary shares was eliminated in order to allow greater flexibility in the capital transactions planned under the composition with creditors proposal.

## 26.2 Other financial instruments giving the right to subscribe newly issued shares

In June 2017, the company placed an equity-linked bond issue with qualified Italian and foreign investors (the "bonds") maturing in 2024 and with a total nominal amount of €140 million. Under the bond regulation, they may be converted into existing or newly issued ordinary shares starting from December 2017, although the company has the option to settle conversion requests paying cash or a combination of delivering ordinary shares and paying cash (cash settlement option).

The company 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, along with the additional documentation required by article 161.2/3 of the Bankruptcy Law.

Under the financial manoeuvre underpinning the composition with creditors plan and proposal communicated in a press release on 14 February 2019 and subsequently updated (the "composition proposal"), holders of equity-linked bonds (like all other unsecured creditors) will be satisfied partly through the proceeds from the sale of the non-core assets (via participating financial instruments) and partly by converting their claims into shares. At the date of publication of these separate financial statements, after acknowledging the approval of the composition with creditors proposal (by 69.4% of the creditors eligible to vote), with its ruling of 4 May 2020, the Rome Court found Astaldi's composition with creditors procedure to be urgent as per article 83.3.a) of Decree law no. 18 of 17 March 2020, converted into Law no. 27 of 24 April 2020, and set the hearing date for the authorisation of the composition with creditors as per article 180 of the Bankruptcy Law as 23 June 2020.

## 26.3 Treasury shares

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.

## 26.4 Reserves

The following table shows the reserves:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Legal reserve | 34,347 | 0 | 34,347 | 33,163 | 1,184 |
| Extraordinary reserve | 195,510 | 0 | 195,510 | 294,446 | (98,936) |
| Retained earnings (losses carried forward) | (24,038) | 0 | (24,038) | 74,685 | (98,723) |
| Other reserves | 162,421 | 93,950 | 256,372 | 156,712 | 99,660 |
| Other comprehensive expense | (110,275) | 5,675 | (104,601) | (155,286) | 50,686 |
| Deferred tax on other comprehensive expense | 16,155 | 3,483 | 19,637 | 18,302 | 1,335 |
| **Total** | **274,119** | **103,108** | **377,226** | **422,022** | **(44,795)** |

The most significant changes in the reserves include:

- the effects of applying for the first time the new IFRS 15 - Revenue from contracts with customers and IFRS 9 - Financial instruments, which decreased the reserves by €93,950 thousand[48];
- the carry forward of the 2017 loss of €98,723 thousand as resolved by the shareholders on 27 April 2018;
- the utilisation of the extraordinary reserve - as resolved by the shareholders on 27 April 2018 - for a net amount of €99,752 thousand to integrate the unavailable reserves pursuant to article 6.2 of Legislative decree no. 38/2005;
- the positive variation in other comprehensive expense (€42,863 thousand net of the related tax effect), mostly due to the translation of the financial statements of foreign operations from US dollars into Euros.

## 26.5 Availability of the equity reserves as per article 2427.7-bis of the Italian Civil Code

The following table breaks down the availability of the equity reserves as per article 2427.7-bis of the Italian Civil Code.

| | 31/12/2018 | 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 | (94,121) | | |
| • Losses carried forward | (98,723) | | |
| • 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** | **467,945** | | |

* A: for capital increase – B: to cover losses – C: dividends

[48] More information is available in the "Newly-issued and endorsed standards and interpretations applicable to annual periods beginning on or after 1 January 2018" section.

# 27 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 Astaldi at such date were classified under current liabilities.

## 27.1 Non-current financial liabilities*

Non-current financial liabilities are made up as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Convertible bonds | 0 | 140,000 | (140,000) |
| High yield bonds | 0 | 750,000 | (750,000) |
| **Bonds - nominal amount** | **0** | **890,000** | **(890,000)** |
| Issue and placement fees | 0 | (10,706) | 10,706 |
| Cash settlement option - fair value | 0 | 95 | (95) |
| **Total bonds** | **0** | **879,389** | **(879,389)** |
| Bank loans | 0 | 487,577 | (487,577) |
| Collateralised loans | 0 | 2,663 | (2,663) |
| Lease liabilities | 19,107 | 10,770 | 8,337 |
| **Bank loans and borrowings and lease liabilities - nominal amount** | **19,107** | **501,010** | **(481,903)** |
| Commissions on loans | 0 | (6,713) | 6,713 |
| Hedging derivatives | 0 | 5,070 | (5,070) |
| **Total bank loans and borrowings and lease liabilities** | **19,107** | **499,368** | **(480,260)** |
| Subsidiaries | 0 | 1,102 | (1,102) |
| Associates, joint ventures and other investees | 1,701 | 1,229 | 473 |
| **Total** | **20,809** | **1,381,087** | **(1,360,278)** |

(*) Included in net financial debt for €19,107 thousand (31 December 2017: €1,373,591 thousand).

The decrease on the previous year end is due to the reclassification of almost all financial liabilities (with the exception of lease liabilities) to current financial liabilities due to the company commencing the composition with creditors procedure on 28 September 2018.

See note 28.2 Current financial liabilities for information on finance leases.

## 27.2 Current financial liabilities*

This caption increased by €1,774,157 thousand on the previous year end and may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Bonds | 907,068 | 4,153 | 902,915 |
| Issue and placement fees | 0 | (2,569) | 2,569 |
| **Total bonds** | **907,068** | **1,584** | **905,484** |
| Current portion of bank loans | 1,505,232 | 488,887 | 1,016,345 |
| Current portion of non-current loans | 9,968 | 263,702 | (253,734) |
| Current portion of collateralised loans | 2,784 | 242 | 2,542 |
| Lease liabilities | 17,634 | 5,903 | 11,731 |
| **Bank loans and borrowings and lease liabilities - nominal amount** | **1,535,618** | **758,734** | **776,884** |
| Commissions on loans | 0 | (8,110) | 8,110 |
| Accrued interest on bank loans | 16,195 | 8,641 | 7,554 |
| Hedging derivatives | 8,060 | 3,727 | 4,333 |
| **Total bank loans and borrowings and lease liabilities** | **1,559,873** | **762,993** | **796,880** |
| Other loans and borrowings | 56,726 | 0 | 56,726 |
| Subsidiaries | 56,214 | 43,145 | 13,069 |
| Associates, joint ventures and other investees | 82 | 0 | 82 |
| Intragroup cash pooling current account | 73,756 | 71,841 | 1,915 |
| **Total** | **2,653,719** | **879,562** | **1,774,157** |

(*) Included in net financial debt for €2,588,566 thousand (31 December 2017: €832,691 thousand)

**Bonds**

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 4.8750% 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 €131.2 thousand on the equity-linked bonds accruing on 28 September 2019;
- interest payable of €16,936.48 thousand on the senior unsecured bonds accruing on 28 September 2019.

**Bank loans and borrowings and lease liabilities - nominal amount**

The following table shows the company's main loans and borrowings at the reporting date:

| Type of loan | Type | Outstanding 31/12/2018 |
|---|---|---|
| Bilateral - Cariparma | Committed | 50,000 |
| Bilateral - BNP Paribas | Committed | 45,000 |
| Bilateral - Banca Popolare dell'Emilia Romagna_bis | Committed | 25,000 |
| Bilateral - Banca Ubae | Committed | 25,000 |
| Bilateral - Credito Valtellinese | Committed | 20,000 |
| Bilateral - ICBC | Committed | 10,000 |
| Bilateral - Factorit | Committed | 8,327 |
| Bilateral - Banca del Mezzogiorno | Committed | 6,580 |
| Bilateral - Banca Popolare dell'Emilia Romagna | Committed | 5,000 |
| Bilateral - Banca Popolare di Spoleto | Committed | 5,000 |
| Bilateral - BPM loan | Committed | 2,784 |
| Bilateral - Banca Carige | Committed | 1,478 |
| Syndicate - RCF €500 million | Committed | 500,000 |
| Syndicate - RCF €120 million | Committed | 120,000 |
| Syndicate - Cacib_Bbva | Committed | 15,000 |
| Unicredit S.p.A. | Uncommitted | 45,000 |
| Intesa SanPaolo S.p.A. | Uncommitted | 38,000 |
| Enforcements of guarantees | | 166,879 |
| Other borrowings | | 428,936 |
| **Total bank loans and borrowings** | | **1,517,984** |
| Finance leases | | 17,634 |
| **Total bank loans and borrowings and lease liabilities (*)** | | **1,535,618** |

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, all of the company's non-current liabilities were reclassified to current liabilities.

The main changes in bank loans, enforcements of guarantees and financing during the year were as follows:

- drawdowns of committed revolving credit facilities of €180 million;
- drawdowns of committed term loans/amortising credit facilities of €25 million;

- enforcements of €166.9 million as described later on;
- drawdowns of local credit facilities in Poland of approximately €28 million included under other borrowings;
- drawdowns of committed term loans/amortising credit facilities of €25 million;
- repayment of the committed loan of €8.7 million agreed with Banco Do Brasil in May 2015 and due in May 2018;
- repayment of the committed loan of €5 million agreed with Banco Popolare in July 2015 and due in January 2018;
- repayment of the committed loan of €3.3 million agreed with Banco Do Brasil in September 2015 and due in August 2018;
- repayment of due instalments (amounting to €15 million) of the committed syndicate loan agreed with CACIB/BBVA in December 2014 and guaranteed by Sace;
- repayment of due instalments of the bilateral committed loans amounting to €26.8 million;
- repayment of the bridge financing of €46.2 million - taken out in connection with the commencement of work for the Menemen motorway concession in Turkey - following the definition of non-recourse project financing granted directly to the relevant SPE[49].

**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<br>**Country** | Advance payment bonds | Performance bonds | Retention bonds | Equity contributions | Other financial guarantees | **Total** |
|---|---|---|---|---|---|---|
| Chile | 29 | 41 | 16 | 3 | 5 | **94** |
| Nicaragua | 9 | | | | | **9** |
| Peru | | | | | 2 | **2** |
| Poland | 31 | 31 | | | | **62** |
| **Total** | **69** | **72** | **16** | **3** | **7** | **167** |

The following is a brief summary of the main enforcements during the year:

**West Metropolitan Hospital in Santiago de Chile – Customer: Sociedad Concesionaria Metropolitana de Salud s.a. (SCMS)**

Despite the fact that the construction works on the hospital were almost completed, SCMS declared default of the EPC[50] contract on 11 October 2018 and, accordingly, enforced the performance bond and the retention bond for a total of UF921 thousand (roughly €32 million). On 4 December 2018, SCMS also issued Astaldi with a default notice (notificacion de incumplimiento) asking it to present a recovery plan or else the contract would be terminated. Astaldi challenged the validity of the notice and presented a recovery plan for the completion of the project. However, on 2 January 2019, SCMS terminated the construction contract for default nonetheless. Astaldi challenged the termination and took the actions allowed by the local legal system to arrange for its defence. Pending the completion of the proceedings underway, the guarantors and/or the counter-guarantors paid out the requested guaranteed amounts.

**El Teniente Mine, Chile – Customer: CODELCO**

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). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts. However, given Astaldi's excellent performance and reputation, the customer communicated its willingness to continue the works under

[49] Moreover, Astaldi signed an agreement with the other parties to sell its interest in the SPE.

[50] Engineering, Procurement, Construction.

a new contract. After receiving authorisation from the Rome Court, in February 2019, the company signed new contracts with CODELCO, i.e.: (i) "*Contrato Teniente Q3 Obras Acceso Principal y Obras en Adit Ventilación*" and (ii) "*Contrato CC-013F Desarrollos subniveles inferiores e infraestructura de transporte de nivel 1*" (see below "Chuquicamata Mine, Chile – Customer: CODELCO"), along with (iii) the settlement agreement to define the pending items.

**Chuquicamata Mine, Chile – Customer: CODELCO**

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 €44 million (including the advance payment bond). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts. As mentioned above for the El Teniente contract, in February 2019, the company signed a new contract with CODELCO, i.e. "*CC-013F Desarrollos subniveles inferiores e infraestructura de transporte de nivel 1*", along with the settlement agreement to define the pending items.

**Deblin-Lublin Railway Line no. 7, Poland – Customer: Pkp Polskie Linie Kolejowe S.a.**

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, inter alia, the extraordinary and unforeseeable change in the economic situation of the local construction segment which made it impossible to fulfil the contractual obligations. On 5 October 2018, the customer replied by terminating the contract and enforcing the guarantees totalling €43.3 million (including the advance payment bond). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts.

**E-59 Railway Line, Poland – Customer: Pkp Polskie Linie Kolejowe S.a.**

On 27 September 2018, Astaldi notified the customer of the termination of the contract due to, inter alia, the extraordinary and unforeseeable change in the country's economic situation 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. On 5 October 2018, the customer replied by terminating the contract and enforcing the guarantees totalling €20.3 million (including the advance payment bond). The guarantors and/or the counter-guarantors promptly paid out the requested guaranteed amounts.

**Lease liabilities**

Lease liabilities amounted to €36,741 thousand at 31 December 2018.
The increase on the previous year end is mainly due to the combined effect of:

- new leases signed for €38,291 thousand;
- repayments of principal amounting to €18,992 thousand.

The new leases chiefly refer to two main transactions regarding the lease of a TBM needed to bore the Brenner Base Tunnel (€21,733 thousand) and Line 4 of the Milan Metro (€12,375 thousand).

| | 31/12/2018 | | 31/12/2017 | |
|---|---|---|---|---|
| | Lease payments | Present value | Lease payments | Present value |
| Within one year | 18,422 | 17,634 | 6,495 | 5,903 |
| Between one and within five years | 19,527 | 19,107 | 11,153 | 10,771 |
| **Total lease payments** | 37,949 | | 17,648 | |
| Interest expense | 1,208 | | 974 | |
| **Present value** | 36,741 | 36,741 | 16,674 | 16,674 |

**Other loans and borrowings**

Other loans and borrowings, amounting to €56,726 thousand, mainly refer to:

- €20,407 thousand: promissory notes issued after the agreement signed with the company's partners in the Menemen contract in Turkey under which Astaldi will sell its interest in the project and return the contractual advance to such partners;
- €20,000 thousand: loan agreed with the company's parent, FINAST, in May 2018;
- €9,194 thousand: shareholder loan received from the joint venture "Ica Astaldi -Ic Ictas WHSD Insaat AS" as part of the WHSD project in St. Petersburg, Russia;
- €6,328 thousand: amount due to Simest S.p.A. for the acquisition of a non-controlling interest in Astaldi Construction Corporation ("ACC"). Specifically, in 2017, Simest S.p.A. participated in ACC's capital increase and became a new shareholder with a stake of 34.19% paying USD 7.5 million. The investment agreement between the company and Simest S.p.A. provides for, inter alia, the company's acquisition of Simest S.p.A.'s investment in ACC according to the contractually-agreed methods and also establishes the minimum sale price that takes into account Simest S.p.A.'s initial investment and the timing of the transaction.

## 27.3 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.

| | | 31/12/2018 (A) | Effects of the application of the new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 9 (C) = (A) + (B) | 31/12/2017 |
|---|---|---|---|---|---|
| Cash | | 145,561 | 24 | 145,585 | 393,585 |
| Securities held for trading | | 0 | 0 | 0 | 36 |
| **Cash and cash equivalents** | **(A+B)** | **145,561** | **24** | **145,585** | **393,620** |
| Current loan assets | | 73,092 | 3,680 | 76,772 | 79,189 |
| *of which: related parties* | | *69,458* | 0 | *69,458* | *47,045* |
| **Current loan assets** | | **73,092** | **3,680** | **76,772** | **79,189** |
| Current portion of bank loans and borrowings | | (1,404,909) | 0 | (1,404,909) | (489,418) |
| Current portion of bonds | | (907,068) | 0 | (907,068) | (1,584) |
| *of which: related parties* | | (7,600) | 0 | (7,600) | 0 |
| Current portion of non-current debt | | (12,752) | 0 | (12,752) | (263,944) |
| Other current loans and borrowings | | (263,837) | 0 | (263,837) | (77,744) |
| *of which: related parties* | | (93,756) | 0 | (93,756) | *(71,841)* |
| **Current financial debt** | **(E+F+G+H+I)** | **(2,588,566)** | **0** | **(2,588,566)** | **(832,691)** |
| **Net current financial debt** | **(J+D+C)** | **(2,369,913)** | **3,704** | **(2,366,209)** | **(359,881)** |
| Non-current bank loans and borrowings | | 0 | 0 | 0 | (483,527) |
| Bonds | | 0 | 0 | 0 | (879,294) |
| *of which: related parties* | | 0 | *0* | *0* | *(14,000)* |
| Other non-current financial liabilities | | (19,107) | 0 | (19,107) | (10,770) |
| **Non-current financial debt** | **(L+M+N+O)** | **(19,107)** | **0** | **(19,107)** | **(1,373,591)** |
| **Net financial debt from continuing operations** | **(K+P)** | **(2,389,020)** | **3,704** | **(2,385,316)** | **(1,733,473)** |
| **Net financial position of disposal groups** | | **185,224** | **0** | **185,224** | **180,767** |
| *of which: related parties* | | **185,224** | **0** | **185,224** | **180,767** |
| **Net financial debt** | **(Q+R)** | **(2,203,797)** | **3,704** | **(2,200,093)** | **(1,552,706)** |
| Non-current loan assets | | 12,646 | 14 | 12,660 | 0 |
| Subordinated loans | | 19,811 | (2,568) | 17,243 | 11,358 |
| *of which: related parties* | | 5,004 | 0 | 5,004 | 9,489 |
| **Non-current loan assets** | | **32,457** | **(2,554)** | **29,903** | **11,358** |
| **Total net financial debt** | **(S+T)** | **(2,171,340)** | **1,150** | **(2,170,190)** | **(1,541,348)** |

Total net financial debt includes the net financial debt 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.

### 27.4 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.

## 28 Other liabilities

### 28.1 Other non-current liabilities

This caption of €1,732 thousand (31 December 2017: €7,298 thousand) mainly refers to Chile and Turkey and mostly comprises deferred income (i.e., prepaid lease instalments).

### 28.2 Other current liabilities

This caption of €298,633 thousand comprises:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Subsidiaries | 85,421 | 20,201 | 65,285 |
| Associates and joint ventures | 1,237 | 4,771 | (3,534) |
| Other companies | 239 | 1,196 | (957) |
| Personnel | 24,509 | 23,152 | 1,357 |
| Social security institutions | 17,762 | 10,722 | 7,040 |
| Accrued expenses and deferred income | 14,174 | 5,139 | 9,035 |
| Other | 155,292 | 84,492 | 70,734 |
| **Total** | **298,633** | **149,673** | **148,960** |

"Other" mainly includes (i) amounts due to customers related to the return of contractual advances on certain contracts excluded from the core assets scope[51] (€39,772 thousand), (ii) repayments to be made to customers (€1,725 thousand), (iii) advances from customers for the sale of goods and assets (€13,622 thousand), and (iv) amounts due to partners for joint projects (€88,363 thousand). The increase over the previous year end is mainly related to:

- the termination (that has already taken place or is expected to take place) of certain contracts no longer deemed strategic, especially in Georgia (Zemo Osiauri-Chumateleti section and Lot 2 of the E-60 Motorway), Italy (the Colombo, San Tommaso and Polcevera tunnels of the Genoa railway junction) and Central America. Due to the need to refund customers for advances paid and not recovered by work performed, the relevant residual contractual advances (€39,772 thousand) were reclassified to this caption from the contract assets or liabilities captions;
- the liabilities related to amounts (€53,750 thousand) under dispute with a public sector customer paid in advance by the subsidiary AR.GI S.c.p.A[52]; such amounts will have to be returned should the Court of Cassation rule against the subsidiary. Specifically, a dispute arose with the customer during the performance of the works to develop the state road Jonica 106 (mega lot-DG22). The dispute was

[51] As defined in the business plan underpinning the composition with creditors proposal.

[52] As per the contract between AR.GI and Astaldi

provisionally defined with the interim award on 8 July 2013 and then definitively with the final award on 21 January 2014, which awarded €51 million to AR.GI. 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.

The increase in amounts due to personnel is mainly due to termination benefits due for some contracts nearing completion in Central America and Russia.

The rise in amounts due to social security institutions is mainly related to Italy and chiefly refers to social security contributions accrued before the commencement of the composition with creditors procedure which, under the provisions of the Bankruptcy Law, cannot yet be paid.

The increase in accrued expenses is mainly attributable to commissions on sureties (mostly accrued before the commencement of the composition with creditors procedure) and the 13th month's pay to employees.

See the section on related parties for more information on transactions 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.

# 29 Employee benefits

This caption and related changes for the year are summarised in the following table:

| Actuarial valuation | Defined benefit plans | Termination benefits | 31/12/2018 |
|---|---|---|---|
| **a) Opening balance** | **4,143** | **142** | **4,285** |
| b) Increases | | | |
| b.1) Current service cost | 477 | 0 | 477 |
| b.2) Interest cost | 58 | 0 | 58 |
| b.3) Actuarial gains - based on experience | 35 | 0 | 35 |
| b.4) Actuarial gains (losses) - based on assumptions | 0 | 0 | 0 |
| c) Utilisations | (300) | (136) | (436) |
| d) Net exchange gains and other changes | 8 | 0 | 8 |
| **e) Defined benefit obligation** | **4,422** | **6** | **4,428** |

## 29.1 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 2018 are set out below:

- annual discount rate: 1.57%

- annual inflation rate: 1.50%
- annual growth rate of the benefits: 2.625%
- 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 | (5) | 5 | 30 | (30) | (45) | 51 |

**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:

- 2019 service cost: €645 thousand
- Weighted average life of the obligation: 7.6 years
- Expected payments:
  - 2019-2021: €3,387 thousand
  - subsequent years: €2,000 thousand

## 29.2 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 2018 (€6 thousand) refers to social security contributions to be paid on remuneration for the final months of the plan.

# 30 Trade payables

This caption may be analysed as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Suppliers | 879,280 | 829,624 | 49,656 |
| Subsidiaries | 290,200 | 325,761 | (35,561) |
| Associates and joint ventures | 51,068 | 50,538 | 530 |
| Parents | 189 | 0 | 189 |
| Other investees | 1,458 | 1,611 | (153) |
| **Total** | **1,222,195** | **1,207,534** | **14,661** |

Trade payables abroad decreased by roughly €73 thousand. This is mainly due to (i) the completion of some significant contracts in Turkey (the Third Bosphorus Bridge and the Gebze-Orhangazi-Izmir Motorway) and Russia (WHSD in St. Petersburg and Moscow-St. Petersburg M11 Motorway), in addition to (ii) smaller production volumes on Algerian railway contracts. Conversely, trade payables in Italy increased by approximately €58 million due to the financial difficulties which led the company to commence the composition with creditors on a going concern basis procedure in September 2018.

# 31 Tax liabilities

This caption increased by €1,816 thousand on 31 December 2017 as follows:

| | 31/12/2018 | 31/12/2017 | Variation |
|---|---|---|---|
| Indirect tax liabilities | 11,926 | 12,184 | (258) |
| Direct tax liabilities | 36,413 | 39,687 | (3,274) |
| Withholding tax liabilities | 7,235 | 1,887 | 5,348 |
| **Total** | **55,574** | **53,758** | **1,816** |

The decrease in direct tax liabilities is mostly due to Italy, Russia and Turkey where the calculation of current taxes reflected the slowdown of production activities during the year.

The rise in withholding tax liabilities is mainly related to Italy and chiefly relates to withholdings accrued before the commencement of the composition with creditors procedure which, under the provisions of the Bankruptcy Law, cannot yet be paid.

# 32 Provisions for risks and charges

This caption may be analysed as follows:

| | 31/12/2018 (A) | Effects of applying new standards (B) | 31/12/2018 Carrying amounts without adoption of IFRS 15 and IFRS 9 (C) = (A) + (B) | 31/12/2017 (D) | Variation (E) = (C) - (D) |
|---|---|---|---|---|---|
| Provision for legal disputes | 38,803 | 0 | 38,803 | 7,359 | (31,444) |
| Provision for equity investments | 254,324 | 66,747 | 321,071 | 23,883 | 297,189 |
| Provision for tax disputes | 0 | 0 | 0 | 1,840 | (1,840) |
| Provision as per article 27 of the by-laws | 1,436 | 0 | 1,436 | 1,436 | 0 |
| Provision for onerous contracts | 149,629 | (149,629) | 0 | 0 | 0 |
| **Total** | **444,191** | **(82,881)** | **361,310** | **34,517** | **326,792** |

Provisions for risks and charges are commented on below:

- **The provision for legal disputes** of €38,803 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. The increase during the year mostly refers to accruals made (€33,969 thousand) for some disputes underway regarding contracts in Algeria, Italy and South America.
- **The provision for equity investments** of €254,324 thousand includes the accruals for the company's legal obligation to settle the liabilities of its investees. The increase during the year mainly refers to the accruals made following the losses recorded by Astaldi Canada Inc. for the construction of the Muskrat Falls power plant, Astaldi Construction for motorway projects in the US and the joint venture Ic Içtaş Astaldi Ica Inşaat A.S. for the Moscow-St. Petersburg M-11 Motorway in Russia.
- **The provision for tax disputes** at the previous year end (nil balance at 31 December 2018) included the expected costs for pending disputes and litigation with the taxation authorities, principally in Italy.
- **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 €149,629 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 Canada, Chile, Italy and Poland. One such accrual (€78,132 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 Canada) that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal. Starting from 1 January 2018 and the first-time adoption of IFRS 15, the provision for expected losses to complete is included in this provision unlike up to 31 December 2017 when it was recognised in accordance with IAS 11 - Construction contracts in “Amounts due from or to customers”.

# 33 Other contract liabilities

This caption, amounting to €60,136 thousand at 31 December 2018 (nil balance at 31 December 2017), 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[53] in Europe and Central and South America. 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 company has been unilaterally excluded from performing the works (basically due to the commencement of the composition with creditors procedure) by the relevant counterparties. More information is provided in the “Significant contractual events” section.

# 34 Fair value measurement

The company’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[54] | 31/12/2018 | 205,035 | | 205,035 | |
| Non-controlling interests | 31/12/2018 | 16,615 | | 16,615 | |
| **Liabilities at fair value** | | | | | |
| Interest rate swaps | 31/12/2018 | (7,358) | | (7,358) | |

## 34.1 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

[53] Contracts that are not included in the core assets scope as defined in the business plan underpinning the composition with creditors proposal.

[54] Of which: €185,224 thousand classified under non-current assets held for sale

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 2018.
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)[55] 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.

# 35 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 its hedged positions.

## 35.1 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.

[55] Calculated based on market values.

## 35.2 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 2018.

## 35.3 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 2019, 20 July 2019 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.

## 35.4 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 2018, past due trade receivables amount to €214.3 million, including €121.2 million past due by more than one year. The largest exposures of this latter bracket mainly refer to Italy (€20.8 million) and Romania (€88.7 million). With respect to the largest exposures and, specifically, the trade receivables related to the railway contracts in Romania (Railway section 2, 3/4, Lot 2), the Dispute Adjudication Board (DAB) made various decisions in the company's favour for a total of approximately €71 million plus interest. At the date of publication of these separate financial statements, the company has collected all the recognised fees.

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, recording an additional impairment loss during the year of roughly €151 million (€230 million in 2017).With regard to the recognition of expected credit losses, there was a considerable increase in the credit risk on some financial instruments at the reporting date compared to initial recognition - especially referred to Turkey. Though such financial assets were considered performing in any case, the company calculated expected credit losses considering the full expected life of such financial instruments.

## 35.5 Guarantees and sureties

**Personal guarantees**

Guarantees given amount to €3,832,737 thousand as follows:

- sureties of €204,793 thousand to open credit facilities to ensure regular cash flows for contracts, given on behalf of subsidiaries, joint ventures (€11,809 thousand), associates and other investees set up for special purposes as per the current sector regulations;
- sureties of €3,290,012 thousand for contract work given on the company's behalf by banks and insurance companies to customers for the company, its subsidiaries, joint ventures (€141,893 thousand), associates and other investees;
- other sureties of €337,932 thousand (joint ventures: €5,558 thousand) given for various reasons.

**Third party sureties given to the company**

Banks and insurance companies have given guarantees of €185,029 thousand on behalf of Italian and foreign suppliers and subcontractors with respect to their contractual commitments with the company.

# 36 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 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 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 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.

The main related party transactions in 2018 were:

- the development of construction works by the company (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), (iii) Gebze-Orhangazi-Izmir Motorway (Otoyol Yatirim Ve Isletme A.S., Turkey), and (iv) West Metropolitan Hospital in Santiago de Chile (Sociedad Concesionaria Metropolitana de Salud S.A., Chile[56]). The relevant operating revenue, trade receivables and contract assets/liabilities were recognised in 2018;
- 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/liabilities were recognised in 2018;
- 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 2018;
- 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;
- with regard to the subcontract between Astaldi and the subsidiary Astur Construction and Trade A.S. (Astur) related to a portion of the works for the Gebze-Orhangazi-Izmir Motorway in Turkey (Susurluk-Balikesir section), the company recognised the relevant operating costs and trade payables in 2018. In this regard, on 30 October 2018, Astaldi terminated its subcontract with Astur having, in turn, received notification of the customer's termination of the contract entrusted to the EPC joint venture Nomayg Adi Ortakligi;
- in May 2018, the company received a €20,000 thousand loan from its parent, FINAST;
- in the last quarter of 2018, the lease of a TBM needed to bore the Brenner Base Tunnel from Brennero Tunnel Construction S.c.a.r.l. commenced. The company recognised the relevant lease payments receivable and financial income in 2018;
- at 31 December 2018, the company recognised liabilities to the subsidiary Dirpa 2 S.c.r.l. totalling €11 million for the VAT assets transferred by the subsidiary under the group VAT scheme as per Presidential decree no. 633/72 and the Ministerial decree of 13 December 1979;
- 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., Sociedad Concesionaria Nuevo Pudahuel S.A. and Sociedad Concesionaria Aguas de Punilla S.A. (€42,774 thousand);

56 See the note to net financial debt and the "Significant contractual events" section for more information on the termination of the contract and enforcement of the relevant guarantees.

- In the final quarter of 2018, the guarantees given by the company for obligations assumed by the SPE Valle Aconcagua S.A. for the repayment of some credit facility instalments were enforced for a total of €4.8 million.
  In addition, the company made accruals to the loss allowance for bad and doubtful exposures with related parties for a total of €26,141 thousand.

In accordance with IAS 24 and CONSOB communication no. 6064293 of 28 July 2006, the balances of related party transactions are presented in annex 1.

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 | 3,373 | 38 | 40 | 10 | 3,461 |
| Statutory auditors | 175 | 0 | 0 | 0 | 175 |
| General managers | 1,980 | 0 | 41 | 24 | 2,045 |

## 37 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:

| 31/12/2018 | Italy | Europe | Americas | Africa | Asia | Other activities | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 279,020 | 233,358 | 249,985 | 1,785 | 2,222 | (1,350) | (128,996) | **636,024** |
| Share of losses of equity-accounted investees | | | | | | | | **(60,408)** |
| Operating loss | (445,798) | (527,097) | (516,906) | (26,474) | (9,944) | (61,935) | (211,004) | **(1,799,158)** |
| Net financial expense | | | | | | | | **(161,263)** |
| Loss before tax and non-controlling interests | | | | | | | | **(1,960,421)** |
| Income taxes | | | | | | | | **82,119** |
| Loss for the year | | | | | | | | **1,878,302** |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | 746,038 | 2,087,734 | 515,283 | 238,448 | 22,894 | 926,728 | (2,230,630) | **2,306,495** |
| of which: equity investments | | | | | | 727,307 | 209,716 | **517,591** |
| Segment liabilities | (2,658,140) | (2,029,187) | (925,609) | (274,042) | (32,551) | (1,187,814) | 2,114,220 | **(4,993,123)** |
| **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) | 1,583 | **(26,134)** |
| Provisions | | | | | | (400,094) | | **(400,094)** |

| 31/12/2017 | Italy | Europe | Americas | Africa | Asia | Other activities | Adjustments and eliminations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 493,662 | 920,310 | 471,594 | 92,396 | 3,078 | 570 | (43,469) | **1,938,140** |
| Share of profits of equity-accounted investees | | | | | | | | **61,370** |
| Operating profit (loss) | (4,253) | 61,492 | (174,964) | 29,760 | (3,731) | (23,465) | 66,267 | **25,503** |
| Net financial expense | | | | | | | | **(148,856)** |
| Loss before tax and non-controlling interests | | | | | | | | **(123,353)** |
| Income taxes | | | | | | | | **24,630** |
| Loss for the year | | | | | | | | **(98,723)** |
| **Assets and liabilities** | | | | | | | | |
| Segment assets | 380,565 | 2,758,496 | 1,054,607 | 273,687 | 22,574 | 2,838,856 | (2,589,846) | **4,738,939** |
| of which: equity investments | | | | | | 748,552 | (135,342) | **613,210** |
| Segment liabilities | (278,215) | (2,323,938) | (745,338) | (254,626) | (26,742) | (2,775,718) | 2,184,707 | **(4,219,870)** |
| **Other segment figures** | | | | | | | | |
| Property, plant and equipment | 8,783 | 34,974 | 61,385 | 820 | 203 | 46,631 | (2,487) | **150,308** |
| Intangible assets | 41,775 | 307 | 39 | 0 | 7 | 2,836 | 0 | **44,964** |
| Depreciation | 2,186 | 11,954 | 10,788 | 1,036 | 141 | 3,806 | (1,276) | **28,634** |
| Provisions | | | | | | 909 | | **909** |

# 38 Other information

**Significant non-recurring events and transactions**

In 2018 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 2018, the company did not carry out any atypical or unusual transactions, as defined in CONSOB communication no. DEM/6064293.

## 38.1 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 of €1,878,301,801.

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.

## 38.2 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[57].

[57] 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 14 February 2019, the company 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 company - 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 company'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 Coluccio as the delegated judge for the 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 (then definitively postponed to 9 April 2020 as explained later on), 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 company, the Rome Court replaced the three judicial commissioners with Vincenzo Mascolo, Piergiorgio Zampetti and Enrico Proia (together the "judicial commissioners").

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 on 17 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 €145 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 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).

## Other procedures linked to the composition with creditors procedure (updates after the reporting date)

The following is a brief overview of additional procedures linked to the composition with creditors procedure. Events after the reporting date are also included where necessary for a more accurate representation.

**NBI – COMPOSITION WITH CREDITORS PROCEDURE PENDING BEFORE THE ROME COURT**

Significant steps were made after the reporting date in the composition with creditors procedure of NBI S.p.A. commenced in November 2018[58].

On 5 April 2019, NBI requested a 60-day extension for filing its definitive composition with creditors proposal.

It then filed its composition with creditors proposal on 7 June 2019. Subsequently, 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 2019 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 PERU – INSOLVENCY PROCEDURE**

Prompted by a Peruvian creditor and following a series of checks, including with the company'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 to execute in the interest of the creditors.

## 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[59], pursuant to the authorisations received from the bankruptcy section of the Rome Court as part of the ongoing composition with creditors procedure.

[58] See the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Other procedures linked to the composition with creditors procedure" section.

[59] 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.

**First issue bonds – €75 million due 12 February 2022**

On 12 February 2019, Astaldi issued 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"). These 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 Law.

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[60]) set out in the plan, the regulation applicable to the first issue bonds (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 issue. However, the time necessary to draft the contract for the second issue was not compatible with Astaldi's need for financing, so Astaldi decided to look for financial backers willing to back it until the second issue. It received an offer from 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 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[61] (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 -

[60] As defined earlier - see the "Main risks and uncertainties – Going concern" section.

[61] Salini Impregilo was renamed Webuild in May 2020.

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:

11. 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;
12. 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 continue the company'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 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 nor 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.

## Significant contractual events after the reporting date

See the "Main risks and uncertainties – Significant contractual events" section for more information.

**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 that 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 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.

**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, Vianini, summonsed Astaldi for alleged damages for various reasons, 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 competent 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.

**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 related 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.

## 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 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 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 subsequent years of the plan.

## Additional significant events

**€608 million contract for a new lot of the high speed Naples–Bari railway line** – In January 2019, Astaldi announced that it had been awarded a contract worth €608 million (Astaldi's share: 40%) to develop another 18.7 km of the high speed Naples-Bari railway line in Italy in a joint venture with Webuild (formerly Salini Impregilo). The new lot includes the construction of the Apice-Hirpinia section, the Hirpinia Station, three bored tunnels and four viaducts. The customer is RFI[62].

**Reorganisation of the company's organisational model** – In January 2019, the company's board of directors approved a number of organisational changes to streamline the decision-making processes by reducing the general management departments.[63]

**Paolo Amato appointed chief restructuring officer** – In May 2019, the company's board of directors appointed Paolo Amato as its chief restructuring officer to aid the group with its ongoing restructuring.[64]

**Gebze–Orhangazi–Izmir Motorway inaugurated in Turkey** – In August 2019, 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[65] contract, with a concession term of 21 years. The new motorway is 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).[66]

**New contract for the Hurontario Light Rail Transit Project in Canada** – In October 2019, 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 worth roughly CAD1.3 billion (the equivalent of €917 million at the award date). 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

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[62] Rete Ferroviaria Italiana S.p.A. (Ferrovie dello Stato Italiane Group).

[63] Specifically, on 14 January 2019, the board of directors (i) 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. Subsequently, on 21 March 2019, Vittorio Di Paola resigned from his position as honorary chairman of Astaldi.

[64] On 31 May 2019, the company's board of directors appointed Paolo Amato chief restructuring officer to supervise the general implementation of the composition plan, also to comply with the terms of Webuild's binding offer. As of such 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, as defined in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law – Composition with creditors proposal" section.

[65] Build, Operate, Transfer.

[66] More information is available on the contract in the "Construction – Europe" section in the directors' report.

system that will run along Hurontario Street from Port Credit in Mississauga to the Brampton Gateway Terminal, in Ontario. Astaldi has a 28% stake (€257 million) in the consortium.

**Closing of the sale of remaining investments in the car parks business** – In November 2019, 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.

**Signing of the contract for Yaciretà Hydroelectric Power Plant in Paraguay** – In November 2019, Astaldi signed a USD150 million contract (with a 55% stake for Astaldi) to upgrade Yaciretà Hydroelectric Power Plant on the Río Paraná which runs along the border between Argentina and Paraguay (the “Brazo Aña Cuá Project”). 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.

**Roll out of works for the New Linares Hospital in Chile** – In November 2019, 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[67].

**Closing of the sale of the investments in the operator of the four Tuscan hospitals** – In December 2019, the group and its partners Techint and Pizzarotti sold their investments in SAT, the operator of the four Tuscan hospitals (Ospedale San Luca di Prato, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Lucca and Ospedale delle Apuane di Massa-Carrara). 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 transaction 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, Ospedale delle Apuane di Massa-Carrara, was opened in January 2016.

**Astaldi on the short-list for the Edmonton LRT project in Canada** – In May 2020, in a joint venture with Webuild, 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 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

[67] More information is available on the contract in the “Construction – Americas” section in the directors’ report.

## Disengaging from geographical segments no longer considered strategic

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) 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.

## 38.3 Fees to the independent auditors, KPMG, and their network pursuant to article 149-duodecies of the Issuer Regulation

The fees paid in 2018 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:

| | 2018 |
|---|---|
| **A) Audit services (*)** | **735** |
| **B) Attestation services (**)** | **1,411** |
| **C) Other services** | **143** |
| **Total** | **2,290** |
| (*) Fees including out-of-pocket expenses and CONSOB fees | |
| (**) of which: | |
| 1) Comfort letters issued in connection with the equity-linked bond issue | 139 |
| 2) Agreed-upon procedures, signing of tax returns and other attestation procedures | 1,272 |

**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)

| | 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. | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 17 | 0 | 0 | 0 | 0 | 14 | 0 | 0 | 0 |
| Afragola FS Società consortile a Responsabilità Limitata | 0 | 0 | 1 | 0 | 2,226 | 0 | 0 | 21,673 | 0 | 0 | 0 | 305 | 5,290 | 0 | 109 | 0 |
| AGN Haga AB | 0 | 0 | 0 | 0 | 843 | 0 | 0 | 0 | 0 | 0 | 0 | 3,346 | 0 | 0 | 335 | 0 |
| Ankara Etlik Hastane A.S. | 4,581 | 0 | 15,340 | 0 | 619 | 0 | 79,914 | 0 | 0 | 0 | 54,654 | 20 | 0 | 146 | 222 | 0 |
| AR.GI S.c.p.A. | 0 | 0 | 53,769 | 0 | 3,408 | 0 | 0 | 67,102 | 0 | 53,160 | 0 | 136 | 1,999 | 0 | 3 | 570 |
| AS. M. S.c.r.l. | 0 | 0 | 0 | 0 | 93 | 0 | 0 | 357 | 0 | 1 | 0 | 141 | 513 | 0 | 0 | 0 |
| Astaldi - UTI - Romairport Joint Venture | 0 | 0 | 0 | 0 | 245 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Astaldi Algerie - E.u.r.l. | 0 | 0 | 0 | 0 | 769 | 0 | 0 | 707 | 0 | -70 | 0 | 5 | 36 | 1 | 0 | 0 |
| Astaldi Arabia Ltd. | 0 | 0 | 0 | 868 | 3,571 | 0 | 0 | 3,891 | 119 | 430 | 0 | 79 | 0 | 0 | 64 | 439 |
| Astaldi Bayindir J.V. | 0 | 0 | 0 | 0 | 203 | 0 | 0 | 434 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Astaldi Bulgaria LTD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45 |
| Astaldi Canada Design & Construcion Inc. | 0 | 0 | 0 | 0 | 147 | 0 | 0 | 0 | 0 | 0 | 0 | 141 | 0 | 0 | 0 | 0 |
| Astaldi Canada Enterprises Inc. | 0 | 0 | 0 | 5,662 | 450 | 0 | 0 | 0 | 0 | 0 | 0 | 335 | 0 | 0 | 49 | 0 |
| Astaldi Canada Inc. | 20 | 0 | 0 | 46,480 | 5,900 | 0 | 0 | 0 | 0 | 0 | 0 | 276 | 0 | 0 | 5,792 | 0 |
| Astaldi Concessioni S.p.A. | 0 | 0 | 0 | 218,596 | 13,990 | 0 | 0 | 3,201 | 108,719 | 363 | 0 | 703 | 697 | 0 | 11,525 | 2,371 |
| Astaldi Construction Corporation | 0 | 0 | 0 | 0 | 8,350 | 0 | 0 | 5,449 | 265 | 818 | 0 | 357 | 3,502 | 0 | 4,539 | 36 |
| Astaldi de Venezuela C.A. | 105 | 0 | 0 | 0 | 11 | 0 | 0 | 1,878 | 0 | 50 | 0 | 4 | 24 | 0 | 1 | 0 |
| Astaldi Infrastructure S.p.A. | 45 | 0 | 0 | 0 | 0 | 0 | 0 | 337 | 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 | 10 | 0 | 0 | 2,718 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Astaldi Polska Sp. z o.o. | 0 | 0 | 0 | 0 | 30 | 0 | 0 | 254 | 0 | 76 | 0 | 61 | 313 | 0 | 0 | 0 |
| Astaldi-Max Bogl-CCCF JV S.r.l. | 0 | 0 | 0 | 0 | 2,771 | 0 | 0 | 1,816 | 0 | 425 | 0 | 0 | 0 | 0 | 17 | 447 |
| Astalnica S.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ASTALROM S.A. | 0 | 0 | 0 | 0 | 7,353 | 0 | 0 | 4,901 | 986 | 2,654 | 0 | 78 | 1,451 | -0 | 4 | 0 |

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|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Astur Construction and Trade A.S. | 0 | 0 | 0 | 0 | 2,275 | 0 | 0 | 26,253 | 19,880 | 0 | 0 | 2,143 | 33,209 | 0 | 360 | 621 |
| Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 25 | 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 | 84 |
| 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 | 12,660 | 0 | 0 | 4,819 | 7,173 | 0 | 0 | 1,301 | 0 | 0 | 0 | 1,981 | 67,194 | 0 | 415 | 0 |
| Bussentina S.c.r.l. in liquidation | 0 | 0 | 0 | 43 | 294 | 0 | 0 | 176 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 235 |
| C.F.M. S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 266 | 0 | 0 | 55 | 0 | 207 | 0 | 0 | 50 | 207 | 6 | 0 |
| C.O.MES. In liquidation S.C.r.l. | 0 | 0 | 0 | 0 | 1,002 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Capodichino AS.M S.c.r.l | 0 | 0 | 0 | 0 | 990 | 0 | 0 | 4,054 | 0 | 0 | 0 | 185 | 9,618 | 0 | 0 | 0 |
| CO.ME.NA. S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 52 | 0 | 0 | 7 | 0 | 0 | 0 | 31 | 6 | 0 | 0 | 0 |
| CO.MERI S.p.A. | 0 | 0 | -1,344 | 0 | 31 | 0 | 0 | 2,955 | 0 | 0 | 0 | 1 | 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 | 131 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consorcio Grupo Contuy - Proyectos y Obras de Ferrocarriles | 0 | 0 | 0 | 0 | 103 | 0 | 0 | -0 | 0 | 0 | 0 | 0 | 354 | 46 | 0 | 0 |
| Consorzio A.F.T. in liquidation | 0 | 0 | 0 | 375 | 192 | 0 | 0 | 7 | 0 | 0 | 0 | 105 | -43 | 124 | 0 | 0 |
| Consorzio A.F.T. Kramis | 0 | 0 | 0 | 578 | 5,429 | 0 | 0 | 275 | 0 | 0 | 0 | 0 | 0 | 0 | 23 | 0 |
| Consorzio Consarno | 0 | 0 | 0 | 127 | 72 | 0 | 0 | 254 | 0 | 0 | 0 | 0 | 153 | 0 | 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 | 357 | 0 | 0 | 0 | 0 | 69 | 0 | 0 | 0 |
| Consorzio Gi.It. in liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 225 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 |
| Consorzio Iricav Due | 0 | 0 | 0 | 0 | 958 | 0 | 0 | 20,242 | 0 | 0 | 0 | 406 | 2,042 | 0 | 0 | 0 |
| Consorzio Iricav Uno | 0 | 0 | 0 | 0 | 285 | 0 | 0 | 897 | 0 | 0 | 0 | 80 | 620 | 0 | 0 | 0 |

## ANNEX 1 – RELATED PARTY TRANSACTIONS

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

| | 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 Ital.Co.Cer. | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 228 | 0 | 0 | 0 | 0 | 94 | 0 | 0 | 0 |
| Consorzio Italvenezia | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 167 | 0 | 0 | 0 | 0 | 11 | 0 | 0 | 0 |
| Consorzio MM4 | 0 | 18,363 | 25,109 | 0 | 77 | 0 | 0 | 1,345 | 0 | 0 | 65,026 | 238 | 1,767 | 0 | 0 | 0 |
| Consorzio Novocen in liquidation | 0 | 0 | 0 | 22 | 20 | 0 | 0 | 75 | 0 | 0 | 0 | 2 | 56 | 0 | 0 | 0 |
| Consorzio Qalat | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 91 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consorzio Stabile Busi | 0 | 0 | 0 | 0 | 9 | 0 | 0 | 4,626 | 0 | 0 | 0 | 1 | 2,180 | 0 | 0 | 0 |
| Consorzio Stabile Operae | 0 | 0 | 40,935 | 12,500 | 4,811 | 0 | 0 | 70,227 | 0 | 0 | 0 | 0 | 11,494 | 0 | 0 | 0 |
| Constructora Astaldi Cachapoal Limitada | 0 | 0 | 0 | 0 | 5,746 | 0 | 0 | 2,207 | 0 | 3,532 | 0 | 7 | 0 | 0 | 0 | 0 |
| Diga di Blufi S.c.r.l. in liquidation | 0 | 0 | 6,205 | 0 | 637 | 0 | 0 | 5,473 | 0 | 28 | 0 | 0 | 38 | 0 | 3 | 0 |
| Dirpa 2 S.c.ar.l. | 0 | 10,409 | 26,752 | 0 | 904 | 0 | 0 | 1,361 | 0 | 11,199 | 25,780 | 823 | 0 | 0 | 0 | 17 |
| DMS DESIGN CONSORTIUM s.c.r.l. | 0 | 0 | 0 | 0 | 160 | 0 | 0 | 711 | 0 | 0 | 0 | 322 | 848 | 0 | 0 | 0 |
| Ecosarno S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 268 | 0 | 0 | 0 | 0 | 374 | 0 | 0 | 0 |
| Etlik Hastane PA S.r.l. | 0 | 0 | 0 | 0 | 2,032 | 0 | 0 | 4,558 | 0 | 0 | 0 | 2 | 82 | 0 | 0 | 0 |
| FINAST | 0 | 0 | 0 | 0 | 15 | 0 | 0 | 189 | 25,600 | 0 | 0 | 11 | 0 | 0 | 0 | 419 |
| Finetupar International S.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,000 | 0 | 0 | 0 | 0 | 0 | 0 | 181 |
| Forum S.c.r.l. | 0 | 0 | 0 | 0 | 1,552 | 0 | 0 | 0 | 0 | 0 | 0 | 13 | 851 | 1 | 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 | 27 |
| Garbi Linea 5 S.c.a.r.l. in liquidation | 0 | 0 | 0 | 0 | 6,911 | 0 | 0 | 7,229 | 0 | 0 | 0 | 0 | 85 | 0 | 77 | 0 |
| GE. SAT S.c.a. r.l. | 0 | 0 | 8,472 | 0 | 2,201 | 0 | 0 | 6,981 | 0 | 0 | 0 | 7 | 13,213 | 0 | 0 | 0 |
| GEI - Grupo Empresas Italianas | 0 | 0 | 0 | 0 | 208 | 0 | 0 | 0 | 0 | 17 | 0 | 3,192 | 434 | 76 | 0 | 0 |
| Grand Capital Ring | 0 | 0 | 0 | 14 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 86 |
| 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 | 4,347 | 0 | 19,570 | 1,290 | 10,432 | 8,433 | 0 | 824 | 44,710 | 1,448 | 39 | 42 | 4,921 | 0 |
| ICA Ictas Astaldi Ucuncu Bogaz Koprusu Ve Kuzey Marmara | 0 | 0 | 0 | 185,224 | 326 | 0 | 3,470 | 0 | 0 | 0 | -118,765 | 335 | 0 | 0 | 27,940 | 0 |

## ANNEX 1 – RELATED PARTY TRANSACTIONS

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

Otoyolu Yatirim Ve Isletme Anonim Sirketi

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ICA LT Limited Liability Company | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| IKA Izmir Otoyol Yatirim Ve Işletme Anonim Şirketi | 0 | 0 | 0 | 0 | 376 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Infraflegrea Progetto S.p.A. | 0 | 0 | 635 | 0 | 445 | 0 | 0 | 211 | 0 | 1,734 | 6,126 | 110 | 130 | 0 | 0 | 140 |
| Infraflegrea S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 532 | 0 | 0 | 523 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 0 |
| Inversiones Assimco Limitada | 0 | 0 | 0 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 122 | 0 | 0 | 0 | 610 |
| Italstrade CCCF JV Romis S.r.l. | 0 | 0 | 0 | 0 | 344 | 0 | 0 | 162 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Italstrade S.p.A. | 0 | 0 | 0 | 5,432 | 43 | 0 | 0 | 7 | 0 | 31 | 0 | 124 | 100 | 0 | 255 | 6 |
| M.N. Metropolitana di Napoli S.p.A. | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 353 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| Messina Stadio S.c.r.l. in liquidation | 0 | 0 | 0 | 2,470 | 1,497 | 0 | 0 | 3,705 | 0 | 25 | 0 | 0 | 17 | 0 | 3 | 0 |
| Metro Brescia S.r.l. | 0 | 0 | 0 | 0 | 17 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 0 | 0 | 0 | 0 |
| METRO C S.c.p.a. | 0 | 0 | 10,153 | 0 | 113 | 0 | 0 | 257 | 0 | 0 | 0 | 784 | 21,811 | 11 | 0 | 0 |
| Metrogenova S.c.r.l. | 0 | 0 | 0 | 0 | 218 | 0 | 0 | 223 | 0 | 4 | 0 | 3 | 67 | 0 | 0 | 0 |
| Mondial Milas - Bodrum Havalimani Uluslararasi Terminal Isletmeciligi Ve Yatirim A.S. | 0 | 0 | 0 | 0 | 37 | 0 | 0 | 24 | 0 | 4 | 0 | 1 | 0 | 0 | 0 | 0 |
| Mose Bocca di Chioggia Società consortile a Responsabilità Limitata | 0 | 0 | 0 | 0 | 141 | 0 | 0 | 1,044 | 0 | 0 | 0 | 10 | 96 | 0 | 0 | 0 |
| Mose-Treporti S.c.r.l. | 0 | 0 | 0 | 0 | 690 | 0 | 0 | 1,731 | 0 | 0 | 0 | 45 | 57 | 0 | 0 | 0 |
| N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 307 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27 | 0 | 0 | 0 |
| nBI Elektrik Elektromekanik Tesisat Insaat Sanayi Ve Ticaret L.S. | 0 | 0 | 0 | 0 | 1,784 | 0 | 0 | 2,280 | 0 | 0 | 0 | 70 | 4,537 | 0 | 5 | 0 |
| nBI S.p.A. | 0 | 0 | 0 | 0 | 1,452 | 0 | 0 | 7,271 | 0 | 0 | 0 | 808 | 13,868 | 0 | 16 | 2,260 |
| Nuovo Ospedale Sud Est Barese S.c.r.l. - NOSEB S.c.r.l. | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 149 | 0 | 0 | 0 | 8 | 149 | 0 | 0 | 0 |
| Nova Metro S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 53 | 0 | 0 | 0 | 0 | 14 | 0 | 0 | 0 |
| Ospedale del Mare S.C.r.l. in liquidation | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 1,964 | 0 | 0 | 0 | 0 | 19 | 0 | 0 | 0 |

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 423 | 13,504 | 0 | 0 | 73 | 0 | 0 | 0 | 0 | 0 | 77,596 | 0 | 0 | 0 | 887 | 0 |
| Partenopea Finanza di Progetto S.c.p.A. | 0 | 0 | 5,844 | 0 | 1,267 | 0 | 0 | 5,774 | 0 | 11,539 | 0 | 38 | 308 | 0 | 0 | 35 |
| Passante Dorico S.p.A. | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pedelombarda S.c.p.A. | 0 | 0 | 841 | 0 | 176 | 0 | 0 | 847 | 0 | 0 | 0 | 1 | 27 | 0 | 0 | 0 |
| Pegaso S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 300 | 0 | 0 | 6 | 0 | 0 | 0 | 75 | 186 | 0 | 0 | 0 |
| Piana di Licata S.c.r.l. in liquidation | 0 | 0 | 0 | 156 | 259 | 0 | 0 | 139 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 156 |
| Portovesme S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 253 | 0 | 0 | 9 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Progetto Nuraghe S.c.r.l. | 0 | 0 | 0 | 0 | 215 | 0 | 0 | 0 | 0 | 0 | 0 | 253 | 1,284 | 0 | 0 | 0 |
| Quinta Società Concessionaria | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 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 | 11,117 | 0 | 0 | 3,166 | 0 | 49 | 0 | 7 | 53 | 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 | 27 |
| S.E.I.S. S.p.A. | 0 | 0 | 0 | 4,967 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 97 | 0 |
| S.P.T. - Società Passante Torino S.C.r.l. | 0 | 0 | 0 | 0 | 284 | 0 | 0 | 405 | 0 | 0 | 0 | 6 | 822 | 0 | 0 | 0 |
| Sartori Tecnologie Industriali S.r.l. | 0 | 0 | 0 | 0 | 370 | 0 | 0 | 544 | 0 | 15 | 0 | 6 | 698 | 0 | 0 | 0 |
| Scuola Carabinieri S.C.r.l. in liquidation | 0 | 0 | 0 | 0 | 1,419 | 0 | 0 | 1,004 | 0 | 0 | 0 | 2 | 107 | 0 | 0 | 0 |
| Seac S.p.a.r.l. in Liquidation | 0 | 0 | 0 | 1,949 | -1,949 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 219 | 4,537 |
| Sirjo Scpa | 0 | 0 | 7,583 | 0 | 3,400 | 0 | 0 | 22,607 | 0 | 6 | 0 | 152 | 3,967 | 0 | 0 | 0 |
| SOC 24, Russia | 0 | 0 | 0 | 31 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 69 |
| Sociedad Concesionaria Aguas de Punilla S.A. | 0 | 2,285 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,285 | 0 | 0 | 439 | 0 | 0 |
| Sociedad Concesionaria Metropolitana de Salud s.a. | 0 | 19,070 | 769 | 0 | 33 | 0 | 0 | 0 | 0 | 0 | 36,790 | 0 | 94 | 0 | 0 | 0 |
| Susa Dora Quattro S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 68 | 0 | 0 | 100 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 0 |

| | 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| T.E.Q. Construction Enterprise Inc. | 0 | 0 | 0 | 0 | 376 | 0 | 0 | 0 | 0 | 0 | 0 | 106 | 0 | 0 | 127 | 0 |
| Tangenziale Seconda S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 90 | 0 | 0 | 25 | 0 | 0 | 0 | 0 | 3 | 0 | 1 | 0 |
| Toledo S.c.r.l. in liquidation | 0 | 0 | 0 | 0 | 945 | 0 | 0 | 257 | 0 | 0 | 0 | 12 | 44 | 0 | 0 | 0 |
| Valle Aconcagua S.A. | 0 | 0 | 1,547 | 2,098 | 44 | 0 | 0 | 0 | 0 | 65 | 0 | 416 | 0 | 0 | 13 | 0 |
| VCGP - Astaldi Ingenieria y Construccion Limitada | 0 | 0 | 0 | 0 | 75 | 0 | 0 | 0 | 0 | 0 | 0 | 152 | 0 | 0 | 0 | 0 |
| Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A. | 0 | 0 | 0 | 0 | 32 | 0 | 0 | 1 | 0 | 0 | 0 | 103 | 0 | 3,799 | 105 | 0 |
| **Total** | **17,834** | **63,631** | **206,956** | **492,594** | **147,401** | **1,290** | **93,817** | **343,208** | **157,570** | **87,345** | **194,201** | **20,755** | **207,173** | **4,891** | **58,140** | **13,424** |
| **As a percentage** | **54.66%** | **9.02%** | **34.28%** | **97.24%** | **33.57%** | **6.20%** | **36.27%** | **28.08%** | **5.94%** | **29.25%** | **30.53%** | **19.71%** | **21.17%** | **5.34%** | **42.29%** | **4.49%** |

## 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 Liquidation | 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 | VEF110,300 | 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. (Liquidata) | Rome | 100,000 | EUR | 100.00% | 100.00% | 0.00% | |
| Astaldi Enterprise S.r.l. (Liquidata) | 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. |

| | Registered office | Share/quota capital/consortium fund Nominal amount | Functional currency | % | % direct | % indirect | Indirect investor |
|---|---|---|---|---|---|---|---|
| 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 |

| | Registered office | Share/quota capital/consortium fund Nominal amount | Functional currency | % | % direct | % indirect | Indirect investor |
|---|---|---|---|---|---|---|---|
| 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. |
| 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% | |

## 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 liquidation | Naples | 40,800 | EUR | 50.00% | 50.00% | 0.00% | |
| Colli Albani S.c.r.l. in liquidation | 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% | |

## Associates

## ANNEX 2 – LIST OF EQUITY INVESTMENTS

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 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% | |

| | Registered office | Share/quota capital/consortium fund Nominal amount | Functional currency | % | % direct | % indirect | Indirect investor |
|---|---|---|---|---|---|---|---|
| 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% | |
| Progetto Nuraghe S.c.r.l. (Ceduta) | Rome | 10,000 | EUR | 48.55% | 48.55% | 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 | 18.86% | 18.86% | 0.00% | |
| 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. |

| | Registered office | Share/quota capital/consortium fund Nominal amount | Functional currency | % | % direct | % indirect | Indirect investor |
|---|---|---|---|---|---|---|---|
| Pegaso S.c.r.l. in liquidation | 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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Ast B Parking S.r.l. | Milan | 10,000 | EUR | 5.00% | 0.00% | 5.00% | Astaldi Concessioni S.p.A. |
| Ast VT Parking S.r.l. | Milan | 10,000 | EUR | 5.00% | 0.00% | 5.00% | Astaldi Concessioni S.p.A. |
| 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% | |

## 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 |
|---|---|---|---|---|---|---|---|
| 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% | |
| 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 | 5.00% | 5.00% | 0.00% | |
| Skiarea Valchiavenna S.p.A. | Campodolcino | 11,801,132 | EUR | 0.23% | 0.23% | 0.00% | 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 | 58,800,000 | EUR | 9.63% | 9.63% | 0.00% | |

## ANNEX 2 – LIST OF EQUITY INVESTMENTS (Translation from the Italian original which remains the definitive version)

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (Dividends) / Coverage of losses | (Impairment losses) / Reversals of impairment losses | Disposals | Fair value measurement | Reclassifications and other changes | Carrying amount at 31/12/2018 |
| **Subsidiaries** | | | | | | | | | | | | | | | | | |
| Astaldi International Ltd. | 3,281 | (121) | (356) | - | - | 2,803 | - | - | 16 | (23) | - | - | - | | | - | 2,797 |
| Romairport S.p.A. | 2,585 | (1,973) | (26) | - | - | 585 | - | - | (589) | 4 | - | - | - | | | - | - |
| ASTALROM S.A. | 2,211 | 1,155 | (362) | - | - | 3,004 | - | - | 783 | (5) | - | - | - | | | - | 3,782 |
| Messina Stadio S.c.r.l. in liquidation | 46 | 0 | - | - | - | 46 | - | - | - | - | - | - | - | | | - | 46 |
| Scuola Carabinieri S.C.r.l. | 31 | - | - | - | - | 31 | 8 | - | (10) | - | - | - | - | | | - | 28 |
| Garbi Linea 5 S.c.a.r.l. | 6 | 4 | - | - | - | 10 | - | - | - | - | - | - | - | | | - | 10 |
| Infraflegrea Progetto S.p.A. | 204 | 2,674 | 1 | - | - | 2,879 | - | - | 878 | (0) | - | (873) | - | | | - | 2,883 |
| AS. M. S.c.r.l. | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| Astaldi Concessioni S.p.A. | 191,881 | (114,249) | (20,605) | - | - | 57,027 | 5,576 | - | (43,136) | (285) | 2,698 | - | - | | | 2,981 | 24,860 |
| nBI S.p.A. | 7,500 | 7,444 | (689) | - | - | 14,255 | - | - | (13,748) | 689 | (1,176) | - | - | | | (21) | - |
| DMS Design Consortium Scrl | 6 | - | - | - | - | 6 | - | - | - | - | - | - | - | | | - | 6 |
| GE. SAT S.c.a. r.l. | - | - | - | - | 4 | 4 | - | - | - | - | - | - | - | | | - | 4 |
| Sirjo Scpa | 4,500 | - | - | - | - | 4,500 | - | - | - | - | - | - | - | | | - | 4,500 |
| Capodichino AS.M S.c.r.l | 7 | - | - | - | - | 7 | - | - | - | - | - | - | - | | | - | 7 |
| Afragola FS Società consortile a Responsabilità Limitata | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| Consorzio Stabile Operae | 270 | - | - | - | - | 270 | 4 | | - | - | - | - | - | | | - | 274 |
| Susa Dora Quattro S.c.r.l. in liquidation | 46 | - | - | - | - | 46 | - | - | - | - | - | - | - | | | - | 46 |
| Portovesme S.c.r.l. in liquidation | 26 | 0 | - | - | - | 26 | - | - | - | - | - | - | - | | | - | 26 |
| AGN Haga AB | - | - | - | - | - | - | 20 | | 511 | (0) | - | | | | | | 531 |
| Consorcio Rio Pallca | - | 143 | (12) | - | - | 130 | - | - | (24) | 12 | - | - | - | (119) | | - | 0 |
| Astaldi Canada Inc. | 33,934 | (4,644) | (303) | - | (12,927) | 16,061 | - | - | (16,364) | 303 | - | - | - | | | - | 0 |
| Astalnica S.A. | - | (28) | (2) | - | 6 | (24) | 0 | - | 24 | (0) | - | - | - | | | - | 0 |
| Astaldi Canada Enterprises Inc. | - | (0) | - | - | 0 | (0) | 0 | - | 0 | - | - | - | - | | | 0 | 0 |
| Astaldi Polska Sp. z o.o. | 29 | 46 | (0) | - | - | 75 | - | - | (4) | (2) | - | - | - | | | - | 68 |
| Astaldi Bulgaria LTD | 3 | (3) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Astaldi de Venezuela C.A. | 1,297 | 2,104 | - | - | - | 3,402 | - | - | (307) | - | - | - | - | | | - | 3,095 |
| Astaldi International Inc. | 1,329 | 256 | - | - | - | 1,586 | - | - | - | - | - | - | - | | | - | 1,586 |
| Astaldi-Astaldi Intern. JV liquidata | - | (0) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Astaldi Infrastrucuture S.p.a. | - | - | - | - | - | - | 100 | - | - | - | - | - | - | | | - | 100 |

## ANNEX 2 – LIST OF EQUITY INVESTMENTS (Translation from the Italian original which remains the definitive version)

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (Dividends) / Coverage of losses | (Impairment losses) / Reversals of impairment losses | Disposals | Fair value measurement | Reclassifications and other changes | Carrying amount at 31/12/2018 |
| Astaldi Enterprise S.p.a. | - | - | - | - | - | - | 100 | - | - | - | - | - | - | | | - | 100 |
| Astur Construction and Trade A.S. | 11,903 | 20,930 | (2,189) | - | - | 30,644 | - | - | (9,598) | 1,088 | - | - | - | | | - | 22,134 |
| Astaldi Algerie - E.u.r.l. | 564 | 1,663 | (1,076) | - | - | 1,151 | - | - | (117) | 18 | - | - | - | | | - | 1,052 |
| CO.MERI S.p.A. | 10,045 | 653 | - | - | - | 10,697 | - | - | (8,514) | - | - | - | - | | | - | 2,183 |
| AR.GI S.c.p.A. | 13,249 | 774 | - | - | - | 14,023 | - | - | - | - | - | - | - | | | - | 14,023 |
| S.P.T. - Società Passante Torino S.C.r.l. | 37 | - | - | - | - | 37 | 4 | - | - | - | - | - | - | | | - | 41 |
| Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A. | 16,279 | 34,988 | 1,171 | - | - | 52,438 | - | | 4,073 | (1,171) | (57) | (8,866) | - | (43,433) | | (2,985) | - |
| C.O.MES. In liquidazione S.C.r.l. | 11 | - | - | - | - | 11 | - | - | - | - | - | - | - | | | - | 11 |
| Partenopea Finanza di Progetto S.c.p.A. | 9,926 | (538) | - | - | - | 9,388 | - | - | (1,299) | - | - | - | - | | | - | 8,089 |
| Ospedale del Mare S.C.r.l. in liquidation | 50 | - | - | - | - | 50 | - | - | - | - | - | - | - | | | - | 50 |
| CO.ME.NA. S.c.r.l. in liquidation | 15 | - | - | - | - | 15 | - | - | - | - | - | - | - | | | - | 15 |
| Toledo S.c.r.l. in liquidation | 45 | - | - | - | - | 45 | - | - | - | - | - | - | - | | | - | 45 |
| Noseb S.c.r.l. | - | - | - | - | - | - | 35 | - | - | - | - | - | - | | | - | 35 |
| Astaldi Construction Corporation | 130,079 | (110,256) | (4,863) | - | - | 14,960 | | | (10,841) | 176 | (4,294) | - | - | | | - | - |
| Forum S.c.r.l. in liquidation | 41 | 0 | - | - | - | 41 | - | - | - | - | - | - | - | | | - | 41 |
| Italstrade IS S.r.l. | 17,282 | (1,927) | - | - | - | 15,356 | - | - | (14,236) | - | - | - | - | | | - | 1,120 |
| Redo-Association Momentanée | 29 | 649 | - | - | - | 678 | - | - | - | - | - | - | - | | | - | 678 |
| Italstrade CCCF JV Romis S.r.l. | 1,021 | (738) | - | - | - | 283 | - | - | (72) | - | - | - | - | | | - | 211 |
| Romstrade S.r.l liquidata | (0) | (256) | - | - | 256 | (0) | - | - | | | | | - | | | - | - |
| **Total subsidiaries** | **459,783** | **(161,249)** | **(29,314)** | **-** | **(12,661)** | **256,560** | **5,848** | **-** | **(112,573)** | **804** | **(2,829)** | **(9,738)** | **-** | | | **(25)** | **94,494** |
| **Joint ventures** | | | | | | | | | | | | | | | | | |
| C.F.M. S.c.r.l. in liquidation | 21 | - | - | - | - | 21 | - | - | - | - | - | - | - | | | - | 21 |
| Consorzio Gi.It. in liquidation | 1 | - | - | - | - | 1 | - | - | - | - | - | - | - | | | - | 1 |
| Avola S.c.r.l. in liquidation | 5 | (5) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Colli Albani S.c.r.l. in liquidation | 15 | (15) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Infraflegrea S.c.r.l. in liquidation | 23 | - | - | - | - | 23 | - | - | - | - | - | - | - | | | - | 23 |
| VCGP - Astaldi Ingenieria y Construccion Limitada | 0 | 104 | (4) | - | 3 | 103 | 3 | - | (81) | (7) | - | - | - | | | - | 19 |
| Ankara etlik Hastane A.S. | 3,186 | 581 | (1,906) | - | - | 1,861 | 680 | - | 4,460 | (328) | (55) | - | (1,080) | | | - | 5,537 |

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (Dividends) / Coverage of losses | (Impairment losses) / Reversals of impairment losses | Disposals | Fair value measurement | Reclassifications and other changes | Carrying amount at 31/12/2018 |
| Ic Içtaş Astaldi Ica Inşaat A.S. | 2 | 1,938 | (64) | - | 2 | 1,879 | 1 | - | (1,761) | (119) | - | - | - | | | - | - |
| Etlik Hastane PA S.r.l. | 56 | 175 | - | - | - | 231 | - | - | 1,047 | - | - | (163) | - | | | - | 1,115 |
| IKA Izmir Otoyol Yatirim Ve Işletme Anonim Şirketi | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| SOC 24, Russia | 1 | - | (0) | - | - | 1 | - | - | (1) | 0 | - | - | - | | | - | - |
| Grand Capital Ring | 1 | - | (0) | - | - | 1 | - | - | (1) | 0 | - | - | - | | | - | - |
| ICA LT Limited Liability Company | - | - | - | - | - | - | 1 | - | (0) | (0) | - | - | - | | | - | 1 |
| Consorzio Ferrofir in liquidation | 21 | 336 | - | - | - | 357 | - | - | - | - | - | - | - | | | - | 357 |
| S. Leonardo S.c.r.l. in liquidation | 5 | (5) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| **Total joint ventures** | **3,347** | **3,107** | **(1,974)** | **-** | **6** | **4,486** | **685** | **-** | **3,662** | **(454)** | **(55)** | **(163)** | **(1,080)** | | | **-** | **7,082** |
| **Associates** | | | | | | | | | | | | | | | | | |
| Consorzio Iricav Due | 193 | 0 | - | - | - | 194 | - | - | - | - | - | - | - | | | - | 194 |
| Consorzio Ital.Co.Cer. | 15 | - | - | - | - | 15 | - | - | - | - | - | - | - | | | - | 15 |
| Consorzio Italvenezia | 19 | - | - | - | - | 19 | - | - | - | - | - | - | - | | | - | 19 |
| Tangenziale Seconda S.c.r.l. in liquidation | 20 | - | - | - | - | 20 | - | - | - | - | - | - | - | | | - | 20 |
| S.E.I.S. S.p.A. | 1,997 | 13,544 | (3,196) | - | - | 12,345 | - | - | (324) | - | - | - | - | | | - | 12,021 |
| METRO C S.c.p.a. | 19,838 | (166) | - | - | - | 19,671 | - | - | - | - | - | - | - | | | - | 19,671 |
| Metro Brescia S.r.l. | 985 | 823 | - | - | - | 1,808 | - | - | 577 | - | - | - | - | | | - | 2,385 |
| Brennero Tunnel Construction S.c.r.l. - BTC SCARL | 43 | - | - | - | - | 43 | 5 | - | - | - | - | - | - | | | - | 47 |
| Passante Dorico S.p.A. | 1,440 | (38) | - | - | - | 1,402 | - | - | (6) | - | - | - | - | | | - | 1,396 |
| Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation | 12 | - | - | - | - | 12 | - | - | - | - | - | - | - | | | - | 12 |
| Consorzio MM4 | 64 | - | - | - | - | 64 | - | - | - | - | - | - | - | | | - | 64 |
| N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liquidation | 20 | - | - | - | - | 20 | - | - | - | - | - | - | - | | | - | 20 |
| Mose-Treporti S.c.r.l. | 4 | - | - | - | - | 4 | - | - | - | - | | - | - | | | - | 4 |
| Progetto Nuraghe S.c.r.l. | 5 | - | - | - | - | 5 | - | - | - | - | | - | - | | | - | 5 |
| Mose Bocca di Chioggia Società consortile a Responsabilità Limitata | 0 | - | - | - | - | 0 | 1 | - | - | - | | - | - | | | - | 2 |
| Otoyol Isletime Ve Bakim AS | 310 | (3) | (102) | - | - | 205 | - | - | 169 | (61) | - | - | - | | | - | 313 |

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (Dividends) / Coverage of losses | (Impairment losses) / Reversals of impairment losses | Disposals | Fair value measurement | Reclassifications and other changes | Carrying amount at 31/12/2018 |
| Otoyol Deniz Tasimaciligi A.S. | 363 | (0) | (124) | - | - | 239 | - | - | (21) | (58) | - | - | - | | | - | 159 |
| Otoyol Yatirim Ve Isletme A.S | 222,451 | 103,163 | (45,236) | - | - | 280,378 | 3,470 | - | 48,835 | 25,296 | (1,019) | - | - | | | - | 356,960 |
| Pedelombarda S.c.p.A. | 1,200 | - | - | - | - | 1,200 | - | - | - | - | - | - | - | | | - | 1,200 |
| Consorzio A.F.T. in liquidation | 15 | - | - | - | - | 15 | - | - | - | - | - | - | - | | | - | 15 |
| Consorzio Consarno | 5 | - | - | - | - | 5 | - | - | - | - | - | - | - | | | - | 5 |
| Consorzio Consavia S.c.n.c. in liquidation | 5 | (4) | - | - | - | 1 | - | - | (0) | - | - | - | - | (1) | | - | - |
| Consorzio Iricav Uno | 124 | - | - | - | - | 124 | - | - | - | - | - | - | - | | | - | 124 |
| Diga di Blufi S.c.r.l. in liquidation | 23 | - | - | - | - | 23 | - | - | - | - | - | - | - | | | - | 23 |
| Ecosarno S.c.r.l. in liquidation | 17 | - | - | - | - | 17 | - | - | - | - | - | - | - | | | - | 17 |
| Groupement Eurolep | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| M.N. Metropolitana di Napoli S.p.A. | 3,299 | 1,998 | - | - | - | 5,297 | - | - | (726) | - | - | - | - | | | - | 4,571 |
| Metrogenova S.c.r.l. | 5 | 1 | - | - | - | 6 | - | - | - | - | - | - | - | | | - | 6 |
| Nova Metro S.c.r.l. in liquidation | 10 | 0 | - | - | - | 10 | - | - | - | - | - | - | - | | | - | 10 |
| Consorzio Novocen in liquidation | 19 | (19) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Pegaso S.c.r.l. in liquidation | 114 | - | - | - | - | 114 | - | - | - | - | - | - | - | | | - | 114 |
| Consorzio Europeo Armamento Alta Velocità - liquidata | 52 | - | - | - | - | 52 | - | | - | - | - | - | - | (52) | | - | 0 |
| **Total associates** | **252,676** | **119,297** | **(48,657)** | **-** | **-** | **323,316** | **3,476** | **-** | **48,503** | **25,177** | **(1,019)** | **-** | **-** | | | **-** | **399,400** |
| **Other companies** | | | | | | | | | | | | | | | | | |
| Consorzio Centro Uno in Liquidation | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | | | - | 3 |
| Skiarea Valchiavenna S.p.A. | 18 | - | - | (1) | - | 18 | - | - | - | - | - | - | - | | | - | 18 |
| Metro 5 S.p.A. | - | - | - | - | 9,603 | 9,603 | - | - | - | - | - | - | - | | (7,959) | - | 1,645 |
| SA.T. S.p.A. | - | - | - | - | 361 | 361 | - | - | - | - | - | - | - | | | - | 361 |
| Mose Operae scarl | 2 | - | - | - | - | 2 | - | - | - | - | - | - | - | | | - | 2 |
| SPV Linea M4 S.p.A. | 18,668 | - | - | - | - | 18,668 | - | - | - | - | - | - | - | | (4,651) | - | 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 | - | - | - | - | - | - | - | | | - | 13 |
| M.N.6 S.C.r.l. | 1 | - | - | - | - | 1 | - | - | - | - | - | - | - | | | - | 1 |
| Pantano S.c.r.l. | 4 | - | - | - | - | 4 | - | - | - | - | - | - | - | | | - | 4 |
| Pavimental S.p.A. | 62 | - | - | - | - | 62 | - | - | - | - | - | - | - | | | - | 62 |

## ANNEX 2 – LIST OF EQUITY INVESTMENTS (Translation from the Italian original which remains the definitive version)

| | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I.SV.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A. | 7 | - | - | - | - | 7 | - | - | - | - | - | - | - | - | 7 |
| Consorzio TRA.DE.CI.V. | 28 | - | - | - | - | 28 | - | - | - | - | - | - | - | - | 28 |
| Consorzio Utenti Servizi Salaria Vallericca | 17 | - | - | - | - | 17 | - | - | - | - | - | - | - | - | 17 |
| IGI - Istituto Grandi Infrastrutture | 52 | - | - | - | - | 52 | - | - | - | - | - | - | - | - | 52 |
| Fondazione Filarmonica Arturo Toscanini | 5 | - | - | - | - | 5 | - | - | - | - | - | - | - | - | 5 |
| Fondazione Accademia Nazionale di S. Cecilia | 5 | - | - | - | - | 5 | - | - | - | - | - | - | - | - | 5 |
| **Total other companies** | **18,883** | **-** | **-** | **(1)** | **9,965** | **28,848** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **377** | **16,615** |

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

# ANNEX 2 – LIST OF EQUITY INVESTMENTS

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (Dividends) / Coverage of losses | (Impairment losses) / Reversals of impairment losses | Disposals | Fair value measurement | Reclassifications and other changes | Carrying amount at 31/12/2018 |
| **Subsidiaries** | | | | | | | | | | | | | | | | | |
| Astaldi International Ltd. | 3,281 | (121) | (356) | - | - | 2,803 | - | - | 16 | (23) | - | - | - | | | - | 2,797 |
| Romairport S.p.A. | 2,585 | (1,973) | (26) | - | - | 585 | - | - | (589) | 4 | - | - | - | | | - | - |
| ASTALROM S.A. | 2,211 | 1,155 | (362) | - | - | 3,004 | - | - | 783 | (5) | - | - | - | | | - | 3,782 |
| Messina Stadio S.c.r.l. in liquidation | 46 | 0 | - | - | - | 46 | - | - | - | - | - | - | - | | | - | 46 |
| Scuola Carabinieri S.C.r.l. | 31 | - | - | - | - | 31 | 8 | - | (10) | - | - | - | - | | | - | 28 |
| Garbi Linea 5 S.c.a.r.l. | 6 | 4 | - | - | - | 10 | - | - | - | - | - | - | - | | | - | 10 |
| Infraflegrea Progetto S.p.A. | 204 | 2,674 | 1 | - | - | 2,879 | - | - | 878 | (0) | - | (873) | - | | | - | 2,883 |
| AS. M. S.c.r.l. | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| Astaldi Concessioni S.p.A. | 191,881 | (114,249) | (20,605) | - | - | 57,027 | 5,576 | - | (43,136) | (285) | 2,698 | - | - | | | 2,981 | 24,860 |
| nBI S.p.A. | 7,500 | 7,444 | (689) | - | - | 14,255 | - | - | (13,748) | 689 | (1,176) | - | - | | | (21) | - |
| DMS Design Consortium Scrl | 6 | - | - | - | - | 6 | - | - | - | - | - | - | - | | | - | 6 |
| GE. SAT S.c.a. r.l. | - | - | - | - | 4 | 4 | - | - | - | - | - | - | - | | | - | 4 |
| Sirjo Scpa | 4,500 | - | - | - | - | 4,500 | - | - | - | - | - | - | - | | | - | 4,500 |
| Capodichino AS.M S.c.r.l | 7 | - | - | - | - | 7 | - | - | - | - | - | - | - | | | - | 7 |
| Afragola FS Società consortile a Responsabilità Limitata | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| Consorzio Stabile Operae | 270 | - | - | - | - | 270 | 4 | | - | - | - | - | - | | | - | 274 |
| Susa Dora Quattro S.c.r.l. in liquidation | 46 | - | - | - | - | 46 | - | - | - | - | - | - | - | | | - | 46 |
| Portovesme S.c.r.l. in liquidation | 26 | 0 | - | - | - | 26 | - | - | - | - | - | - | - | | | - | 26 |
| AGN Haga AB | - | - | - | - | - | - | 20 | | 511 | (0) | - | | | | | | 531 |
| Consorcio Rio Pallca | - | 143 | (12) | - | - | 130 | - | - | (24) | 12 | - | - | - | (119) | | - | 0 |
| Astaldi Canada Inc. | 33,934 | (4,644) | (303) | - | (12,927) | 16,061 | - | - | (16,364) | 303 | - | - | - | | | - | 0 |
| Astalnica S.A. | - | (28) | (2) | - | 6 | (24) | 0 | - | 24 | (0) | - | - | - | | | - | 0 |
| Astaldi Canada Enterprises Inc. | - | (0) | - | - | 0 | (0) | 0 | - | 0 | - | - | - | - | | | 0 | 0 |
| Astaldi Polska Sp. z o.o. | 29 | 46 | (0) | - | - | 75 | - | - | (4) | (2) | - | - | - | | | - | 68 |
| Astaldi Bulgaria LTD | 3 | (3) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Astaldi de Venezuela C.A. | 1,297 | 2,104 | - | - | - | 3,402 | - | - | (307) | - | - | - | - | | | - | 3,095 |

## ANNEX 2 – LIST OF EQUITY INVESTMENTS

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Astaldi International Inc. | 1,329 | 256 | - | - | - | 1,586 | - | - | - | - | - | - | - | | - | 1,586 |
| Astaldi-Astaldi Intern. JV liquidata | - | (0) | - | - | - | (0) | - | - | - | - | - | - | - | | - | - |
| Astaldi Infrastrucuture S.p.a. | - | - | - | - | - | - | 100 | - | - | - | - | - | - | | - | 100 |
| Astaldi Enterprise S.p.a. | - | - | - | - | - | - | 100 | - | - | - | - | - | - | | - | 100 |
| Astur Construction and Trade A.S. | 11,903 | 20,930 | (2,189) | - | - | 30,644 | - | - | (9,598) | 1,088 | - | - | - | | - | 22,134 |
| Astaldi Algerie - E.u.r.l. | 564 | 1,663 | (1,076) | - | - | 1,151 | - | - | (117) | 18 | - | - | - | | - | 1,052 |
| CO.MERI S.p.A. | 10,045 | 653 | - | - | - | 10,697 | - | - | (8,514) | - | - | - | - | | - | 2,183 |
| AR.GI S.c.p.A. | 13,249 | 774 | - | - | - | 14,023 | - | - | - | - | - | - | - | | - | 14,023 |
| S.P.T. - Società Passante Torino S.C.r.l. | 37 | - | - | - | - | 37 | 4 | - | - | - | - | - | - | | - | 41 |
| Veneta Sanitaria Finanza di Progetto S.p.A. - V.S.F.P. S.p.A. | 16,279 | 34,988 | 1,171 | - | - | 52,438 | - | | 4,073 | (1,171) | (57) | (8,866) | - | (43,433) | | (2,985) | - |
| C.O.MES. In liquidation S.C.r.l. | 11 | - | - | - | - | 11 | - | - | - | - | - | - | - | | - | 11 |
| Partenopea Finanza di Progetto S.c.p.A. | 9,926 | (538) | - | - | - | 9,388 | - | - | (1,299) | - | - | - | - | | - | 8,089 |
| Ospedale del Mare S.C.r.l. in liquidation | 50 | - | - | - | - | 50 | - | - | - | - | - | - | - | | - | 50 |
| CO.ME.NA. S.c.r.l. in liquidation | 15 | - | - | - | - | 15 | - | - | - | - | - | - | - | | - | 15 |
| Toledo S.c.r.l. in liquidation | 45 | - | - | - | - | 45 | - | - | - | - | - | - | - | | - | 45 |
| Noseb S.c.r.l. | - | - | - | - | - | - | 35 | - | - | - | - | - | - | | - | 35 |
| Astaldi Construction Corporation | 130,079 | (110,256) | (4,863) | - | - | 14,960 | | | (10,841) | 176 | (4,294) | - | - | | - | - |
| Forum S.c.r.l. in liquidation | 41 | 0 | - | - | - | 41 | - | - | - | - | - | - | - | | - | 41 |
| Italstrade IS S.r.l. | 17,282 | (1,927) | - | - | - | 15,356 | - | - | (14,236) | - | - | - | - | | - | 1,120 |
| Redo-Association Momentanée | 29 | 649 | - | - | - | 678 | - | - | - | - | - | - | - | | - | 678 |
| Italstrade CCCF JV Romis S.r.l. | 1,021 | (738) | - | - | - | 283 | - | - | (72) | - | - | - | - | | - | 211 |
| Romstrade S.r.l liquidata | (0) | (256) | - | - | 256 | (0) | - | - | | | | | - | | - | - |
| **Total subsidiaries** | **459,783** | **(161,249)** | **(29,314)** | **-** | **(12,661)** | **256,560** | **5,848** | **-** | **(112,573)** | **804** | **(2,829)** | **(9,738)** | **-** | | **(25)** | **94,494** |

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Invested capital** | **Equity accounting through profit or loss** | **Equity accounting through OCI** | **(Impairment losses) / Reversals of impairment losses** | **Reclassifications and other changes** | **Carrying amount at 31/12/2017** | **Invested capital increases** | **Invested capital decreases** | **Equity accounting through profit or loss** | **Equity accounting through OCI** | **IFRS 9 and IFRS 15 FTA** | **(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** | | | | | | | | | | | | | | | | | |

## ANNEX 2 – LIST OF EQUITY INVESTMENTS

| | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| C.F.M. S.c.r.l. in liquidation | 21 | - | - | - | - | 21 | - | - | - | - | - | - | - | | | - | 21 |
| Consorzio Gi.It. in liquidation | 1 | - | - | - | - | 1 | - | - | - | - | - | - | - | | | - | 1 |
| Avola S.c.r.l. in liquidation | 5 | (5) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Colli Albani S.c.r.l. in liquidation | 15 | (15) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| Infraflegrea S.c.r.l. in liquidation | 23 | - | - | - | - | 23 | - | - | - | - | - | - | - | | | - | 23 |
| VCGP - Astaldi Ingenieria y Construccion Limitada | 0 | 104 | (4) | - | 3 | 103 | 3 | - | (81) | (7) | - | - | - | | | - | 19 |
| Ankara etlik Hastane A.S. | 3,186 | 581 | (1,906) | - | - | 1,861 | 680 | - | 4,460 | (328) | (55) | - | (1,080) | | | - | 5,537 |
| Ic Içtaş Astaldi Ica Inşaat A.S. | 2 | 1,938 | (64) | - | 2 | 1,879 | 1 | - | (1,761) | (119) | - | - | - | | | - | - |
| Etlik Hastane PA S.r.l. | 56 | 175 | - | - | - | 231 | - | - | 1,047 | - | - | (163) | - | | | - | 1,115 |
| IKA Izmir Otoyol Yatirim Ve Işletme Anonim Şirketi | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | | - | 8 |
| SOC 24, Russia | 1 | - | (0) | - | - | 1 | - | - | (1) | 0 | - | - | - | | | - | - |
| Grand Capital Ring | 1 | - | (0) | - | - | 1 | - | - | (1) | 0 | - | - | - | | | - | - |
| ICA LT Limited Liability Company | - | - | - | - | - | - | 1 | - | (0) | (0) | - | - | - | | | - | 1 |
| Consorzio Ferrofir in liquidation | 21 | 336 | - | - | - | 357 | - | - | - | - | - | - | - | | | - | 357 |
| S. Leonardo S.c.r.l. in liquidation | 5 | (5) | - | - | - | (0) | - | - | - | - | - | - | - | | | - | - |
| **Total joint ventures** | **3,347** | **3,107** | **(1,974)** | **-** | **6** | **4,486** | **685** | **-** | **3,662** | **(454)** | **(55)** | **(163)** | **(1,080)** | | | **-** | **7,082** |

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (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 | 193 | 0 | - | - | - | 194 | - | - | - | - | - | - | - | | | - | 194 |
| Consorzio Ital.Co.Cer. | 15 | - | - | - | - | 15 | - | - | - | - | - | - | - | | | - | 15 |
| Consorzio Italvenezia | 19 | - | - | - | - | 19 | - | - | - | - | - | - | - | | | - | 19 |
| Tangenziale Seconda S.c.r.l. in liquidation | 20 | - | - | - | - | 20 | - | - | - | - | - | - | - | | | - | 20 |
| S.E.I.S. S.p.A. | 1,997 | 13,544 | (3,196) | - | - | 12,345 | - | - | (324) | - | - | - | - | | | - | 12,021 |
| METRO C S.c.p.a. | 19,838 | (166) | - | - | - | 19,671 | - | - | - | - | - | - | - | | | - | 19,671 |
| Metro Brescia S.r.l. | 985 | 823 | - | - | - | 1,808 | - | - | 577 | - | - | - | - | | | - | 2,385 |

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

## ANNEX 2 – LIST OF EQUITY INVESTMENTS

| | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Brennero Tunnel Construction S.c.r.l. - BTC SCARL | 43 | - | - | - | - | 43 | 5 | - | - | - | - | - | - | | - | 47 |
| Passante Dorico S.p.A. | 1,440 | (38) | - | - | - | 1,402 | - | - | (6) | - | - | - | - | | - | 1,396 |
| Autostrada Nogara Mare Adriatico S.c.p.a. in liquidation | 12 | - | - | - | - | 12 | - | - | - | - | - | - | - | | - | 12 |
| Consorzio MM4 | 64 | - | - | - | - | 64 | - | - | - | - | - | - | - | | - | 64 |
| N.P.F. - Nuovo Polo Fieristico S.c.r.l. in liquidation | 20 | - | - | - | - | 20 | - | - | - | - | - | - | - | | - | 20 |
| Mose-Treporti S.c.r.l. | 4 | - | - | - | - | 4 | - | - | - | - | | - | - | | - | 4 |
| Progetto Nuraghe S.c.r.l. | 5 | - | - | - | - | 5 | - | - | - | - | | - | - | | - | 5 |
| Mose Bocca di Chioggia Società consortile a Responsabilità Limitata | 0 | - | - | - | - | 0 | 1 | - | - | - | | - | - | | - | 2 |
| Otoyol Isletime Ve Bakim AS | 310 | (3) | (102) | - | - | 205 | - | - | 169 | (61) | - | - | - | | - | 313 |
| Otoyol Deniz Tasimaciligi A.S. | 363 | (0) | (124) | - | - | 239 | - | - | (21) | (58) | - | - | - | | - | 159 |
| Otoyol Yatirim Ve Isletme A.S | 222,451 | 103,163 | (45,236) | - | - | 280,378 | 3,470 | - | 48,835 | 25,296 | (1,019) | - | - | | - | 356,960 |
| Pedelombarda S.c.p.A. | 1,200 | - | - | - | - | 1,200 | - | - | - | - | - | - | - | | - | 1,200 |
| Consorzio A.F.T. in liquidation | 15 | - | - | - | - | 15 | - | - | - | - | - | - | - | | - | 15 |
| Consorzio Consarno | 5 | - | - | - | - | 5 | - | - | - | - | - | - | - | | - | 5 |
| Consorzio Consavia S.c.n.c. in liquidation | 5 | (4) | - | - | - | 1 | - | - | (0) | - | - | - | - | (1) | - | - |
| Consorzio Iricav Uno | 124 | - | - | - | - | 124 | - | - | - | - | - | - | - | | - | 124 |
| Diga di Blufi S.c.r.l. in liquidation | 23 | - | - | - | - | 23 | - | - | - | - | - | - | - | | - | 23 |
| Ecosarno S.c.r.l. in liquidation | 17 | - | - | - | - | 17 | - | - | - | - | - | - | - | | - | 17 |
| Groupement Eurolep | 8 | - | - | - | - | 8 | - | - | - | - | - | - | - | | - | 8 |
| M.N. Metropolitana di Napoli S.p.A. | 3,299 | 1,998 | - | - | - | 5,297 | - | - | (726) | - | - | - | - | | - | 4,571 |
| Metrogenova S.c.r.l. | 5 | 1 | - | - | - | 6 | - | - | - | - | - | - | - | | - | 6 |
| Nova Metro S.c.r.l. in liquidation | 10 | 0 | - | - | - | 10 | - | - | - | - | - | - | - | | - | 10 |
| Consorzio Novocen in liquidation | 19 | (19) | - | - | - | (0) | - | - | - | - | - | - | - | | - | - |
| Pegaso S.c.r.l. in liquidation | 114 | - | - | - | - | 114 | - | - | - | - | - | - | - | | - | 114 |
| Consorzio Europeo Armamento Alta Velocità - liquidata | 52 | - | - | - | - | 52 | - | | - | - | - | - | - | (52) | - | 0 |

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

# ANNEX 2 – LIST OF EQUITY INVESTMENTS

| | Opening balance | | | | | | Changes of the year | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Invested capital | Equity accounting through profit or loss | Equity accounting through OCI | (Impairment losses) / Reversals of impairment losses | Reclassifications and other changes | Carrying amount at 31/12/2017 | Invested capital increases | Invested capital decreases | Equity accounting through profit or loss | Equity accounting through OCI | IFRS 9 and IFRS 15 FTA | (Dividends) / Coverage of losses | (Impairment losses) / Reversals of impairment losses | Disposals | Fair value measurement | Reclassifications and other changes | Carrying amount at 31/12/2018 |
| **Total associates** | **252,676** | **119,297** | **(48,657)** | **-** | **-** | **323,316** | **3,476** | **-** | **48,503** | **25,177** | **(1,019)** | **-** | **-** | | | **-** | **399,400** |
| **Other companies** | | | | | | | | | | | | | | | | | |
| Consorzio Centro Uno in Liquidation | 3 | - | - | - | - | 3 | - | - | - | - | - | - | - | | | - | 3 |
| Skiarea Valchiavenna S.p.A. | 18 | - | - | (1) | - | 18 | - | - | - | - | - | - | - | | | - | 18 |
| Metro 5 S.p.A. | - | - | - | - | 9,603 | 9,603 | - | - | - | - | - | - | - | | (7,959) | - | 1,645 |
| SA.T. S.p.A. | - | - | - | - | 361 | 361 | - | - | - | - | - | - | - | | | - | 361 |
| Mose Operae scarl | 2 | - | - | - | - | 2 | - | - | - | - | - | - | - | | | - | 2 |
| SPV Linea M4 S.p.A. | 18,668 | - | - | - | - | 18,668 | - | - | - | - | - | - | - | | (4,651) | - | 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 | - | - | - | - | - | - | - | | | - | 13 |
| M.N.6 S.C.r.l. | 1 | - | - | - | - | 1 | - | - | - | - | - | - | - | | | - | 1 |
| Pantano S.c.r.l. | 4 | - | - | - | - | 4 | - | - | - | - | - | - | - | | | - | 4 |
| Pavimental S.p.A. | 62 | - | - | - | - | 62 | - | - | - | - | - | - | - | | | - | 62 |
| I.SV.E.UR. Istituto per lo Sviluppo Edilizio ed Urbanistico S.p.A. | 7 | - | - | - | - | 7 | - | - | - | - | - | - | - | | | - | 7 |
| Consorzio TRA.DE.CI.V. | 28 | - | - | - | - | 28 | - | - | - | - | - | - | - | | | - | 28 |
| Consorzio Utenti Servizi Salaria Vallericca | 17 | - | - | - | - | 17 | - | - | - | - | - | - | - | | | - | 17 |
| IGI - Istituto Grandi Infrastrutture | 52 | - | - | - | - | 52 | - | - | - | - | - | - | - | | | - | 52 |
| Fondazione Filarmonica Arturo Toscanini | 5 | - | - | - | - | 5 | - | - | - | - | - | - | - | | | - | 5 |
| Fondazione Accademia Nazionale di S. Cecilia | 5 | - | - | - | - | 5 | - | - | - | - | - | - | - | | | - | 5 |
| **Total other companies** | **18,883** | **-** | **-** | **(1)** | **9,965** | **28,848** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | | | **377** | **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 2018 separate financial statements.

2. The administrative and accounting procedures used to formulate the separate financial statements at 31 December 2018 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**
***Chief Executive Officer***

Signed **Paolo Citterio**
***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**

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**Financial Statements as at December 31, 2018**

**Board of Auditors' Report to Shareholders' Meeting**

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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, 2018, 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, 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 June 5, 2018, 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, 2017, it was acknowledged that the Audit Firm KPMG in the Additional Report issued, pursuant to art. 11 of Regulation (EU) No. 537/14, drew the attention "*to events and circumstances which showed the existence of a significant uncertainty which may cast doubts on the Company's ability to continue to operate as a going concern and on the reasons why the same directors deemed appropriate to avail themselves of the going-concern assumption to draw up the individual financial statements and the consolidated financial statements as at December 31, 2017*".

During 2018, the Board of Auditors constantly monitored the Company's and the Group's global situation expressing, during the meetings with the Chief Executive Officer and the General Manager Administration and Finance and Executive in charge of drawing up corporate accounting documents, its concern for the more and more tense situation with the banking system and toward the shares which showed a capitalization much lower than book values.

Taking into account such consideration, it positively judged the equity strengthening operation resolved by the Board of Directors on May 15, 2018 and the consequent proposal of share capital increase by a maximum amount of Euro 300 million. Concurrently therewith, the draft pre-underwriting agreement between the Company and JPMorgan, a leading international financial institute, and the draft investment agreement between Astaldi and the Japanese company IHI Corporation ("IHI"), setting out the terms and conditions of the investment of the latter in the share capital of Astaldi, as well as certain mutual commitments as shareholders of Astaldi, were approved. The above was propaedeutical to the execution of a Partnership Agreement (the so-called Global Partnership Agreement) between Astaldi, IHI and a subsidiary of the latter.

IHI Corporation's acquisition of participating interests in the share capital of Astaldi S.p.A. Was made conditional to certain conditions precedent.

The shareholders' meeting held on June 28, 2018 approved, by large majority vote, the share capital increase operation, setting the deadline of December 31, 2019..

During the meeting of July 4, 2018, we asked for illustration of the measures implemented to cope with the severe financial crisis the Company was going through and we were informed, to such respect, about the progress of the "Investment Agreement" between Astaldi S.p.A. And the Japanese company IHI Corporation and about the agreements with the Banks referred to in the report and the Global Coordinator.

As already set forth, the Banks made IHI Corporation's acquisition of participating interests in the share capital of Astaldi S.p.A. conditional to certain conditions precedent which, if not fulfilled, would prevent the agreements (such as the disposal of the Third Bridge over the Bosporus in Turkey) from being entered into.

During the meeting held on July 16, 2018, we met the Company's Top Management to whom we asked to produce, with reference to the facts and events already illustrated to use during the meeting of July 4, 2018, a liquidity plan updated until the assumed date of the share capital increase, in order to monitor the financial position in the short term,

On such occasion, we have been illustrated the liquidity plan showing estimated cash inflows and outflows, until October 2018 at which date the resolved share capital increase operation was expected to take place.

The assumptions underlying the liquidity plan were supported by the fulfilment of the negotiations with the banks for the grant of two lines of credit.

The assumptions underlying the evaluations made by the Company, which have been illustrated to us, considered also the worse scenario of the banks' failure to grant one or both said lines of credit, with the consequent effects.

Said situation could have become even worse if the financial institutes had prevented the company from giving the guarantees, in relation to contracts already acquired, thus preventing the same from collecting the contract advances from the new contracts acquired in Italy and abroad.

In view of such circumstances, we asked the Top Management representatives attending the meeting to "*assess, also by availing of the support to be provided by the Company's advisors, all the alternative scenarios also to verify the best initiatives to be taken to protect the Company's and its creditors' assets*".

Moreover, during such meeting, we were informed that, with reference to the negotiations for the transfer of the Third Bridge over the Bosporus, in Turkey, the meeting for the execution of the Memorandum of Understanding setting forth all the main terms and conditions of the transfer, had been confirmed, so as to be able to sign a binding offer by mid-August.

The Chief Executive Officer, who was attending the meeting, informed us that the positive outcome of the negotiations with the banks was actually dependent upon the execution of said Memorandum.

In such circumstance, as well as in all Board of Directors' meetings called to examine the evolution of the situation, we asked to be constantly updated on the events illustrated by the Top Management, on which the future share capital increase operation was subject to.

During the Board of Auditors' meeting held on August 30, 2018, with reference to the information provided during the previous meetings and the information received during the Board of Directors' meetings held thereafter, we were informed by the Top Management that the assumptions previously illustrated had not evolved as the Company expected. The above with reference to both the assumptions relating to the banks and the transfer of the

Bridge over the Bosporus, due to the sudden crisis of the Turkish economy and the international tensions consequent thereto.

In such circumstance, considering that any short-term solution was highly unlikely, "we recommended the Company's Top Management to take prompt action, with the support of the Company's legal and financial advisors, to quickly have an opinion on the pros and cons of any alternative scenario which, at this stage, were to include initiatives like "the arrangement with creditors and/or the receivership, in order to check the best initiatives to be taken to protect the Company and its creditors. *Such analysis had to be obtained very quickly and had to be submitted to the Board of Directors at a meeting to be held in the very short term."*

During the meetings held in September 2018, we favourably acknowledged the Board of Directors' decision to confer powers to the Company's legal advisors, also on the basis of the recommendations made by the Board of Auditors to the Top Management "to take prompt action to assess the best initiatives to be taken to protect the Company, its creditors as well as all the stakeholders", to actually examine all the aspects connected with the start of a procedure of arrangement with creditors as a going concern.

Considering the above, in order to obtain the protection effects on the Company's assets in accordance with the laws and regulations applicable to protect all the stakeholders, and in order to safeguard the Company's operations and business continuity preserving the Company as a sound industrial entity, the Board of Directors assessed and resolved to file, on September 28, 2018, an application for arrangement with creditors "with reserve", pursuant to article 161(6) and 186-bis of R.D. No. 267 of March 16, 1942, the Italian Bankruptcy Law, before the Court of Rome, preliminary to the filing of a proposal of arrangement with creditors as a going concern pursuant to articles 160 and 186-bis of said Bankruptcy Law.

Consequently to the above, and as partial change in the calendar of corporate events, we acknowledged the Company's intention not to approve the Half-yearly financial report as at

June 30, 2018 within the scheduled date (September 28, 2018), deeming that such decision was advisable pending the evolution of the procedure of arrangement with creditors, without detriment to the information disclosure obligation under the applicable laws and regulations. In fact, to such respect, the Company stated that it would commit, also in such circumstances, to provide the market with information on a quarterly basis, as per CONCOB's request of May 15, 2018, pursuant to art. 114 of D.Lgs. No. 58/1998 (TUF). This regularly took place during the period by press releases issued by the Company, as referred to in paragraph 2.1 of this Report.

On October 17, 2018, the Court of Rome upheld the Company's application for arrangement with creditors pursuant to art. 161(6) of R.D. No. 267/1942 (the Italian Bankruptcy Law), setting December 16, 2018 as the deadline for the Company to file a final proposal of arrangement with creditors, thus appointing, in such circumstance, the Court Commissioners.

On December 14, 2018, we were made known that the Company filed a request for a sixty-day extension, with respect to the deadline fixed under the law, to file the final proposal, also in order to complete the more detailed examination activities under way and to better qualify the opportunities connected with the new scenarios which were taking shape in consideration of the negotiations with some potential industrial investors.

On December 18, 2018, the Court of Rome granted the time extension applied for by the Company, setting February 14, 2019 as the new deadline to file the proposal of arrangement with creditors.

## 1.1 Postponement of the deadline to approve the Financial Statements as at December 31, 2018

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, 2018.

In fact, it runs through the events having affected the Company during the last two years, focusing in particular on 2018, showing the effects of the filing, by the Company. of the Plan and the Proposal of Arrangement on February 14, 2019.

Following to the facts and events already set forth in 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 contained in its binding offer as initially submitted.

The above led 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 as at December 31, 2018, 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.

Following to said meeting with Consob, if the Company had been authorized by the same to postpone the approval of the financial statements for the period ended December 31, 2018, the information to be disclosed to the market under art. 114 of TUF would have been concurrently defined.

The Board of Auditors asked the Company to be promptly provided with up-to-date information on such assumption.

On April 8, 2019, considering the above and awaiting decision on the admissibility and approval of the Plan by the Court of Rome, the Board of Directors resolved to postpone the deadline to examine and approve the draft Financial Statements for the period ended December 31, 2018, with the intention to prepare and submit to the shareholders 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 2018.

**2. 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, in addition to the facts already set forth in the foregoing paragraph this Report, 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.

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, on October 17, 2018, 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.

The transactions and events of a significant importance having qualified the Group's activity during 2018 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 coming thereafter.

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 final definition of 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, taking all the actions - also with the Supervisory Body’s support - aimed at actually verifying any possible act in breach thereof.

### 2.1. Request of information pursuant to art. 114(1) of D.Lgs. 58/1998

In relation to the facts and events already set forth in paragraph 1 of this Report, the

Company, during 2018, received from Consob some requests for information pursuant to art. 11 of D.Lgs. 58/1998 (TUF).

More particularly, by the press releases of May 25, 2018 (supplementing the data already provided on the occasion of the quarterly report), of September 28, 2018 (with reference to the first half of the period), and of November 16, 2018 (with reference to the first three quarters of the period, Astaldi provided, also at Group level, a set of information as at : 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;

## 3. Board of Auditors' supervision of relevant and non-recurring transactions

Prior to filing the application for arrangement with creditors as a going concern, the Company continued to pursue, also during the first half of 2018, the equity and financial position strengthening plan, already made known to the public by press release dated November 14, 2017.

To such respect, we have been informed, by attending the relevant meetings, that the Shareholders, during the meeting held on June 28, 2018, resolved a share capital increase of Euro 300 million, within the framework of the financial operation aimed at strengthening Astaldi's equity and financial position in support of the growth and investment targets (the "Operation"), in order to continue to pursue the growth plan defined at Group level and illustrated in the 2018-2022 Strategic Plan approved by the Board of Directors.

This was necessary in order to take advantage of the best possible conditions within the framework of the global refinancing plan of its corporate medium- and long-term financial indebtedness, in order to postpone the main due dates and, consistently with the market conditions, reduce the relevant charges.

The share capital increase was serviceable to IHI’s acquisition of participating interests in the Company, according to the agreements reached between the parties and with the purpose of making the Group take advantage of the best possible conditions within the framework of the global refinancing of its long-term debt by postponing the due dates beyond 2022 and, subject to market conditions, reduce the cost of debt.

On such aspects and on the evolution thereof, the Board of Directors has been kept constantly updates by the Chairman and by the Chief Executive Officer, although everybody was well aware of the relevant uncertainties affecting the equity strengthening operation, further depending upon Group’s liquidity preconditions, which included also the transfer of assets and the actual possibility of positively defining such programme whithin a reasonably short term.

**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 2018, 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 2018, 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 adopted, on January 14, 2019, 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.

With reference to intragroup transactions, it is underlined that, during the Board of Auditors’ meeting of November 14, 2018, we have been informed by the Company’s Top Management - in order to ensure the safeguard of the business (of the creditors) - about the lease, to two newly incorporated Newcos wholly (100%) owned by Astaldi S.p.A., of the businesses relating to activities carried out in foreign countries, either directly or by Joint Operations formed with one or more foreign partners.

Thereafter, we have been informed that objections and complaints were received in connection therewith in many Countries involved, from both Employers and partners such that the Company - in agreement with the Court Commissioners - reconsidered said lease agreements, thus winding up said NewCos and causing the businesses to be attributed back to Astaldi S.p.A..

To such respect, during the period, we met company’s officers responsible for the monitoring of the activities and, namely, the Administrative Manager, the Project Manager and the expert having attested the Plan of Arrangement.

**5. Notifications as per Section 2408 of the Italian civil code, 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.

Pursuant to the provisions of art. 144-novies, § 1-ter of Consob Regulation No. 11971, we gave the Board of Directors notice of the outcome of such verification for the latter's considerations thereon, which shall give notice of the same to the Shareholders' Assembly through the Corporate Governance Report.

### 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 2018 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 on March 15, 2018, 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 2018, the Board of Auditors attended two meetings of the Appointments and Remuneration Committee, one of which was held jointly with the Related Parties Committee.

In connection with the main aspects examined by said Committee, reference is made to the contents of the “Corporate Governance and Shareholding Structure Report” relating to 2018, setting forth the decision - adopted by the Board of Directors in its meeting of November 12, 2018 - to suspend the payment of benefits according to the 2016-2018 Benefit Plan.

**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.

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 September 19, 2017 and the organizational communications issued in 2018, also concerning the administrative sector.

During the meeting of June 5, 2018, when the new Board of Auditors appointed for the three-year period 2018-2020 took office, the Administrative Department illustrated the organization model implemented by the Company in support of administrative activities.

**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 June 5, 2018 (after the appointment of the new Board of Auditors), on the activities under “Law No. 262/05” which led to the final definition and periodical revision of a system of administrative accounting procedures, for the activities at the Head-Office, in Italy and in foreign countries, included within the Company’s integrated management system.

Then, we were explained the operational methods to audit the effectiveness of the of internal controls relating to the financial disclosure process, which are carried out according to a half-yearly plan of testing activities.

The Board of Auditors was provided with up-to-date information, during the meetings held jointly with the Control and Risk Committee, the plan of audit activities to be carried out and the tests on controls carried out in 2018 by the operational structure which, pursuant to art. 154-bis(4) of T.U.F., operates in staff to the Executive in charge of drawing up corporate accounting documents.

We further verified that recommendations made were made on improvement aspects identified and that the recommendations made during previous testing activities (2017 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 2018 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, 2018.

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 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)
b) monitoring the process of financial disclosure and submit the recommendations or proposals aimed at ensuring its soundness, effectiveness and efficiency;
c) 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;
d) 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;
e) 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;
f) 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, 2018.

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., and NBI S.p.A.

To such respect, we have been informed about the slowdown in the activities connected with the sector of plants and installations since the equity investment NBI S.p.A. started its own procedure of arrangement with creditors as a going concern, filing the relevant application before the Court of Rome on November 5, 2018, in order to safeguard and preserve the Company’s assets, thus protecting the both the main stakeholders (shareholders, suppliers, banks) and the levels of employment.

As far as concerns the equity investment Astaldi Concessioni S.p.A., we have acknowledged that 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.

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.

**12. Supervision of the statutory audit of individual and consolidated financial statements**

We 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.

As expressly requested by the Board of Auditors, on the occasion of the definition of its calendar of activity for fiscal year 2018, 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 considered as advisable due to 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, as set forth in paragraph 1 of this Report.

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 informed the Board of Auditors about 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.

More particularly, consequently to the facts and events set forth in the premise of this Report, with specific reference to paragraphs 1 and 1.1, we received appropriate information from KPMG about the audit of the financial statements for the period ended December 31, 2018. To such respect, during the meeting of March 20, 2019, we were provided up-to-date information on the Audit Plan, and the explanation of the audit method adopted, the methods of assessment applied by the Group, highlighting substantial changes compared to the previous period which concerned the financial statements items relating to Works in progress (IFRS 15) and trade receivables (IFRS 19).

The Board of Auditors has also been informed by the Audit Firm about 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 2018 - after approval of 2017 financial statements - met the Audit Firm on June 5, 2018, September 14, 2018, November 14, 2018, 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 2018 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 | 1,366 |
| Certification services (connected with the audit of accounts) | 1,411 |
| Other services | 143 |
| **Total** | **2,920** |

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 5.15%.

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).

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.

During the meetings of the Controls and Risks Committee which we attended, we have received up-to-date information about 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, with reference to the activities carried out during the first half of 2018, during the meeting of July 10, 2019 while, with reference to the activities carried out as at December 31, 2018, during the meeting of June 4, 2020

By virtue of the facts and events set forht in the premise of this Report, with reference to the postponement of the date of the approval of the financial statements as at December 31, 2018, the impairment test procedure relating to year-end financial statements was officially approved by the Board of Directors during its meeting of June 11, 2020, prior to the approval of the draft 2018 financial statements, following to a preliminary examination activity carried out by the Control and Risks Committee, after hearing the Audit Firm’s opinion.

During 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 financial statements and the financial statements for the period ended December 31, 2018, 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.

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, 2018, 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, 2018 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 Firm 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 introduction 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 2018 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 January 18, February 5, March 5,  May 21 and July 19, 2018.

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, being provided with information about the re-scheduling of audit activities during the second half of 2018 (“Revised Plan”) after the Company's started the procedure of arrangement with creditors.

In such circumstance, the Control and Supervision Bodies underlined that, though the 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.

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 (2017 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.

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, during the second half of 2018, suffered a 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.

Moreover, we held joint meetings with the Control and Risks Committee and the of the Corporate Risk Management Department, in relation to the risk management system, analyzing the work plans and the outcome of the activities carried out by the same, in relation to ERM objectives and the main corporate risks, as identified and considered by the Top Management (Chief Executive Officer, General Managers), by the Country Managers and by the Project Managers and Head-Office Department Managers, as relevant with respect to the corporate business.

We also analyzed the Company's approach to the management of risk and the relevant flows of information toward the Board of Directors, the Control and Risk Committee, the Board of Auditors, as well as toward the other corporate offices, also with reference to the Internal Audit Department, thus focusing on the methods adopted to identify, manage and monitor risks.

To such respect, we acknowledged that, during the period, the Board of Directors re-examined and re-defined the nature and the risk level consistently with the Company's strategic targets, implementing the initiatives already finally defined in 2016 by the approval of the "Group's Risk Appetite Statement", in application of the recommendations set forth in application criterion 1.C.1(b) of the Self-Governance Code.

By the filing the application for arrangement with creditors during the second half of 2018, the "appetite levels" in force in connection with main categories of risks were re-assessed as requiring a future audit activity in order to make them consistent ith the newly defined corporate targets, after completion of the procedure of arrangement with creditors as a going concern.

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.

Still with reference to the internal control and risk management system, we report that, during 2018, 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.

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 2018, 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 September 19, 2018.

The Supervisory Body further reported its activity carried out in 2018 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 2018 Audit Plan approved.

Just like the internal control and risk management system, also the audit activities to all intents and purposes of D.Lgs. 231/01 included in the Audit Plan approved by the same Supervisory Body after the filing of the application for arrangement with creditors by the Company were re-scheduled during the second half of 2018.

Both detailed reports prepared by the Supervisory Body, showing the progress of the activities to be carried out during the first and second half of 2018, have been submitted to the Board of Auditors, for information purposes, in accordance with the provisions of the General Part of the Company's Organization, Management and Control Model as per D.Lgs. 231/2001.

We further acknowledged that the system adopted by the Company to comply with the provisions of D.Lgs. 231/01 was revised: 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, as an alternative to the Ethics Committee channel, and the operative procedure governing the IT system in support thereof was finally defined.

To such respect, 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 Reports, 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 revisions proposed to made to the system adopted by the Company to ensure compliance with the provisions of D.Lgs. 231/01 and about the outcome of the supervision activity carried out by SIA on the Supervisory Body's behalf.
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, by the Industrial Operations General Manager's office, through the Project's Health, Safety and Environment Manager and the Integrated Management, Organization and Sustainability Department Manager.
Such aspects have been discussed also during the periodical meetings with the Supervisory

Body, through the analysis of the outcome of audit activities carried out to all intents and purposes of the internal audit and compliance with D.Lgs. 231/01, by making reference to the relevant provisions of the laws, of the procedures and of the contracts 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 Corporate Manager of the Group’s Management, Organization and Sustainability Department, whom the Board of Auditors met on the occasion of the meeting held on February 22, 2018 and during the meetings of the Control and Risks Committee which the Board of Auditors is invited to attend (meetings of March 5 and of December 6, 2018)

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 2018.

**20. Consolidated Non-financial Statement - 2018 Sustainability Profile Document**

The Board of Directors of Astaldi approved the consolidated non-financial document - 2018 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, also by attending the meeting of the Control and Risks Committee, 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 2018, a total of 13 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 two Shareholders' Meetings and 24 meetings of the Board of Directors held in 2018, and 5 meetings of the Control and Risks Committee held in 2018.

Moreover, the Board of Auditors attended 1 meeting held jointly with the Supervisory Body on July 19, 2018, and 2 meetings of the Appointments and Remuneration Committee, one of which was held jointly with the Related Parties Committee on March 15, 2018) and 2 meetings held by the Related Parties Committee.

To such respect, the activity carried out by the Control and Risk Committee was reported by the same to the Board of Directors and is set out in the Annual Corporate Governance and Shareholding Structure Report.

Insofar as the activity carried out by the Supervisory Body is concerned, the same was reported 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. 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, 2018, 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