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

# Directors' report

Poland ● Lodz–Fabryczna Railway Station

# Contents

# Company bodies

## Board of directors

**Paolo Astaldi**, Chairman

**Ernesto Monti**[1], Deputy chairman

**Michele Valensise**, Deputy chairman

**Filippo Stinellis**, Chief executive officer

**Caterina Astaldi**, Director

**Paolo Cuccia**[2], Director

**Piero Gnudi**[2], Director

**Chiara Mancini**[2], Director

**Nicoletta Mincato**[2], Director

*Fabrizio Clemente, board secretary*

## Chief restructuring officer

**Paolo Amato,** Chief restructuring officer[3]

## Honorary chairman

**Vittorio Di Paola**, Honorary chairman[4]

[1] Independent as per Legislative decree no. 58/1998 as subsequently amended (the "Consolidated Finance Act").

[2]Independent as per the Consolidated Finance Act and the Code of Conduct

[3] On 31 May 2019, the parent's board of directors appointed Paolo Amato chief restructuring officer ("CRO") to supervise the general implementation of the composition plan, also to comply with the terms of the binding offer presented by Salini Impregilo S.p.A. (now WeBuild). As of that date, the CRO has attended all the meetings of the board of directors and board committees. The board of directors continues to have independent decision-making powers in compliance with the applicable laws and regulations, as well as the composition plan and proposal. More information is available in the "Composition with creditors on a going concern basis as per article 186-bis of the Bankruptcy Law - Composition with creditors proposal" section d.

[4] Vittorio Di Paolo resigned from his position as honorary chairman on 21 March 2019.

## Board of statutory auditors

**Giovanni Fiori**, Chairman

**Anna Rosa Adiutori**, Standing statutory auditor

**Lelio Fornabaio**, Standing statutory auditor

**Giulia De Martino**, Alternate statutory auditor

**Francesco Follina**, Alternate statutory auditor

**Gregorio Antonio Greco**, Alternate statutory auditor

## Independent auditors

**KPMG S.p.A.**

## Board committees

- **Control and risks committee**

  **Nicoletta Mincato**, Chairwoman

  **Paolo Cuccia**

  **Ernesto Monti**

- **Appointments and remuneration committee**

  **Piero Gnudi**, Chairman

  **Ernesto Monti**

  **Paolo Cuccia**

- **Related parties committee**

  **Chiara Mancini**, Chairwoman

  **Paolo Cuccia**

  **Nicoletta Mincato**

## General management[5]

**General management (at 1 January 2019)**

**Paolo Citterio**
GENERAL MANAGER
Administration and finance

**Mario Lanciani**
GENERAL MANAGER
Industrial services

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

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

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

**Francesco M. Rotundi**
GENERAL MANAGER
Americas

**General management (from 14 January 2019)**

**Paolo Citterio**
GENERAL MANAGER
Administration and finance

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

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

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

# Group profile

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

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

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

*Chart 1 – Key performance indicators[8]*

| STRONG TRACK RECORD | |
|---|---|
| TRANSPORT | **5,885+ km** of railways and metros<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 m³**<br>**24** healthcare facilities (9,923 beds)<br>**22** airports |

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

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

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

***

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

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

# Key events of the year

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

***

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

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

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

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

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

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

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

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

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

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

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

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

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

---

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

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

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

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

***

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

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

## Composition with creditors on a going concern basis

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Reasons for the financial difficulties

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[19] See the "Concessions" section.

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

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

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

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

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

## Composition with creditors proposal

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

*Scope of the composition with creditors proposal*

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

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

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

*Key dates for the implementation of the composition with creditors proposal*

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

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

*The composition plan's main characteristics*

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

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

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

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

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

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

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

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

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

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

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

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

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

*The capital increase*

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

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

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

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

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

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

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

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

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

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

*Webuild's binding offer*

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

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

*(a) Anti-dilutive warrants*

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

*(b) Lending bank warrants*

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

*(c) General provisions*

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

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

*(d) Terms of Webuild’s binding offer*

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

*Participating financial instruments*

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

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

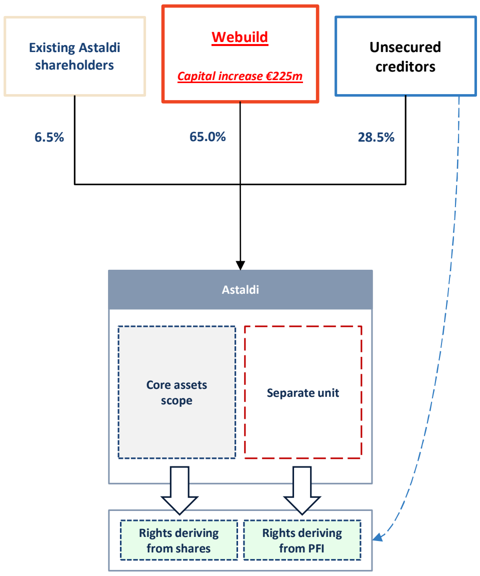
More information is available in the regulation of the participating financial instruments attached to the composition with creditors proposal available in the Investor Relations - Composition with Creditors section of the website www.astaldi.com.

*The separate unit*

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

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

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




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

The separate unit mainly comprises the following assets:

- most of the assets under concession, i.e.:
  - the shareholder loans and investments held directly by Astaldi in the operators *(i)* of the Gebze-Orhangazi-Izmir Motorway in Turkey, and *(ii)* the Etlik Integrated Health Campus in Ankara, Turkey;
  - the shareholder loans and investments held indirectly by Astaldi, via Astaldi Concessioni S.p.A., in the operators of *(i)* the Arturo Merino Benítez International Airport of Santiago, Chile, *(ii)* the West Metropolitan Hospital in Santiago, Chile, and *(iii)* the Etlik Integrated Health Campus mentioned above;
  - Astaldi's gross amount due from IC Içtas Inşaat Sanayi ve Ticaret A.Ş. for the sale of its 20% investment in Ica Ic Ictas Astaldi Ucuncu Bogaz Koprusun Ve Kuzey Marmana Otoyolu Yatirim Ve Isletme Anonim Sirketi (an SPE that holds the concession to build and operate the Third Bosphorus Bridge) and the related shareholder loan;
- amounts due from IFE (State Railways Institution) of Venezuela for the projects to build the Puerto Cabello-La Encrucijada, San Juan De Los Morros-San Fernando de Apure and Chaguaramas-Cabruta railway line sections (the "Venezuelan trade receivables");
- the building and appurtenance land in Via Giulio Vincenzo Bona 65, Rome, which houses the parent's current offices (the "Rome offices");
- 100% of Astaldi Concessioni S.p.A. after the completion of the partial demerger (described later).

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

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

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

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

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

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

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

*Financing to support the composition plan*

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

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

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

*The composition plan and the creditors*

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

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

***

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

## Financial agreements and contracts signed during the interim period

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

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

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

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

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

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

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

**€40 million loan agreement with illimity**

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

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

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

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

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

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

**Second issue**

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

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

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

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

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

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

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

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

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

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

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

As surety for the bonds:

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

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

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

**Bonding facility**

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

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

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

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

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

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

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

**RCF 200 commitment letter**

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

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

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

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

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

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

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

# Introduction

## Foreword

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

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

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

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

## Main changes in the consolidation scope

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

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

# The group’s financial position and performance

## Foreword

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

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

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

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

[27]Extraordinary government-sponsored lay-off scheme

# The group’s performance

RECLASSIFIED STATEMENT OF PROFIT OR LOSS
(€’000)

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

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

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

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

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

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

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

*Table 1 – Revenue by geographical segment*

(€m)

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

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

*Table 2 – Revenue by business segment*

(€m)

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

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

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

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

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

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

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

## Analysis of the group's financial position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (€'000)

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

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

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

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

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

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

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

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

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

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

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

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

# Analysis of the group's net financial debt

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

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

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

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

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

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

STATEMENT OF CASH FLOWS
(€'000)

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

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

**INVESTMENTS**

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

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

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

## The parent's performance

RECLASSIFIED STATEMENT OF PROFIT OR LOSS
(€'000)

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

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

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

## Analysis of the parent's financial position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (€'000)

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

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

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

## Analysis of the parent's net financial debt

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

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

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

## STATEMENT OF CASH FLOWS
(€'000)

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

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

### INVESTMENTS

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

# Order backlog

## Definition and structure

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

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

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

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

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

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

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

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

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

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

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

## New orders

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

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

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

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

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

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

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

# Construction

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

## Italy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

[37] European Regional Development Fund.

[38] ASL, local health authority.

## Europe

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

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

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

### ROMANIA

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

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

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

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

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

## POLAND

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

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

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

## SWEDEN

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

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

### TURKEY

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

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

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

## Americas

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

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

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

## CHILE

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

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

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

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

## USA

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

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

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

## CANADA

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

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

## PARAGUAY

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

# Africa

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

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

## ALGERIA

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

# Asia

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

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

## INDIA

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

# Operation & Maintenance

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

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

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

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

**GE.SAT | Four Tuscan hospitals – Italy**

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

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

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

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

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

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

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

# Concessions

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

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

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

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

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

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

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

## Progress on the asset disposal plan

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

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

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

***

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.

---

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

## Projects under operation

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

**SAT | Italy**
*Infrastructure*: Four Tuscan hospitals (Ospedale San Luca di Lucca, Ospedale San Jacopo di Pistoia, Ospedale Santo Stefano di Prato, Ospedale delle Apuane di Massa-Carrara)
*Project KPI:* 1,710 beds, 4,450 parking spaces over 200,000 square metres of surface area
*Operator:* SAT (Astaldi Group's investment: 1% at the date of preparation of this report)
The concession covers the project financing initiative for the construction and subsequent operation of four new hospitals in Tuscany, now all under operation. The buildings were constructed by Astaldi as a joint venture in a surface area of more than 200,000 square metres for a total of 1,710 beds, 51 operating rooms and 4,450 parking spaces. The concession term is 25 years and eight months (ending on 31 July 2033) and includes a period for the operation of the non-healthcare services (roughly 20 years) starting from when each hospital becomes operational. During 2018, operation activities continued at full spate in accordance with the existing agreements with the Tuscany Centre and Tuscany North West health offices. In 2019, the Astaldi Group finalised the sale of most of its investment in SAT while concurrently acquiring a majority stake in GE.SAT (O&M company).[52]

**METRO 5 | Italy**
*Infrastructure*: Line 5 of the Milan Metro, Garibaldi Station - Bignami and Garibaldi - San Siro sections
*Project KPI*: 13 km of metro line, 19 stations, maximum transportation capacity of 26,000 passengers/hour in either direction
*Operator*: Metro 5 (Astaldi Group's investment: 2%)

---

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

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

**CONSORCIO NUEVO PUDAHUEL | Chile**

*Infrastructure*: Arturo Merino Benìtez International Airport in Santiago, Chile

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

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

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

**OTOYOL | Turkey**

*Infrastructure*: Gebze–Orhangazi–Izmir Motorway

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

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

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

**ICA IC ICTAS ASTALDI | Turkey**

Infrastructure: Third Bosphorus Bridge and the Northern Marmara Highway

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

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

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

[53] The "Construction - Americas" section provides more information about the stage of construction.

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

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

## Projects under construction

**SPV LINEA M4 | Italy**

*Infrastructure*: Line 4 of the Milan metro

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

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

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

**ANKARA ETLIK HASTANESI | Turkey**

*Infrastructure*: Etlik Integrated Health Campus, Ankara

*Project KPI:* over 3,577 beds

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

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

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

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

**SOCIEDAD CONCESIONARIA METROPOLITANA DE SALUD | Chile**

*Infrastructure*: West Metropolitan Hospital in Santiago de Chile

*Project KPI*: 523 beds, 600 parking spaces

*Operator*: Sociedad Concesionaria Metropolitana de Salud ("SCMS") (Astaldi Concessioni's share: 51%)

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

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

# Risk management

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

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

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

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

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

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

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

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

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

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

# Main risks and uncertainties

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

## Going concern

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

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

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

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

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

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

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

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

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

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

Specifically, the composition with creditors proposal provides for:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. unsecured claims (not broken down by class), including preferential claims downgraded to unsecured as per article 160.2 of the Bankruptcy Law, will be satisfied within 120 days of the authorisation date via:

    a. new shares assigned to unsecured creditors at 12.493 new shares for each €100 of claim;

    b. participating financial instruments that give creditors the right to receive the net proceeds on the sale of the assets transferred to the separate unit, in the ratio of one participating financial instrument for each euro of their unsecured claim;

5. the tax and social security liabilities will be settled within one year from the authorisation of the composition with creditors application at the terms and conditions set out in the proposal to settle such tax and social security liabilities as per article 182-ter of the Bankruptcy Law. This provides for, in short: *(i)* the full payment of the secured tax/social security liabilities within 12 months from the authorisation date; *(ii)* the partial payment of any unsecured liabilities through the assignment of shares and participating financial instruments in the same ratio as that offered to the other unsecured creditors; *(iii)* the complete elimination of the potential tax liability arising on the tax assessment (currently pending before the Campania Regional Tax Commission), without prejudice to that set out in point 3 above;

6. the subordinated claims will not be satisfied during the period of the composition plan.

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

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

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

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

b. **<u>Conditions precedent of Webuild's binding offer</u>**:

*<u>i) Definitive authorisation of the composition with creditors procedure</u>* 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Risks related to Covid-19 (the Coronavirus)

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

## Significant contractual events

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Outlook

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

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

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

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

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

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

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

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

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

# Main group companies

## Astaldi Concessioni

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

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

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

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

## NBI

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

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

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

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

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

## Astaldi Construction Corporation

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

ACC is in charge of all of the group's projects in the US (see the "Construction - Americas" section).

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

# Reference scenario

## The reference scenario in Italy

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

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

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

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

*Table 5 – ANCE projections on investments in construction*

INVESTIMENTI IN COSTRUZIONI(*)

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

(*) Investimenti in costruzioni al netto dei costi per trasferimento di proprietà

(°) Stime Ance

Elaborazione Ance su dati Istat

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

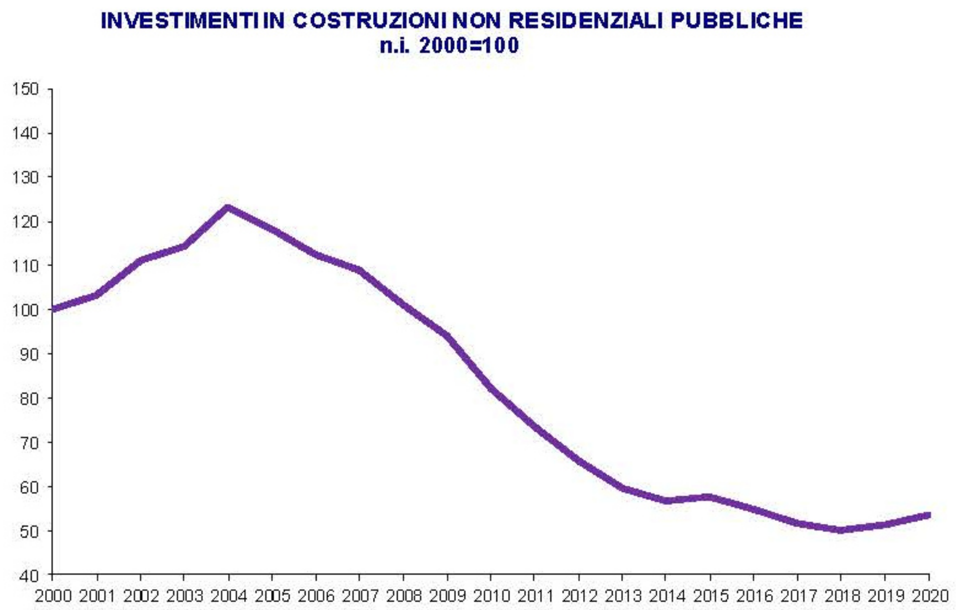
[62] Source: "Osservatorio Congiunturale sull'Industria delle Costruzioni – Gennaio 2020", by Direzione Affari Economici e Centro Studi ANCE.

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

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

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

*Graph 4 – Investments in public works*




*Source: “Osservatorio Congiunturale sull’Industria delle Construction – Gennaio 2020” by ANCE*

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

## The reference scenario in the group's other main areas

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

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

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

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

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

---

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

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

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

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

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

# Events after the reporting date

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

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

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

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

In full compliance with the agreements, the transaction entailed:

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

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

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

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

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

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

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

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

## The spread of Covid–19 (the Coronavirus)

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

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

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

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

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

The situation in Italy and abroad is summarised below.

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

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

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

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

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

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

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

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

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

## Additional significant events

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

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

[72] Engineering, Procurement and Construction.

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

# Human resources

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

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

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

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

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

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

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

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

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

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

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

## Trade union relations

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

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

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

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

## Training

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

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

# Organisation

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

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

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

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

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

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

# Sustainability

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

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

# Report on corporate governance and ownership structure

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

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

# Other information

## Research and development

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

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

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

## Treasury shares

No shares were sold or repurchased during the year.

## Parent shares held by subsidiaries

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

## Related party transactions

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

## Atypical and/or unusual transactions

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

## Financial instruments

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

## Resolutions about information memoranda for significant transactions

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

## Remuneration report

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

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

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

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

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

# Foreign non-EU subsidiaries

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

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

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

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

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

## List of foreign branches

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

| | |
|---|---|
| **Abu Dhabi**<br>TAMALLUK 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>Abashidze Str, 34, Tbilisi, Georgia<br>Cadastral code: 01 14 11 029/070 02/02/003 |

| | |
|---|---|
| **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 – Tegucigalpa |
| **India**<br>Unit No 7 level 2 Kalpataru Synergy Opposite Grand Hyatt Sanya Cruz East Mumbai 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 118256 | **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 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.

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

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

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

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

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

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

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

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

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

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

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

# Conclusions

Dear shareholders,

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

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

Filippo Stinellis
*Chief Executive Officer*

Paolo Citterio
*Manager in charge of financial reporting*